

Report to Parliament 1997–98

Australian Security Intelligence Organization
Canberra

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Office of the Director-General

24 September 1998

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 present to you the annual report on the Organization (ASIO) for the year ending 30 June 1998.

The distribution of this classified annual report is limited. I also present to you an unclassified version (shorter by about one third) for tabling in the Parliament.

Yours sincerely

A handwritten signature in black ink, reading "Dennis Richardson". The signature is written in a cursive, flowing style.

Dennis Richardson
Director-General of Security

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



Mr Dennis Richardson
Director-General of Security

Corporate overview

Major issues and outcomes in 1997-98

(Significantly abridged in the unclassified *Report to Parliament* because of security sensitivity.)

The security environment

The reporting period was characterised by a focus on enhancing capability and responding to a range of overseas and domestic situations and events with security implications. These included:

- a deterioration in the Middle East peace process
- a potential for domestically inspired politically motivated violence arising from issues such as race
- a possibility of politically motivated violence in response to the Iraq weapons inspection crisis
- continuing developments in technology
- the need to be ready for our role in the security of the Sydney 2000 Olympics.

Strategic response

Our strategic response centred on refining risk management processes and investing in capability, based on an analysis of security issues and trends expressed in a major security planning document. More than \$3.5 million was invested in the skills of ASIO's people, in assets and in technology.

Effort was directed to strengthening ASIO's strategic partnerships, particularly in the Australian intelligence community and with the New South Wales Police in the context of the Olympics.

Outcomes

ASIO investigations and advice contributed to reducing risks to people and property in Australia, particularly high office holders and visiting dignitaries, and risks to classified government business. We collected priority foreign intelligence in Australia and contributed to Olympics security preparation.

Outcomes were reported to government and relevant agencies, with reporting tailored to meet their specific interests. Our outcomes thus became inputs to their appreciation of the security environment and their decision-making on managing risks to Australia's security.

Reducing risk to people and property

We helped reduce risk to people and property by providing more than 600 threat assessments relating to the likelihood of politically motivated violence.

We also worked to diminish risk to people and property by building a clearer picture of the level of support here for overseas terrorist groups, as well as the extent of certain foreign government interest in Australia's ethnic communities—which can violate the rights of citizens or residents. We also gained a wider appreciation of the activities of some extreme nationalists.

Reducing risk to government business

We reduced the risk to sensitive government business from espionage and foreign interference by gaining a better understanding of the extent of foreign intelligence service interest in Australia and, where appropriate, taking steps to pre-empt or disrupt hostile activity.

Reducing risk to the Sydney 2000 Olympics

To reduce the risk to the Sydney 2000 Olympics, we developed a strategic plan for the management of Olympics security intelligence. A new Olympics coordination branch was created to devote full-time resourcing and commitment to the task of coordinating the various strands of ASIO's Olympics contribution.

Following government's endorsement of a new policy proposal for budget supplementation, we began to:

- recruit additional staff on contract
- strengthen information collection and analytical systems
- enhance our technical capability

and we provided a series of risk assessments to help Olympics security planners in relevant agencies and departments.

Capability enhancement

Major initiatives towards enhancing capability were:

- increased investment in staff, technology and other assets
- strengthened strategic linkages and partnerships with key clients, decision makers and other members of the Australian intelligence community.

Increased investment went into staff training and development, as part of the overall investment in capability. New courses were introduced in a range of areas.

On the basis of an evaluation in 1996–97 of ASIO's technical support capability for counter terrorism, we put a proposal to government to update the capability, taking into account developments in technology since its establishment. A technical upgrade program was approved and will be implemented in 1997–98 and 1999–2000.

New investment initiatives were put in place to enhance the stability of information technology systems, and the year 2000 date problem is being addressed.

Enhanced cooperation and partnership with other members of the Australian intelligence community was evident in joint operations, in shared training participation and secondments, and in other development projects.

Effort went into developing our liaison links with cooperating intelligence services, to enhance information exchanges on international terrorism and other possible threats, particularly to the Sydney 2000 Olympics.

Administration and planning

Workplace relations and workforce diversity moved forward with ASIO's fourth workplace agreement, signed in November 1997. Various administrative efficiencies are being introduced, including a review of ASIO's classification structure. Equal employment opportunity has been enhanced through 'family-friendly' leave arrangements.

During the review period we reached an agreement with the Office of National Assessments (ONA) that will see ONA move into our existing central office building in Canberra from October 1998. For ASIO, the arrangement enabled a refit of the building to commence, which will provide more modern and efficient working conditions for all staff.

Negotiations were also concluded with the Department of Foreign Affairs and Trade to allow the transfer to ASIO of the salary costs of our overseas liaison staff from 1998–99.

Work is well in hand towards finalising a new corporate plan to carry us forward to 2002, and embrace outcome–output reporting in an accrual accounting framework. Government's requirements for financial management reform across the public service, combined with our need to upgrade an outmoded system in preparation for the year 2000, led to the acquisition of a new financial management software system. ASIO is well placed in its progress towards full accrual budgeting and reporting capability.

Next year's priorities

Overseas liaison will be a particular focus, to reinforce existing relationships and develop new links. In September we will review priorities and develop strategic plans for managing liaison activity from then until the Olympics.

Locally, we will expand the liaison program begun last year with leaders of many of Australia's ethnic communities, with the continued aim of developing understanding of ASIO's Olympics role.

We will continue to focus on Olympics security with the establishment and trialling of the Federal Olympic Security Intelligence Centre (FOSIC), which will operate round-the-clock during the Games to provide security risk assessments to State and Commonwealth authorities.

It will be essential to complete year 2000 compliance measures, with all computerised systems tested and contingency and business recovery plans in place to ensure business continuity in the event of a critical system malfunction.

Investment in intelligence-gathering skills and technology as well as information technology will be a priority, aimed particularly at positioning us to support the Olympics and other major events. An increasing flow of new staff is expected, many of them on short-term Olympics-related contracts. Investment in training will continue to be a priority. And we will continue to emphasise the continuing development of strategic relationships with decision-makers, clients and partners, to ensure we can deliver what they need within their necessary timeframes.

Corporate governance

ASIO's corporate executive comprises the Director-General, Deputy Director-General and First Assistant Directors-General, with the President of the ASIO Staff Association attending as an observer. Various corporate committees report to this executive, covering information management, security intelligence coordination, human resource management, and audit and evaluation. These committees are structured so as to draw on the range of experience available within the Organization. Where appropriate, outside agencies also contribute—for example a senior executive officer from the Australian National Audit Office sits on ASIO's Audit and Evaluation Committee. The ASIO Consultative Council is the principal staff-management consultative forum.

Strategic planning

ASIO's strategic planning processes focus on identifying the Organization's longer term goals and developing strategies and outputs required to achieve planned outcomes. They also focus on the means by which the efficiency and effectiveness of input activities can be measured.

The process involves two principal planning documents: a security intelligence planning document and a corporate plan, which sit together at the apex of the planning hierarchy.

The strategic planning document identifies a continuing need for:

- rigorous priority-setting
- major investment to maintain and develop ASIO's capabilities
- strengthened collaboration within the Australian intelligence community and with the AFP and State police services and international liaison services.

These directions were pursued through a range of initiatives in the second half of the reporting period.

The corporate plan parallels and implements within ASIO the strategic directions identified in the planning document. Work started in early 1998 on the corporate plan for the period 1998–2002, to be completed by November 1998. The new corporate plan will adopt the government-endorsed outcomes and outputs framework based on accrual budgeting and financial management. Like its predecessor, the published plan will be available to the public in government information centres and major reference libraries.

Management restructure

As reported last year, a review of ASIO's management structure recommended adjustments to enhance the Organization's ability to operate within budget and to re-align management levels with a downsized organisation.

Adjustments were made in two phases. The first and most substantial came into effect on 1 September 1997, and involved a significant downsizing at the middle-management level combined with a restructuring of the branches (see Figure 1). Its primary aim was better service delivery and improved government liaison. The second will take effect on 1 July 1998 and involves the Organization moving from a four to a three division structure (see Figure 2).

ASIO's corporate governance arrangements and membership were also reviewed during the reporting period. The new arrangements, to take effect on 1 July 1998, widen the corporate executive by including a branch head on rotation, and alter the focus of the principal IT committee to information management (the overall outcome) rather than technology (the specific input).

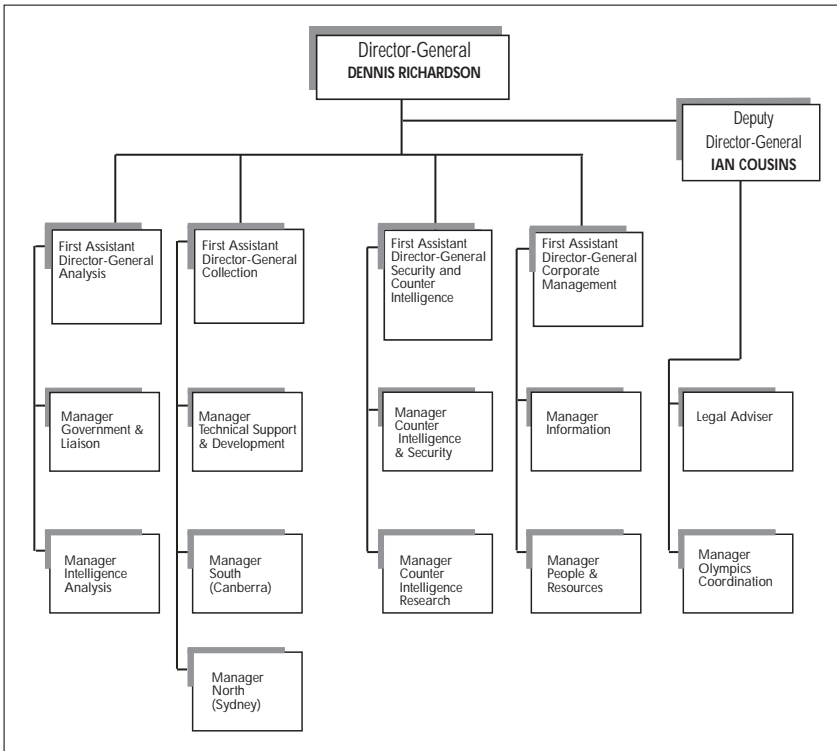
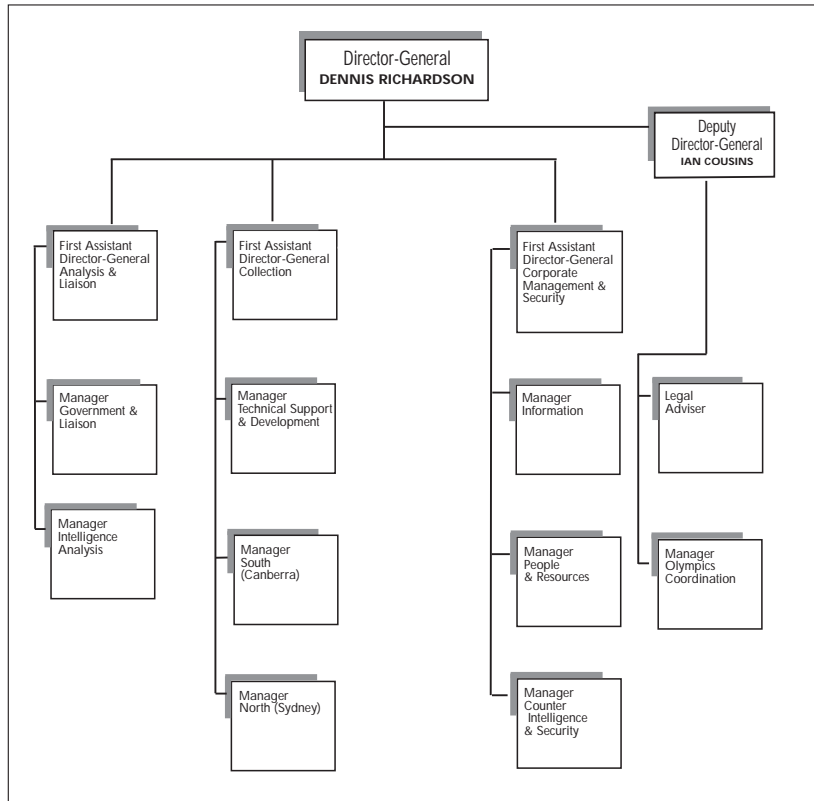


Figure 1:
Management structure from 1 September 1997 to 30 June 1998

Figure 2:
Management structure
from 1 July 1998



Financial management and reform

As a result of budget reductions in 1997–98, ASIO was further downsized. Voluntary retirements were offered, and accepted by 36 staff members.

A proportion of funds was quarantined for investment in staff, equipment and technical capability.

With a reduction in staff numbers, space became available in our central office building in Canberra. We were able to negotiate an agreement with the Office of National Assessments (ONA) that it would co-locate with us from October 1998. This ensures a cost effective use of our building while providing ONA with a high security and conveniently located office environment.

The impending move of ONA into the ASIO premises enabled a refit to provide a more efficient office environment. The refurbishment began in February 1998 for completion in October 1998.

During the latter half of the review period, we finalised negotiations with the Department of Foreign Affairs and Trade (DFAT) to pass to ASIO the salary funding for our overseas liaison staff. Under this new arrangement, DFAT will continue to provide general administration and support services, for which ASIO will pay a per capita premium, while staff salaries and allowances will be met from ASIO's budget. The extent of funding, service standards, obligations and expectations of each agency were ratified in a memorandum of understanding, effective from 1 July 1998.

The government's timetable for financial management reform requires that agencies achieve full accrual budget reporting in 1999–2000. During the review period, all managers and senior officers attended seminars on financial management reform. In 1998–99 all staff with financial responsibilities will be provided with full accrual budgeting training courses developed by the Department of Finance and Administration.

After evaluating six financial information management systems in the previous reporting period, Finance 1 was chosen as the preferred system and implementation began in the first half of 1998.

Finance 1 has replaced a system that was not capable of being upgraded to the year 2000 and beyond. It is a integrated suite of financial modules designed to provide effective management information, financial reporting and accounting processes. In addition to being year 2000 compliant, the new system will enable ASIO to meet all accrual accounting requirements.

Strategic linkages

During the reporting period the Director-General and corporate executive hosted a program of visits to ASIO by ministers and heads of various departments and agencies. The purpose was to communicate ASIO's role and priorities more directly and effectively to key decision-makers and clients. Included in the program were the Deputy Prime Minister; the Ministers for Foreign Affairs and Trade, Immigration and Multicultural Affairs, Justice, Sport and Tourism (and Olympics); and the Secretaries to the Departments of the Prime Minister and Cabinet, and Communications and the Arts.

Other members of the corporate executive also focused extensively on strategic linkages with other members of the intelligence and law enforcement communities, along with other key suppliers of information and recipients of ASIO intelligence. Developments in these strategic partnerships are described on page 56.

Evaluation

ASIO's evaluation program is carried out under the direction of the Organization's Audit and Evaluation Committee chaired by the Deputy Director-General. The aim of the program is to review the appropriateness, effectiveness and efficiency of ASIO's functions.

During 1997–98 the Audit and Evaluation Committee developed a three-year strategic evaluation plan with a focus on corporate issues impinging on future directions for ASIO. During the reporting period preliminary work began on two major evaluations due for completion in November 1998:

- *An evaluation of telecommunications interception* will examine both the efficiency of ASIO's telecommunications interception system and the value of its product generally to intelligence outcomes. The evaluation team is chaired by an external SES officer.
- *An evaluation of foreign intelligence collection* will review how well ASIO's foreign intelligence collection activity meets current and foreseeable requirements, in respect of activities under s.17.1(e) of the ASIO Act and for incidental foreign intelligence collection. The evaluation team includes officers from client agencies.

Y2K compliance

During 1997–98 ASIO prepared a strategy to address the potential effects of the year 2000 date problem on the Organization's information technology and other equipment containing an embedded date function. The aim of the strategy is to ensure ASIO will operate in an uninterrupted IT and business environment after 31 December 1999.

In February 1998 a year 2000 working group was formed to manage compliance activities, comprising representatives from all divisions and chaired by the head of Corporate Management and Security Division.

By the end of the reporting period all assets, systems and services potentially at risk from the year 2000 date problem had been identified. The working group, in consultation with business units, then began the task of identifying and prioritising critical business functions, systems and processes, and assessing the impact of their failure or malfunction. In particular, it addressed the potential impact on delivery of product and services to clients, security of information and assets, and occupational health and safety.

By the end of the review period, we had begun the assessment of year 2000 compliance advice received from vendors and suppliers of assets and services at risk. Next year the testing of at-risk assets and systems will begin, along with the development of contingency and business recovery plans to ensure business continuity in the event of a critical system malfunction.

Olympics contribution

ASIO's Olympics effort involves cross-program outputs:

- the Security Intelligence Program delivers security intelligence advice, together with threat assessments
- the Protective Security Program delivers security checking of certain categories of Games participants, staff and visitors, along with physical security advice and equipment testing
- the Counter Terrorism Support Program delivers a response capability in the event of a terrorist incident.

Functional areas manage their Olympics-related inputs as projects, using planning milestones to enable progress checking. (Pages 32 to 49 of this report contain reporting on specific program activities.) Progress is subject to on-going review by ASIO's corporate executive through the Olympics Steering Committee.

Phase one of ASIO's management restructure, implemented in September 1997, included the creation of an Olympics Coordination Branch. The branch manager works direct to the Deputy Director-General; the branch's role is to coordinate and oversight ASIO's various Olympics-related projects.

The branch also consults with other relevant Commonwealth and State bodies, including police services, and is the coordination point on Olympics intelligence matters for Commonwealth intelligence agencies. In this role it is responsible for the project plan which will establish the multi-agency Federal Olympic Security Intelligence Centre (FOSIC). The FOSIC will be managed by ASIO and staffed by agencies of the Australian intelligence community, the Australian Federal Police and the Protective Security Coordination Centre. Its role will be to coordinate the intelligence contributions of various national agencies and provide national security intelligence assessments to State and Commonwealth authorities. The FOSIC will operate round-the-clock during the period of the Games.

During 1997–98 ASIO began enhancing its preparedness to meet a range of credible security threats to the Games by:

- recruiting additional staff with specialised skills
- strengthening information collection and analytical systems
- monitoring changes in the security environment more broadly

- enhancing technology to improve the timeliness and efficiency of communication
- advancing cooperation with the NSW Police through an officer secondment program
- providing relevant agencies and departments with strategic security intelligence assessments to inform their Olympics security planning.

To draw on the experience of other countries that have planned for high-risk events, we posted an officer to Atlanta during the 1996 Summer Olympic Games and sent a delegate to Nagano as part of a security observation team during the 1998 Winter Olympics. ASIO officers also took part in a conference focusing on 'Security Issues in Hosting a Major Event', sponsored by New Zealand security authorities in the course of their preparations for hosting the Asia-Pacific Economic Conference in 1999.

In the reporting period we continued to liaise closely with other Commonwealth and State bodies involved in Olympics security. The major client and stakeholder is the NSW Police Service through its Olympic Security Command Centre, which has been vested with responsibility for operational security planning and coordination. ASIO is a permanent observer on the Olympic Security Working Committee, chaired by the NSW Police Commissioner and responsible for executive coordination of an integrated security operation for the Games. We have membership of several OSWC work groups including the Intelligence Work Group (IWG). The IWG developed the Olympic intelligence framework of which the FOSIC is a part.

Briefings on ASIO's Olympic security planning were provided to:

- the Minister Assisting the Prime Minister for the Sydney 2000 Games, the Hon. Andrew Thomson, MP
- a security team from the International Olympic Committee
- the heads of Australian intelligence agencies
- the National Intelligence Collection Requirements Committee
- the Standing Advisory Committee on Commonwealth-State Cooperation for Protection Against Violence (SAC-PAV)
- Commissioner Palmer of the Australian Federal Police and his management team
- NSW Police Deputy Commissioner Jeff Jarratt and members of his staff.

International Olympic Committee security experts, Mr Santiago de Sicart (middle) and Mr Ashwini Kumar (right) with ASIO's Deputy Director-General Ian Cousins, on a visit to ASIO's security equipment test site in October 1997.



In June 1997, the Australian National Audit Office (ANAO) began a performance audit of Olympic security planning that covered a number of Commonwealth agencies, including ASIO. The Organization welcomed the audit as an independent evaluation which would enable improvements to be introduced in the early stages of planning.

The audit report was formally released in August 1998, identifying a number of key issues. ASIO accepted all the recommendations relevant to its responsibilities, and action is in hand on various elements, some specific to ASIO, others with wider implications. Planned outcomes include:

- a succession plan for meeting peak staffing demands and replacing key officers at critical times
- appropriate use of open sources as an intelligence collection resource for Games security
- an upgrade of national technical surveillance capability as required by a PSCC-initiated SAC-PAV review
- greater interaction between ASIO and the Australian Bureau of Criminal Intelligence for mutual benefit.

Up to 30% of ASIO's Olympics-related costs are absorbed in normal program budgets. Supplementation of \$0.5 million was received to cover additional activity in 1997-98, and an additional \$4.3 million was provided to ASIO for the 1998-99 financial year.

Workplace management

New management structure

The new management structure introduced in September 1997 (see page 7) created uncertainty for staff, and particularly for Senior Officers who faced the prospect of redundancy. Further uncertainty arose from the general offer of voluntary redundancy made to all staff. Considerable effort went into communicating the need for the smaller management structure and the procedures that would be followed in placing people within it.

Due process included appropriate consultation with the ASIO Staff Association; and the inclusion of a representative of the government's Merit Protection and Review Agency on the committee that assessed all Senior Officers for placement in the new structure.

By 1 September 1997 (on target) managers were in their new positions, most staff were in their new work groups and attention shifted to settling in the new arrangements and new work teams. By December 1997 all branch managers had held 'time outs' with their staff, focusing on the new identity, business goals and working relationships.

The new management structure reduced Senior Officer numbers from 112 to 90, a 20% reduction.

Workplace relations

ASIO's primary forum for consultation and negotiation between ASIO's staff and management on employment matters is the ASIO Consultative Council (ACC). The council recommends agreed changes to terms and conditions of employment 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 ACC activity centred on negotiating initiatives to be implemented under ASIO's fourth workplace agreement, signed in November 1997. Of the 64% of staff who voted, 76% supported the agreement which will deliver several benefits to staff, including a staged overall payrise of 4.5% and more flexible leave arrangements.

Efficiencies should flow to ASIO from a range of initiatives, including:

- removal of appeal rights from all previously appealable promotion and transfer decisions

- development of a streamlined, principles-based determination of terms and conditions of service, and consolidation of all terms and conditions references into a single document
- further simplification of leave provisions and streamlining of leave and allowance processing
- a widening of the team-based approach to work organisation
- a review of ASIO's classification structure
- a review of staff mobility.

Flexible leave arrangements and the abolition of appeals were put in place during the reporting period. Implementation of the remaining reviews and reforms will continue through 1998.

A third staff attitudes survey was conducted in the latter part of the reporting period. The results were available in late June and will be considered for action to be taken in 1998–99.

EEO and workplace diversity

In 1997–98 the head of Corporate Management Division had responsibility for the corporate strategies ensuring equal employment opportunity (EEO) was addressed within the broader human resource management context. The overall aim was to increase the diversity of ASIO's workforce, particularly through greater representation at all levels of the four designated target groups (women, people from non-English speaking backgrounds, Aboriginal people and Torres Strait Islanders, and people with disabilities).

Under ASIO's fourth workplace bargaining agreement two 'family-friendly' leave initiatives were implemented during the review period:

'Purchased leave' gives staff the option of purchasing up to four weeks additional recreational leave. A cross section of staff, both men and women, took advantage of this, mostly to help them balance home and workplace commitments.

Several leave types were consolidated into 'personal leave', giving staff access to four weeks leave on full pay to cover sickness, caring for family members and emergency situations.

Another advance was made by building the collection and recording of EEO data into the beginning of the recruitment process. This should highlight

whether applicants from the four EEO-designated target groups have a higher-than-expected drop-out rate and lead to identification of any possible bias in the process.

A review of ASIO's EEO program concluded that there had been progress towards achieving its objectives. For instance, the removal of a 'nationality hierarchy' in the recruitment process has resulted in an increase in non-English speaking background (NESB) representation, especially at the Generalist Intelligence Officer classification. However, there is still some way to go towards reaching the targets set for representation of staff in the designated groups. (See Appendix B for details.)

Following research on how women's networking in ASIO might be enhanced, steps were taken to establish a formal network. This initiative was reinforced by the attendance of several women and EEO contact officers at a conference on 'making the new APS work for women', conducted by women's networks in the Department of Primary Industry and Energy and the Public Service Merit and Protection Commission (PSMPC) in June 1998. At the end of the review period work was in hand to develop an agenda of activities for the next twelve months.

EEO contact officers and managers from ASIO attended the PSMPC biennial 'Workplace Diversity Innovation and Performance Conference' in February 1998. This was followed by an in-house workshop focusing on workplace harassment and a range of issues raised by contact officers. A framework was devised for a workplace diversity program.

Occupational health and safety (OH&S)

A review of ASIO's OH&S agreement during the reporting period resulted in recommendations for some minor changes, to ensure consistency with organisational, legislative and other changes which have occurred.

The agreement emphasises the importance of training officers with supervisory responsibilities in OH&S awareness and legislation. During the reporting period more than 90% of line managers and supervisors undertook a training program aimed at increasing their awareness of the intrinsic links between duty-of-care, preventive mechanisms, staff motivation and workplace productivity.

Thirteen additional rehabilitation case managers were selected and trained, with a view to providing a good match between them and staff undertaking rehabilitation return-to-work programs.

Quarterly inspections were undertaken by H&S representatives, who then highlighted health and safety issues to division heads. This new practice resulted in resolution of several problems in a satisfactory timeframe.

Guidelines were introduced incorporating codes of practice for managing staff applying to Manual Handling, Hazardous Substances, Occupational Overuse Syndrome, Stress, First Aid, and Eyesight Testing.

Table 1 shows the incidence of accidents during the reporting period reportable under s.68 of the *Occupational Health and Safety Act (Commonwealth Employment) 1991*.

Table 1:
Reportable accidents, 1995-96 to 1997-98

Nature of accident	Notifications		
	1995-96	1996-97	1997-98
Accidents resulting in death	Nil	Nil	Nil
Accidents causing serious personal injury	Nil	Nil	Nil
Accidents causing incapacity of 5 or more days	6	4	5
Dangerous occurrences not resulting in death, serious personal injury or incapacity	1	1	Nil

Where appropriate, remedial action was taken in regard to the accidents causing incapacity:

- After a fall by an officer who sustained back, ankle and neck injuries, non-slip strips were replaced on the steps in an internal stairwell.
- An officer who experienced lower back pain from climbing stairs which were the only access to the officer's work area was relocated to another work area.
- After an officer fractured a wrist in a fall, loose telephone cords were temporarily taped down. The area was later refurbished and the hazard removed.

The other two accidents were unavoidable: a twisted back caused by a fall in the car park, and strained leg muscles suffered in work-supported lunchtime sport.

External and internal scrutiny

A range of mechanisms exist to ensure that ASIO conducts its business in accordance with relevant legislation, guidelines and regulations.

Reporting to government and Parliament

ASIO's primary line of accountability is to its Minister, the Attorney-General. During the review period, the Attorney-General was provided with 95 briefing papers and submissions informing him of significant security and ASIO-related issues. In addition the Minister approves all warrant operations.

Reports and submissions on significant issues are 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 relevant agencies. Its membership comprises the Secretaries of the Departments of the Prime Minister and Cabinet, Foreign Affairs and Trade, Defence, the Treasury, and the Attorney-General's Department, along with the Chief of the Defence Forces and the Director-General of the Office of National Assessments.

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 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 Reference and Legislation Committee. In the reporting period the Deputy Director-General, Ian Cousins, appeared before the committee at a Budget Estimates hearing on 2 June 1998.

Tabled reports concerning ASIO

Four reports containing comments on ASIO were tabled in the Parliament during 1997–98:

- ASIO's own *Report to Parliament 1996–97*, tabled in Parliament on 2 December 1997.
- The Auditor-General's Audit Report No 22 of 1996–97, *Audits of the Financial Statements of Commonwealth Entities for 1996-97*, tabled on 4 December 1997. This report 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 'an audit opinion was unable to be formed on the receipt and expenditure of moneys or the assets and liabilities related to the "exempt accounts". . . . (See page 24 for an explanation of ASIO's audit provisions.)

- The Auditor-General's Audit Report No 31 of 1996–97, *Aggregate Financial Statement prepared by the Minister for Finance and Administration*, tabled on 20 January 1998. This report included the certificate signed by the Attorney-General under subsection 70D(5) of the *Audit Act 1901* applying to the audit of ASIO's 1996-97 financial statements.
- *Inspector-General of Intelligence and Security Annual Report 1996–97*, tabled on 22 October 1997 (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 in respect of ASIO is to ensure the Organization acts legally and with propriety, complies with ministerial guidelines and directives, and acts with due regard for human rights.

The current IGIS is Mr Bill Blick, who took over from Mr Ron McLeod in March 1998. In the weeks following his appointment, Mr Blick visited ASIO offices in Canberra and Sydney and was provided with a series of briefings on the Organization's activities and procedures.

*Mr Bill Blick,
Inspector-General
of Intelligence and
Security since
March 1998.*



The IGIS reports separately to Parliament. In his 1996–97 report the then IGIS (Mr McLeod) commented that ASIO, as the security body which historically has raised the greatest concerns in the minds of some sections of the community, has progressively adopted a more open policy in dealing with citizens and in publicly explaining its role. Its annual reports to the Parliament have become more comprehensive and now give a better insight into its activities than was previously the case.

He also reported a noticeable improvement in staff management policies and processes in ASIO over the last ten years. ASIO had experienced a range of difficulties with the handling of staff grievances in the late 1980s and early 1990s, a number of which were the source of complaints to his office. As a consequence, ASIO had introduced improved grievance handling machinery and processes.

Mr McLeod reported that, from a systematic review of current and recently expired warrant operation files conducted in 1996–97, he had found that:

- ASIO's records had been kept in very good order
- all key accountability requirements had been met
- current systems appeared generally to be working well.

He also reported meeting with the Queensland, New South Wales, South Australia and Western Australian police commissioners as part of an on-going program of reviewing ASIO's relationships with the various State police services. In each case he was assured that the relationship with ASIO was considered to be valuable and working satisfactorily.

In 1996–97, the IGIS office received 15 complaints about ASIO (compared with 20 in 1995–96). Mr McLeod noted that a few of the cases examined exposed some deficiencies in the manner in which ASIO had dealt with particular matters. However, ASIO had responded positively to his recommendations and had his confidence as a body keen to learn from past experiences and ready to introduce necessary corrective action. (See also page 22.)

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 be used only under the authority of an Attorney-General's warrant. Only the Director-General can seek a warrant and the warrant must be accompanied

by a written statement specifying the facts and other grounds on the basis of which the Director-General considers it necessary to conduct an intrusive investigation.

Before consideration by the Attorney-General, the warrants and the 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.

During the reporting period all of ASIO's warrant requests were approved by the Attorney.

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

Table 2 (excluded from the unclassified Report to Parliament) shows the number of warrants issued for collecting security intelligence (as distinct from foreign intelligence) in the reporting period compared with previous years. Warrant renewals are counted as new warrants in this table. This is a change from previous years, when a similar table reflected 'the number of people or premises against which warrants were issued under the Security Intelligence Program', rather than the total number of warrants issued under the program.

During the reporting period the former Inspector-General of Intelligence and Security (see page 20) continued to examine the:

- processes applied in the execution and management of warrants authorised for security intelligence and foreign intelligence purposes
- appropriateness and relevance of the information recorded
- appropriateness of any further communication of that information outside ASIO.

In his 1996–97 annual report, the then IGIS stated:

In the course of these visits I carried out inspections of the records covering warrant operations and the registers and files which contain 'Authorities to Investigate'. I did not detect any discrepancies or omissions which gave me any real cause for concern. I made some suggestions on records management practices which are being adopted by the Organization.

The current IGIS has continued the practice of examining ASIO's warrants.

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 as at 30 June 1998 was:

- Mr David Jull, MHR (Fadden, Lib)—Presiding Member
- Senator John Alexander (Sandy) Macdonald (NSW, NP)
- Senator David MacGibbon (Qld, Lib)
- Senator the Hon. Robert Ray (Vic, ALP)
- Mr Noel Hicks, MHR (Riverina, NP)
- Mr Stewart McArthur, MHR (Corangamite, Lib)
- Mr Robert (Bob) Sercombe, MHR (Maribyrnong, ALP)

During the reporting period, Mr Jull replaced Mr Alexander Somlyay on the committee and took over from Senator MacGibbon as Presiding Member. Mr Stewart McArthur replaced Mr Paul Zammit.

In 1997–98, the PJC received ASIO briefings on:

- its revised management structure
- procedures for handling information on Australian citizens
- ASIO's Olympics role
- ASIO's 1998-99 budget
- Archives Act provisions relating to ASIO.

No matters were referred to the PJC for inquiry during 1997–98.

Decisions by courts and tribunals

Permanent Australian residents 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 41)
- claims by ASIO that certain information contained in records more than 30 years old should be exempted from release by National Archives of Australia under the Archives Act (see page 28).

Security assessment appeals

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. One appeal to the tribunal was made and heard during 1997–98, regarding an adverse security assessment. The tribunal handed down its decision in July 1998, upholding ASIO's assessment.

Records access appeals

In the case of ASIO records sought from National Archives of Australia 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 1997–98 an appeal from the previous reporting period was finalised, with some additional material being released after discussion with the applicant. The exemptions sought by ASIO for the remaining material were upheld.

Audit and fraud control

ASIO's accounts

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 activities.

Until the end of 1997, section 70D of the *Audit Act 1901* exempted these sensitive accounts from inspection by the Auditor-General, to prevent disclosure of details that might prejudice intelligence-gathering operations. The exempt accounts were, however, audited by an officer from the Australian National Audit Office (ANAO) seconded to the Organization as internal auditor with responsibility for oversight of all aspects of ASIO's financial administration.

During the reporting period, the Audit Act was repealed and replaced by a package of four Acts designed to modernise controls on Commonwealth finances and over business owned or operated by the Commonwealth. These came into effect on 1 January 1998. Transitional arrangements, including audit of the exempt accounts by an internal auditor, were to continue the effect of

section 70D until regulations under the replacement legislation come into operation.

The arrangement whereby an officer from ANAO was seconded to ASIO as internal auditor ceased during the reporting period due to resource pressures within the ANAO. A former ANAO Senior Officer was recruited on contract as internal auditor.

Internal audit

ASIO's internal audit and evaluation programs operate under the direction of its Audit and Evaluation Committee (AEC) which includes an SES officer from the ANAO as an observer. Internal audit reviews were undertaken in 1996–97 in accordance with an annual audit work program approved by the AEC.

Significant were:

- an examination of key financial and accounting controls
- a review of asset management procedures
- an examination of action taken or proposed to ensure year 2000 compliance (see page 10)
- a review of cost recovery procedures
- a review of controls over the non-business use of telephones—office and mobiles.

The reviews revealed some shortcomings, primarily of a procedural nature, which are being rectified. No loss of moneys or assets were found.

Fraud control

ASIO's policy on instances involving loss to the Commonwealth is encompassed in its fraud control plan. During the reporting period ASIO refined this plan, which operates separately from internal security and counter intelligence arrangements.

The plan sets out arrangements for referring fraud cases to the Australian Federal Police (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.

In the latter part of the review period a fraud assessment survey was developed to canvass all staff in the first half of 1998–99. No cases of loss to the Commonwealth were referred to the AFP for investigation during the reporting period.

Staff appeal mechanisms

In the first half of the reporting period 16 appealable promotions or transfers were made. No appeals were lodged with ASIO's Promotion and Transfer Appeal Committee. The committee's chair was Mr Stuart Magee, a former member of the APS Merit Protection and Review Commission. The provision for staff appeals against promotion and transfer was abolished under the fourth workplace bargaining agreement with effect from 1 January 1998.

Mr Magee's services were retained as chair of ASIO's Redeployment and Redundancy Appeal Committee. No appeals were lodged with this committee.

Mr Norman Atwood, AO, formerly Deputy Secretary to the Department of Defence and a current member of the AAT, continued to chair 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 1997-98 no grievances were lodged, either with the committee or for resolution through the internal grievance procedures.

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

ASIO's public interfaces

ASIO must keep its interests, working methods and sources of information out of the public domain, if it is to remain effective. Even so, we recognise the need for public confidence in ASIO and the conduct of its officers. We therefore take steps to provide members of the public with non-sensitive information about our role and activities, as well as access to ASIO records under the provisions of the *Archives Act 1983*.

Media policy

In response to media allegations and questions, ASIO has a general policy of 'neither confirm nor deny'. In some circumstances, however, the Attorney-General (or the Director-General with the Minister's agreement) may decide to issue a statement of denial or clarification to the media, where it is in the interests of promoting public confidence in the legality, propriety and effectiveness of ASIO's conduct and management.

Public inquiries

Members of the public, as well as media representatives, can call ASIO's public liaison number and request information about the Organization. As well as the publicly available annual Report to Parliament, ASIO publishes a small range of brochures and pamphlets.

In 1997–98 ASIO received some 400 items of unsolicited correspondence, including letters, tapes and other items, from members of the public. Correspondents largely were of two sorts: those with information they believed would be useful to ASIO, and those with a complaint that ASIO had interfered in some way with their well-being.

Each item was examined and appropriate action taken. Many letters stemmed from misconceptions about ASIO's role and powers. In some cases the writer was sent a brochure or leaflet about ASIO. In other cases, complainants were advised to express their concerns to the Office of the Inspector-General of Intelligence and Security. If appropriate, a writer's wish to discuss a security matter with an ASIO representative was followed up.

Contact between ASIO officers and the public

During the reporting period at least one case was covered in the media involving a member of the public claiming to work for ASIO. In reports of a

murder trial in Queensland's Supreme Court, it was noted that the accused had at various times claimed to be 'an ASIO operative'. Other media stories in recent years have described similar cases of people using a purported ASIO connection, evidently to lend them credibility while pursuing a range of improper or criminal activities.

Bona fide ASIO officers operate within a strict code of behaviour at all times, and particularly when seeking to interview members of the public. The protocol followed is to declare the ASIO affiliation and show proof of identity. If concerned, the prospective interviewee may telephone an ASIO office to confirm the identity of the officer. At all times the interviewee may terminate the discussion without fear of coercion or other inappropriate behaviour from the officer. There is recourse to complain to the Organization or to the Inspector-General of Intelligence and Security if concerns arise about the behaviour of an ASIO officer.

Members of the public should view with suspicion any approaches from people purporting to be ASIO officers or 'operatives' whose behaviour seems inappropriate in any way. If the concerns are serious, they should be reported to the police.

Public access to ASIO's records

Researchers and other members of the public can apply to National Archives of Australia (NAA) for access to ASIO archival records that are at least 30 years old. In meeting its obligations under the *Archives Act 1983*, ASIO provides members of the public with access to the records while at the same time protecting the national interest by withholding items of security sensitivity.

In December 1997 the Director-General met with the Advisory Council on Australian Archives and discussed the policy objectives of access and protection. ASIO also provided a submission to the Australian Law Reform Commission's review of the Archives Act, and contributed to the Australian intelligence community response.

The nature of security intelligence records means that every ASIO folio (sheet) sought from NAA by the public must be individually examined to identify those containing sensitive information. Exemption from releasing material is sought if it would, or could reasonably be expected to:

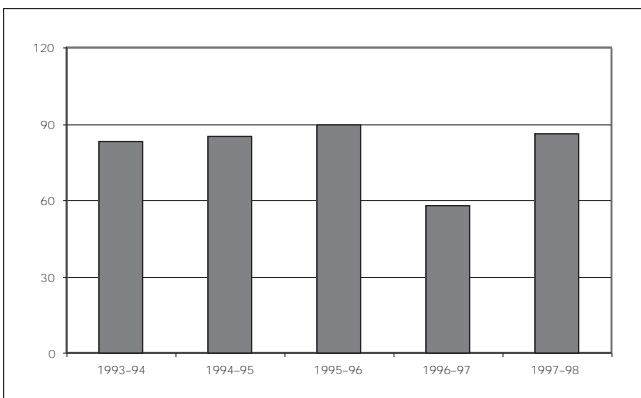
- reveal modus operandi
- prejudice current operations

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

The examination process is rigorous, to ensure that material is withheld only on these criteria.

During the reporting period we received 166 requests, covering 375 different subjects, reflecting the high level of public interest in ASIO's activities during the 1940s, '50s and '60s. Of the requests due for completion this year, 86% were finalised within 90 days. Of the 17 474 individual folios that were assessed during the year, 76% were released either in whole or in part. A backlog carried forward from previous years was reduced by 27%.

Figure 3 shows the performance in the last five review periods. As reported last year, staffing difficulties in the first half of 1996–97 caused a hiatus which was followed by a recovery in early 1997, sustained in the present reporting period.



*Figure 3:
Percentage of
archival access
requests satisfied
within 90 days,
1993-94 to
1997-98*

Highest priority continued to be given to requests from people seeking records relating to themselves or their immediate family. Next 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.

Public appeal mechanisms

An applicant who is dissatisfied with the release exemptions claimed by ASIO can request an 'internal reconsideration' of the initial decision. During the year 17 internal reconsiderations were completed, leaving a backlog of 19. Some resulted in substantial additional releases, while others resulted in minor or no change.

If an internal reconsideration upholds release exemptions, applicants may appeal to the Administrative Appeals Tribunal. As reported elsewhere (page 24), an appeal from the previous reporting period was finalised during 1997-98, with some additional material being released after discussion with the applicant. The exemptions sought by ASIO for the remaining material were upheld by the tribunal. The same applicant lodged another appeal during the reporting period which is scheduled for hearing in November 1998.

Program reports

Overview

ASIO is a subprogram (6.8) of the Attorney-General's portfolio program structure. However, for internal management purposes, program terminology is used. Thus ASIO's inputs and outputs are managed through an executive support program and four delivery programs:

Security Intelligence Program—which obtains, correlates and evaluates intelligence relevant to security, and communicates this as advice to government, clients and partner agencies

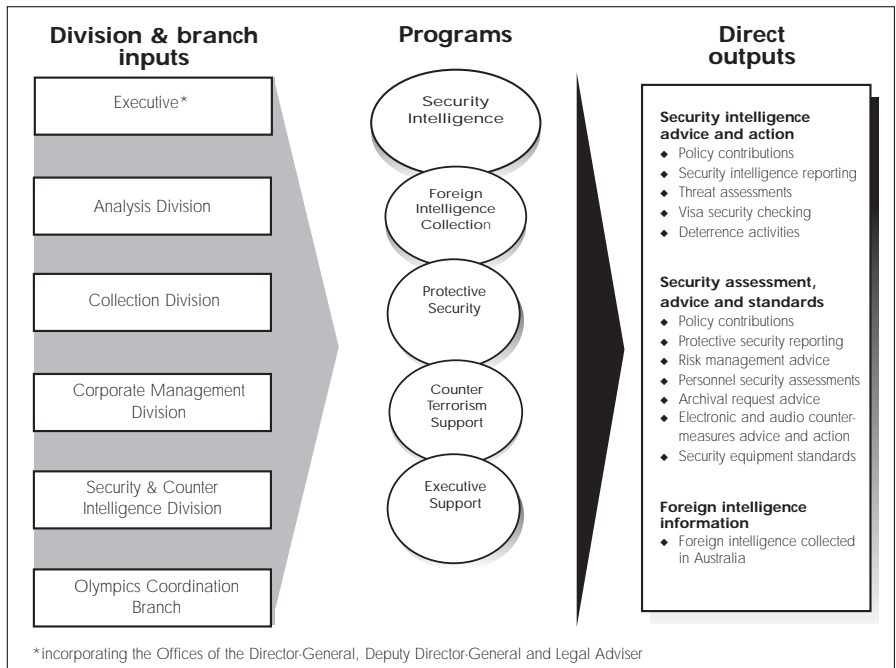
Protective Security Program—which advises ministers and government authorities on security risks and how to manage them

Foreign Intelligence Collection Program—which obtains foreign intelligence within Australia on behalf of Australia's foreign intelligence collection agencies

Counter Terrorism Support Program—which contributes to the national counter terrorism response capability.

Figure 4 shows the relationship between ASIO's structure, delivery and support programs, and corporate outputs. Details of expenditure are excluded from the unclassified *Report to Parliament*.

Figure 4:
Relationship
between ASIO's
inputs and outputs
in 1997-98



The outputs of the delivery programs, and where possible an indication of wider outcomes, are reported in the following pages. Corporate support activities, which financially are attributed proportionately to the programs making use of them, are discussed afterwards under the broad heading of 'Capability Inputs'.

Table 3 summarises ASIO's financial and staffing resources used in 1997–98. Tables 14 and 15 in Appendix A show further detail.

	Actual 1996-97 \$('000)	Budget & AEs* 1997-98 \$('000)	Actual 1997-98 \$('000)
BUDGETARY (CASH) BASIS			
Components of appropriations			
Running costs (RC)	54 001	70 433	53 461
Other program costs (excl. RC)	–	–	–
Total	54 001	70 433	53 461
Less adjustments	1 435	1 032	1 532
Total outlays	52 566	69 401	51 929
Total revenue	–	–	–
ACCRUAL BASIS			
Net cost of service delivery	58 700	na	56 871
Other program costs (excl. service delivery)	–	–	–
Total costs	58 700	na	56 871
Program revenues	–	–	–
STAFFING			
Staff years (actual)	537	496	488

Table 3:
Financial and
staffing
resources
summary

*AEs = additional estimates

Evaluating delivery performance

ASIO is primarily an advisory body and so its major outputs can be judged against four key criteria:

- *Timeliness*—was the advice delivered in time to be useful to recipients, or at least within agreed timeframes?
- *Accuracy*—was information correct and advice well-judged, based on current knowledge of the facts?

- *Relevance*—was the advice useful to the recipients, particularly for decision-making?
- *Efficiency*—was the advice the result of processes that continually improve and compare favourably with those of other providers of the service?

External evaluation of ASIO's performance is derived from comment received from:

- Ministers and senior government officials (the National Security Committee of Cabinet, the Secretaries Committee on National Security)
- client agencies and coordination bodies (including departments, other members of the Australian intelligence community, the Protective Security Coordination Centre, SAC-PAV)
- scrutiny and appeal bodies (including the Australian National Audit Office, Inspector-General of Intelligence and Security, Administrative Appeals Tribunal).

Internally, ASIO's processes, outputs and environment are examined through:

- management reviews
- the work of the Audit and Evaluation Committee
- benchmarking by functional areas, in some cases against Australian Standards Organisation requirements.

Through the findings and feedback from these various sources, ASIO strives for continuous improvement. However, overall outcomes—in the sense of 'whole of government' goals, such as a more secure Australia—can be assessed only through the reporting of the executive agencies to which ASIO delivers its advice.

Security Intelligence Program

In 1997–98 ASIO's Security Intelligence Program was managed jointly by the Collection and Analysis Divisions with support from Corporate Management Division, and Security and Counter Intelligence Division. The program generates ASIO's intelligence outcomes, in the sense of expanded appreciations of the nature, level and timeframe of the various threats to Australia's security.

From its collection and analysis of security intelligence information, ASIO prepares assessments, reports and briefings for communicating to government decision-makers and client agencies.

Analytical workgroups operate according to a geographic-based framework (Asia; Middle East and Africa; Australia, Pacific, Europe and Americas). However, our reporting structure now groups subjects of investigation according to the broad nature of the threat they pose and whether this is local or overseas in origin. The three broad groupings are:

- *local PMV* (politically motivated violence stemming from local issues such as reaction in the context of the race and gun debates or against some foreign visitors to Australia)
- *foreign-influenced PMV* (politically motivated violence in response to events or situations overseas, including in support of overseas terrorist groups or state sponsors of terrorism)
- *foreign intelligence activity* (covert activity conducted on behalf of foreign governments, such as espionage or attempts to interfere with Australia's or another country's political processes or the lives of people in Australia).

Figure 5 (excluded from the unclassified *Report to Parliament*) shows a broad breakdown of program expenditure by nature of threat. Most of this program report is excluded from the unclassified *Report to Parliament* because of security sensitivity.

Security intelligence reporting

Table 4 details the main forms of security advice provided to government and clients.

*Table 4:
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.	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.
	To enhance ASIO's body of knowledge and understanding of potential sources of security harm.	ASIO's 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.

In the reporting period 80 specific security intelligence reports were issued to clients, compared with 100 in the previous 12 months. The decline resulted from staff reductions and a further refinement of focus aimed at tailoring reporting to meet specific client needs. Appendix C (excluded from the unclassified Report to Parliament) lists report topics.

Table 5 (excluded from the unclassified Report to Parliament) shows the main security intelligence investigative and reporting outcomes for the review period.

Table 6 and Table 7 (excluded from the unclassified Report to Parliament) show investigative priorities and warrants issued by subject of investigation in 1997–98.

Incidental foreign intelligence reporting

Many of the threats to Australia's security emanate or are directed from overseas. As well as delivering security intelligence, ASIO's investigations or overseas liaison can also be the source of incidental information concerning the capabilities, intentions or activities of foreign governments or organisations. If it is relevant and substantive, ASIO communicates this information to ministers, departments and other intelligence agencies as 'incidental' foreign intelligence.

To ensure relevancy, ASIO is represented on both the National Intelligence Committee and the National Intelligence Collection Requirements Committee. The source and subject matter of the incidental material determines the agency to which ASIO forwards the information for dissemination. Major clients for incidental foreign intelligence include the Department of the Prime Minister and Cabinet, Office of National Assessments, Department of Foreign Affairs and Trade, and Department of Defence. During the reporting period ASIO investigations and liaison gave rise to 69 foreign intelligence reports issued by one or other of the agencies—about the same number as last year.

Threat assessments

Assessments of threat levels are provided to agencies and authorities engaged in planning or providing protective security arrangements. Most threat assessments are prepared in response to requests from the Protective Security Coordination Centre (PSCC), a division of the Attorney-General's Department.

ASIO's threat assessments predict the likelihood of security harm affecting specific people or premises, or arising out of specific events or circumstances—such as public appearances by prominent Australians (generally holders of high public office) or the safety of foreign dignitaries making official visits to Australia. On the basis of this advice, police services and other bodies can make resourcing and deployment decisions aimed at preventing or limiting the occurrence of violence.

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 carry out its responsibilities in the aviation industry.

We also prepare 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.

Table 8 shows the number of threat assessments issued annually over the last five years.

Table 8:
Threat assessments issued 1993–94 to 1997–98

Subject of assessment	1993-94	1994-95	1995-96	1996-97	1997-98
Visiting dignitaries	236	216	153	137	106
Australian dignitaries	223	170	315	254	238
National security (NSTAs)	28	21	21	43	39
Demonstration notifications	229	105	45	62	71
Diplomatic premises	90	114	109	90	113
Other threat assessments	143	86	93	58	54
Total	949	712	736	644	621

In response to the Iraq situation, ASIO issued 20 assessments and demonstration notifications relating to the safety of Australian personnel, ministers and premises.

Strong reaction to events and issues relating to waterfront reform resulted in threats to various ministers. Some high level visits by foreign dignitaries, in particular from Indonesia, Vietnam, China and Israel, attracted potentially volatile protest activity but without serious incident, thanks to appropriate measures by police and other protective security agencies.

The diplomatic missions of China, India, Indonesia, Iran, Lebanon, Pakistan, Turkey, United Kingdom and United States all received additional protection at various times during the year in response to our assessment of threats to their security.

During the reporting period we also produced strategically-oriented threat assessments for the Sydney 2000 Olympic and Paralympic Games, and for various visits to Australia by members of the International Olympic Committee. We will continue to produce regular assessments as guidance to relevant

authorities on levels of security needed for the Games, including updated assessments of the overall security environment.



President of the International Olympic Committee, Mr Juan Antonio Samaranch, visited Australia more than once during the reporting period. ASIO provided threat assessments as a contribution to ensuring his security during the visits.

Photograph: courtesy of the Sydney Organising Committee for the Olympic Games.

Tables 22, 23 and 24 in Appendix D list significant visits to and from Australia and significant establishments for which ASIO provided threat assessments during 1997–98.

Counter proliferation and NBC counter-terrorism

ASIO is one of several Australian agencies contributing to world efforts to curb the proliferation and use of weapons of mass destruction. Our particular focus is on attempts made by foreign governments to use Australia to acquire expertise and information which is then put to use in developing nuclear, chemical or biological (NBC) weapons and delivery systems.

In response to global concerns over increasing terrorist and extremist interest in NBC weapons, threat assessments were provided for Olympics planning purposes.

Foreign Intelligence Collection Program

ASIO's Foreign Intelligence Collection Program complements the overseas collection effort of Australia's covert foreign intelligence collection agencies. The program is managed by Collection Division.

ASIO's legislation permits the use of special powers under warrant (see page 21) to collect foreign intelligence in Australia in response to requests from the Minister for Defence or Minister for Foreign Affairs. ASIO does not initiate its own foreign intelligence collection nor does it assess or report the information it obtains. All such intelligence is passed to the requesting agency. (Foreign intelligence obtained incidentally by ASIO in the course of security intelligence activities is also passed to appropriate agencies—see page 37).

The principal program objective therefore is to contribute to overall government intelligence requirements by delivering the requested service within the required timeframe. To ensure program effort is aligned with on-going refinements to the National Foreign Intelligence Assessment Priorities, ASIO is represented on both the National Intelligence Committee and the National Intelligence Collection Requirements Committee.

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

Protective Security Program

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

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

The security assessment component of the program is managed by both Analysis Division (for assessments of people wanting to enter or become residents of Australia) and Security and Counter-Intelligence (SCI) Division (for assessments of people wanting access to classified information or premises). During the reporting period, the protective security advice function, which helps government agencies to identify and manage risks to their assets, moved from SCI Division to Analysis Division.

A small proportion of this program report is excluded from the unclassified *Report to Parliament*.

Security assessments

ASIO's security assessment advice to government agencies is provided in response to written agency requests.

All agencies are required to request assessments of the security background of government employees or contractors doing work that requires them to have access to classified material or secure premises.

In response to an agency request, ASIO checks for any matters of security concern in the applicant's background. If nothing of significance emerges, ASIO does not recommend against the application. If a security-related matter does raise 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 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 head of the relevant agency.

Additionally, the Department of Foreign Affairs and Trade (DFAT) and the Department of Immigration and Multicultural Affairs (DIMA) request assessments of the security background of non-Australians seeking to enter or become permanent residents or citizens of Australia.

Checking for agency security clearances

Agencies ask ASIO to provide assessments on the security background of employees or contractors whose work for the agency requires them to have access to national security classified material or access to secure premises.

Table 9 shows that during 1997-98 there was a 12% increase in agency requests, balancing the drop in requests last year. However, the number of applicants for top secret access was the highest for more than five years.

*Table 9:
Requests for
security clearance
assessments
1993-94 to
1997-98*

Level of access	1993-94	1994-95	1995-96	1996-97	1997-98
CONFIDENTIAL	1 905	1 325	1 259	887	1 169
SECRET	5 363	5 485	5 757	5 304	5 398
TOP SECRET	3 361	3 346	3 725	3 520	4 280
Total	10 629	10 156	10 741	9 711	10 847

The aim is to complete at least 80% of assessments within ten days, with no more than 1% taking longer than 12 weeks. During 1997-98 only 50.5% were completed in the ten-day timeframe, and 3.3% took longer than 12 weeks. Generally the delays were in complex cases requiring interview and/or overseas checking. Processing rates improved significantly from April to June 1998 with the trialling of new administrative arrangements, which will be implemented permanently in 1998-99.

A review of policy and procedures for the conduct of security assessment investigations was completed during the year as part of the process of developing a Quality Assurance System to ISO 9002 standard.

ASIO provided four adverse and three qualified security assessments during the year (compared to one and two respectively last year). One of the adverse assessments, involving access to confidential level national security classified information, was the subject of an appeal to the Administrative Appeals Tribunal. The case was heard during the reporting period, and the tribunal delivered its finding in July 1998, upholding ASIO's assessment.

Screening for entry, permanent residence or citizenship

In 1997–98 ASIO processed just over 17 500 applications for temporary and permanent entry or residence, a very slight increase on last year's requests (see Table 10). Of these, 96.2% were processed within the agreed timeframe.

Delays to the remainder of applications were caused by external factors. As part of its process ASIO checks various databases including those of overseas authorities, which sometimes are unable to process requests within the desired timeframes because of their own priorities.

Type of entry	1993-94	1994-95	1995-96	1996-97	1997-98
Temporary	10 044	10 695	12 037	11 929	10 364
Permanent	7 588	12 228	14 322	5 552	7 156
Total	17 632	22 923	26 359	17 481	17 520

*Table 10:
Visa security
assessments
requested
1993–94 to
1997–98*

Table 11 shows a reduction in the number of adverse security assessments issued during the period and in the number of qualified security assessments.

Type of assessment	1993-94	1994-95	1995-96	1996-97	1997-98
Adverse	13	19	16	15	11
Qualified	9	16	17	40	34
Total	22	35	33	55	45

*Table 11:
Adverse and
qualified
assessments for
visa applicants
1993–94 to
1997–98*

Of the eleven people on whom ASIO issued adverse assessments, eight were judged likely to carry out espionage or acts of foreign interference in Australia, and three had links to terrorist or extremist groups overseas and were assessed as likely to engage in or support politically motivated violence. In ten cases, the requesting agency refused the application. The case of the eleventh applicant was still under consideration by the Department of Immigration and Multicultural Affairs at the end of the reporting period. More detail is contained in Appendix E.

Protective security advice

A major focus of ASIO's protective security role is advising agencies on measures they can take to safeguard national security classified material and other government assets. In this the program draws on ASIO's appreciation of the security environment and associated threats and risks to the Commonwealth, acquired through the Security Intelligence Program.

ASIO's protective security advice approach conforms with the Australia–New Zealand standard on risk management, and protective security staff are trained to university certificate level and higher. ASIO is represented on various national and international security industry committees including Standards Australia and we participate in a range of associated conferences.

ASIO works closely with clients to identify their assets and threshold of risk tolerance as a basis for managing the risks. Most service elements are provided on a cost recovery basis.

Previously the provision of such advice was confined to Commonwealth authorities. During the review period, the Attorney-General signed a ministerial determination under s. 17(1)(d) of the ASIO Act, allowing ASIO to provide protective security advice to some State and Territory authorities (police, premiers' offices, corrective services, law courts, NSW Olympic authorities, and a limited range of anti-corruption bodies), provided that a Commonwealth interest can be shown and that the Attorney-General is informed.

In the reporting period we advised the following State and Territory government agencies under this determination:

- Anti-Corruption Commission of Western Australia (twice)
- Western Australia Police Service (twice)
- Queensland Department of Corrective Services (once)

We also provided on-going consultancy security advice to the NSW Police Olympic Security Command Centre (see below).

Consultant security advice

In response to requests ASIO provided government agencies with 45 risk assessment and protective security advice reports in 1997–98, compared with 62 the previous year. The decline reflects our increased focus on the Olympics and an involvement in larger projects. In addition, reduced staffing caused priority to be given to clients handling essentially national security classified material.

Seven of the consultancy reports were prepared for non-Commonwealth agencies, under the new Ministerial determination (see above). All reports identified cost-effective ways to secure assets and reduce outlays on security expenditure. Feedback from clients indicated they found the advice effective. All reports were provided on a cost recovery basis, generating more than \$110 000.

Along with a range of other Commonwealth agencies and under the chair of the Protective Security Coordination Centre, ASIO was heavily involved in drafting and consultation to produce a revised Commonwealth *Protective Security Manual*. The manual provides minimum common standards for all Commonwealth agencies to observe, with the aim of ensuring consistency in protective security. ASIO has an ongoing role in the further development and continued revision of the manual, as a member of the Protective Security Policy Committee.

Equipment testing

ASIO's security equipment testing site near Canberra houses extensive facilities for testing electronic security devices. Such devices include motion detection systems, alarm panels and communication links, as well as general security hardware such as fences, barriers and locks. The testing program is rigorously threat-based, with current threats and risks to the Commonwealth being the key factors in establishing and revising test criteria. Equipment is then defeat-tested by subjecting it to attack in various situations. The purpose of the testing program is to ensure minimum quality standards for security products.

Test results are reported in the *Security Equipment Catalogue*, which is sold to Commonwealth and State government agencies (including State corrective services departments and NSW State Rail) to help them choose equipment that best suits their needs. A revised edition of the catalogue was published in late 1997.

Test criteria and standards are continually reviewed as Australian and other international standards become available and in response to changes in the security environment.

Manufacturers of security products can apply to have their equipment installed and tested at ASETS on a cost recovery basis. Revenue amounted to nearly \$43 000 in 1997-98, compared with \$40 000 in the previous financial year.

During the reporting period, ASIO's protective security staff became involved, in conjunction with industry, in testing government-endorsed high security alarm systems to ensure year 2000 compliance. Testing showed that the operational effectiveness of these systems is unlikely to be compromised, and agencies were advised accordingly.

Olympics assistance

During the reporting period, ASIO helped the NSW Police Olympic Security Command Centre (OSCC) to develop a risk management policy and

implementation strategy that would identify and assess the security risks associated with the 2000 Olympics.

The ASIO team then assisted OSCC with the development of generic Olympic precinct and venue security plans, followed by security risk reviews and site surveys of all Sydney Olympic competition venues, from which security requirements can be identified. Major terms of reference are that security arrangements must be appropriate to the level of identified risk, cost effective and unobtrusive. Cost recovery on these Olympics-related projects amounted to \$31 000.

ASIO also continued to provide broad technical advice on security equipment for the Games, through its membership of work groups of the Olympic Security Working Committee.

Training and security briefings

ASIO not only supports the work of security advisers in individual departments and agencies, but also helps to train them. The role of the advisers is to raise the general security awareness of government officials. We continued to conduct presentations for representatives of Commonwealth, State, Territory and local government. Most of this training activity is organised by the Protective Security Coordination Centre. ASIO's input includes instruction on the security environment, personnel security (vetting), risk management, physical security and the conduct of site surveys, as well as the capability and use of physical security equipment.

We also continued to provide briefings to Australian government officials who were about to take up postings overseas, and de-briefings of officers when they returned. The briefings explained security issues and risks that might arise overseas and provided advice on how to deal with them.

Counter Terrorism Support Program

The central focus of ASIO's counter-terrorism work is to help prevent terrorist incidents in Australia. Towards this goal, information is collected and reports and advice are provided to government and clients under ASIO's Security Intelligence and Protective Security Programs.

However, if a terrorist incident were to occur, ASIO would coordinate its response through the Counter Terrorism Support Program. Under this program, ASIO contributes to Australia's national counter terrorism and crisis management response arrangements, as set out in the National Anti-Terrorist Plan (NATP).

The program's main objective is to maintain the Organization's response capability at an operable level, and meet the needs of partner agencies for coordination of intelligence gathering and delivery during an incident.

In phase one of ASIO's management restructure, effective at 1 September 1997, management of the Counter Terrorism Support Program was split between Analysis Division which now manages the counter terrorism support component, and Collection Division which continues to manage the technical support capability. Program performance is measured through comment and review by client and partner agencies involved in the NATP. Formal comment received from post-exercise reports and through participation in inter-agency project and working groups over the reporting period indicated that ASIO continued to provide a valued contribution to national counter terrorism arrangements.

About half of this program report is excluded from the unclassified *Report to Parliament*.

Infrastructure arrangements

ASIO is a member of two major committees which coordinate Australia's counter terrorism effort:

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

ASIO provides threat assessments, security intelligence and protective security advice to agencies through these committees. The secretariat for SIDC-PAV and SAC-PAV is provided by the Protective Security Coordination Centre (PSCC), a division of the Attorney-General's Department.

ASIO also contributes to policy development, preventive arrangements and crisis contingency planning through liaison with other federal and State agencies, under arrangements set out in the NATP.

ASIO maintains the National Intelligence Group (NIG), which provides an infrastructure for strategic intelligence collection, assessment and reporting. The NIG operates during a counter terrorism exercise and in times of national crisis such as a terrorist incident, when the NATP is activated under government direction. When convened, the NIG is staffed by officers from ASIO as well as other agencies.

ASIO also staffs a cell in the Joint Intelligence Group (JIG), which is an operational intelligence unit established by the local police jurisdiction at or near the scene of a terrorist incident.

ASIO maintains a technical support capability that can be called on to assist the police incident commander and police technical units at the scene of a terrorist incident. Specialised equipment and expertise enable information to be collected at the scene of the incident by technical means. We maintain this capability at a high state of readiness for deployment, through specialist staff, equipment and training combined with participation in counter terrorism exercises.

National exercise participation

ASIO contributes to the NATP exercise program by taking part in the planning, writing, and management 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 several national counter terrorism training programs.

During the reporting year, we played a significant role in five national counter terrorism exercises.

- Operational Response Exercise (OPREX) Rim Fire in South Australia in August 1997
- Police Exercise (POLEX) Highland Warrior in New South Wales in October 1997

- Operational Response Exercise (OPREX) Last Dash in Western Australia in November 1997
- Operational Response Exercise (OPREX) Terra Firma in the Northern Territory in March-April 1998
- Police Exercise (POLEX) Autumn Flight in Queensland in May 1998.

For each of these exercises, ASIO took part in all stages of planning and writing, participated in the JIG, and was a member of the exercise control panel. Technical support was provided for Rim Fire, Highland Warrior, and Terra Firma.

Through exercise participation we are able to test the effectiveness and efficiency of our counter terrorism and crisis management response capability and procedures, and the ability to operate in concert with other federal and State-Territory agencies and police services. A particularly high level of capability will be essential for the 2000 Olympic Games. Exercise participation in 1997-98 confirmed that the crisis response capability is sound.

Training inputs

In September 1997, staff in ASIO's Sydney office were provided with training in counter-terrorism, with a particular view to security preparations for Olympics 2000. In the next reporting period similar training will be provided to ASIO's other collection offices, with some additional training tailored specifically for the needs of the Sydney office.

Last year's report noted that ASIO had provided inputs to a review of the efficiency and effectiveness of the national counter terrorism exercise and training program. Recommendations of the review accepted by SAC-PAV are in the process of being implemented. As a result, our support to the SAC-PAV exercise and training program is likely to increase.

Capability inputs

Overview

The inclusion of this section is a step in ASIO's move towards presenting its information in a fully accrual reporting format. Under the main heading of Capability Inputs we report a range of activity, the purpose of which is to enhance ASIO's capacity to deliver program and other corporate outputs.

ASIO's strategic task is to maintain and develop its capability in the face of technical challenges while dealing with a range of identified and emergent security-related issues. Accordingly the reporting period saw particular investment in collection capability through skills training and technical upgrades, as well as planning towards enhancement of counter terrorism capability. Capability was also enhanced by development of overseas liaison relationships and by the strengthening of strategic partnerships within Australia. The cost of these initiatives was distributed between programs in proportion to usage levels.

A significant amount of this section is excluded from the unclassified *Report to Parliament* because of security sensitivity.

Intelligence collection capability

Broadly, ASIO's intelligence gathering capability is based on drawing information from open sources (e.g., the various print and electronic media), human sources (agents or members of the public interviewed confidentially), and covert technical collection. Liaison with cooperating intelligence and security services overseas, which also provides intelligence, is dealt with separately on page 54.

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

Overseas services liaison

ASIO is permitted by its legislation to deal with security and intelligence authorities of other countries where these authorities are approved by the Attorney-General. Grounds for approving an authority are that it is capable of assisting ASIO and that the cooperation is necessary for, or conducive to, the performance of ASIO's functions.

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 and develop liaison relationships and information exchange in their respective regions.

As the 2000 Olympics draw closer, we have been enhancing our international liaison network, which will play an essential part in helping us provide accurate threat assessments and security advice. At 30 June 1998 ASIO had ministerial approval to conduct liaison with 204 foreign authorities in 102 countries and territories.

During the reporting period we focused particularly on:

- developing and reinforcing bilateral relationships with our traditional partners and with South East Asian liaison partners
- developing awareness amongst liaison partners of our Olympics requirements and planning specific arrangements with key services to enhance our Olympics-related capability.

Delegations

Reciprocal visits to ASIO from partner services are essential to the on-going process of developing and consolidating liaison relationships. During the reporting period 34 delegations (including three heads of service) from 20 separate foreign authorities had discussions with the Director-General and/or senior ASIO managers.

Appendix F (excluded from the unclassified Report to Parliament) shows the full range of delegations by country.

Foreign services support

Because of the importance of the cooperation of approved overseas authorities, we respond in turn to legitimate requests from them for support and information. Any intelligence communicated must be relevant to the security of

the country of the requesting authority. Support is provided as a matter of reciprocity, based on the strength of the intelligence relationship between the requesting service and ASIO.

The decision on whether or not to pass information about Australian citizens and permanent residents to a foreign service is made after consideration of a range of factors, including its government's regard for human rights (as shown by laws, institutions and practices aimed at protecting the rights of the individual).

Strategic partnerships

ASIO's capability is enhanced by a number of enduring business partnerships, which are developed at a corporate level. Both ASIO and partners gain from the relationship something they could not cost-effectively produce themselves. For ASIO the partners fall into two categories:

- suppliers of information, or with the means to acquire such information
- recipients of security intelligence, who in turn provide a reciprocal service to ASIO.

Since late 1996 ASIO has undertaken the process of building relationships with key partners. Typically, the process is managed by executive meetings on a six-monthly basis, but the relationships are built at all levels and on an officer-to-officer basis. An account of developments with individual partner agencies during the reporting period follows.

Protective Security Coordination Centre (PSCC)

The PSCC is one of ASIO's principal clients and partners. A process of six-monthly senior management meetings was agreed at an inaugural meeting in April 1998. The PSCC is one of the key agencies, along with ASIO, in the threat assessment process and both agencies have essential roles in national crisis management arrangements. We also work closely with the PSCC on the Protective Security Policy Committee (PSPC), a high-level interdepartmental body responsible for policy advice to government. Under the auspices of the PSPC, ASIO and other agencies worked with the PSCC in drafting a new *Protective Security Manual*.

Australian Federal Police (AFP) and State police

ASIO's close working relationships with the law enforcement community provide invaluable information to complement ASIO's collection effort, especially in investigations of locally generated politically motivated violence. Police services are also an important client for our threat assessments, channelled through the PSCC. ASIO–Police agreements with all States and the Northern Territory regulate the exchange of information on matters relevant to their respective functions. We also contribute specialist training and some assistance with specialist collection equipment. ASIO senior and regional managers regularly meet with their police counterparts to provide strategic direction to the relationships.

In the reporting period, ASIO senior managers and their Canberra-based AFP counterparts met twice to explore opportunities for cooperative activities.

As part of our Olympics responsibilities, we have strengthened the relationship with the NSW Police, particularly the Olympic Security Command Centre. A senior ASIO officer has been seconded to the NSW Police, and a series of shorter reciprocal exchanges are in place. Officers from ASIO's protective security program are also providing advice to NSW Police on venue physical security on a cost-recovery basis.

Department of Immigration and Multicultural Affairs (DIMA)

We have a close working relationship with DIMA, a major ASIO client for advice on the entry and exit of people of security significance to and from Australia. In April 1998 the Minister for Immigration and Multicultural Affairs, along with the Secretary and other senior officers of the department, visited ASIO. We are also working closely with DIMA as the latter develops policy and procedures for the entry of Olympic Family members, teams and visitors for the 2000 Olympic and Paralympic Games.

Counter intelligence and security management

Counter intelligence measures and internal security management practices are designed to minimise risks to ASIO and to the security of staff, thus contributing to capability. Risks may arise from a range of events, including:

- penetration attempts by foreign intelligence services
- disclosures of sensitive information
- targeting of staff members by hostile groups or individuals.

In 1997–98 counter intelligence and security was managed by a branch in Security and Counter Intelligence Division. Cross-program coordination was effected by the ASIO Security Committee, chaired in 1997–98 by the head of Security and Counter Intelligence Division. The committee reported to ASIO's senior executive and directed five working groups dealing with:

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

A security management plan provides corporate focus. Implementation of the plan continued in the reporting period, focusing in particular on:

Streamlining staff revalidation—a revised policy based on a refined risk management approach now differentiates between high and low-risk staff positions and access. Regular psychological revalidation is built into the process.

Annual security reports—managers at all levels are required to complete an annual security report on each member of their staff, counselling staff if appropriate.

Operational counter intelligence audit—the integrity of ASIO operations is now subject to independent audit by counter intelligence and security staff. Audit of a particular operation may be recommended by an operational adviser if there are grounds for concern, or instigated independently.

Computer and information security—policies govern Internet use by ASIO, the security of the stand-alone corporate computer network, and the use of mobile phones. A security helpdesk has been established. The system controls that regulate access to data and enable security audit were affirmed as meeting full security accreditation by Defence Signals Directorate towards the end of the reporting period.

Staff security awareness—efforts continued to build security awareness into all facets of Organizational activity, through a mix of formal and informal processes designed to influence individuals and their security practices. Informal evaluation suggests a heightened general awareness among staff, more of whom now come forward of their own accord to discuss problems and seek advice.

ASIO assists other agencies to meet responsibilities for the security of government business. In this role the Organization chairs the Interagency Forum on Counter Intelligence and Security, attended by representatives of the other Australian intelligence agencies, the Department of Foreign Affairs and Trade and the Protective Security Coordination Centre. The role of the forum, which meets quarterly, is to develop policy advice for forwarding to the Protective Security Policy Committee (PSPC), which is chaired by Attorney-General's Department. The focus of the forum is on achieving common security standards and approaches among members of the Australian intelligence community.

In the reporting period the forum continued to focus on the major issues of:

- agency-wide acceptability of security clearances
 - consistency of clearance levels
 - a standard policy on 'uncheckable backgrounds' of employed staff
 - and the security implications of outsourcing, particularly in the IT area
- ... with the objective of completing a draft policy paper for the PSPC in the next review period.

Information technology and strategic management

Much of ASIO's capability is underpinned by information technology. Key issues for the Organization in 1997–98 were:

- the year 2000 date problem (see page 12)
- stability of corporate IT systems
- introduction of a new financial management system
- choice of a new link carrier for telecommunications.

A number of outages of core IT systems occurred during the reporting period. New investment initiatives have been put in place for 1998–99 that should significantly enhance the future stability of these systems.

A commercial financial management package, Finance 1, was installed to assist implementation of ASIO's accrual accounting in the coming financial year (see also page 11).

Building on the 1997 strategic positioning statement reported last year (titled 'Information Management—The Way Forward'), an information management strategic investment plan was completed during the review period. The plan concentrates on the business information needs, with ASIO's IT Strategic Plan a subset, and was used as the framework for decision-making on significant investment in our IT capabilities.

A key thrust of the plan is the establishment of an intelligence management system, to provide 'one-stop' access to and linkage of various existing databases. During the reporting period a commercial package was assessed which might supersede in-house development of ASIO's relational database system.

Human resource management

Human resource development

A significant corporate theme in 1997–98 was the need to invest significantly in ASIO's people. Accordingly ASIO's forward budget now includes an investment strategy for the areas of assets, technical capability, and people.

The reporting period focused on implementing the human resource development (HRD) strategy introduced in 1997, developing learning programs to address capability requirements identified in an Organization-wide development needs analysis, and preparing a plan to meet the training needs of Sydney Olympics activities.

Increased investment was put into human resource development, including:

- in-house programs for advanced intelligence capability
- ethics and accountability training
- a new 'orientation to ASIO' program
- external opportunities for leadership and management—to ensure ASIO managers are well informed about government public sector reforms such as accrual budgeting, workplace relations and contemporary leadership issues.

External learning opportunities funded in 1997–98 also included several PSMPC programs:

- Senior Women in Management Program (1 participant)
- Senior Executive Leadership Program (1 participant)
- Advanced Executive Program (2 participants)
- Australian Government Executive Program (4 participants)
- Public Sector Management Course (2 participants)

Two generalist intelligence officer traineeship programs were conducted. One group graduated in June 1998, and an intake of eight new recruits began their program in February 1998. The traineeship is for graduates specifically recruited to be generalist intelligence officers. The program is for 12 months and includes training modules on intelligence collection and analysis, complemented by workplace rotations to each of ASIO's divisions.

Opportunities were sought for cooperation and exchanges within the intelligence community and other relevant agencies. A reciprocal exchange with

DFAT was arranged to improve Middle-East analytical capability and strengthen interagency cooperation.

HRD investment is now emphasising work-based learning, including on-the-job, project and task forces opportunities, professional conferences and study assistance. To reflect this, a new participation reporting system is being developed to enable appropriate accountability reporting of these activities, as well as the training courses data.

Performance management

ASIO's SES equivalent managers are subject to performance appraisal, with those rated as 'superior' or 'outstanding' being eligible for performance based pay. Two performance payments were approved in 1997-98 for payment in 1998-99.

ASIO's performance management system for all other staff ('the feedback scheme') continued to be used during 1997-98. The scheme integrates a performance agreement with a competency-linked individual development plan. It is being embedded in requirements for applications for study assistance, staff development and mobility programs.

Recruitment and staffing

ASIO's recruitment effort increased in 1997-98, mostly to meet the need for additional temporary staff for Olympics-related activity.

A total of 18 new permanent full-time staff were appointed in 1997-98 (compared with 28 in 1996-97). A total of 23 temporary and casual employees took up contracts for periods of between six months and three years.

Additional staff were brought into the recruitment area in March 1998 and work started towards meeting 1998-99 requirements including analyst, administrative support and technical officers. Work began towards establishing our own temporary employment register from which staff who have already met the security requirements for employment in ASIO can be drawn at short notice.

Seventy permanent staff separated from ASIO in 1997-98, including 36 under voluntary retirement provisions. The resignation/retirement rate is an increase over last year's but not outside the trend pattern of the last five years. Figures on total average staffing level (ASL) and the composition of the workforce are contained in Appendix B.



Recruitment Services Australia continued to undertake initial testing and screening of graduate applicants for ASIO's Generalist Intelligence Officer (GIO) traineeship programs. Applications again fell, from 1150 in 1996–97 to 253 in the review period. This continued a trend from 1995–96 when 5200 applications were received. The most recent drop in applications is attributable in part to ASIO's decision in 1997 to raise the educational eligibility requirement to a four year degree or equivalent. Nevertheless, a full intake of eight trainees were selected and began their 12-month traineeship in February 1998.

The overall cost of recruitment advertising in the public media during 1997–98 was \$71 193, a tripling of the \$23 343 spent in 1996–97. Partly this reflects the advertising of GIO traineeships in all major daily newspapers rather than just the *Weekend Australian* as in 1996–97. It also reflects the heavy emphasis on Olympics recruitment and an increase in senior and technical/specialist vacancies.

Expenditure on the employment of consultants amounted to \$253 000 compared with \$396 000 in 1996–97. A partial list of the 30 consultants employed, excluding names classified for security reasons, is available on request (see page 103).

Financial statements

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

INDEPENDENT AUDIT REPORT

To the Attorney-General

Scope

I have audited the financial statements of the Australian Security Intelligence Organization for the year ended 30 June 1998. The financial statements comprise:

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

The Director-General is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you, the Attorney-General.

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 of 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 Issues Group 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.

DFO Box 767 CAMBERNA ACT 2601
 Canberra Road 76 National Circuit
 BARTON ACT
 Phone (02) 6263 1396 Fax (02) 6263 1777

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

Qualification

The Attorney-General issued a declaration under subsection 70D(1) of the former *Audit Act 1901* that particular parts of the accounts of the Organization are to be treated as exempt accounts. This provision is still applicable pursuant to Clause 7 of Schedule 4 of the *Audit (Transitional and Miscellaneous) Amendment Act 1997*.

These exempt accounts are not subject to audit by the Auditor-General. I am therefore unable to form an opinion on the receipts 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 1997 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 section 57(1) of the *Financial Management and Accountability Act 1997*, I now report that, except for the limitation of scope of my work as described in the qualification section, and the effects of such adjustments, if any, as might have been determined as necessary had the limitation not existed, the financial statements, in my opinion:

- have been prepared in accordance with Schedule 2 of the Finance Minister's Orders; and
- give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 2 of the Finance Minister's Orders, of the financial position of the Australian Security Intelligence Organization as at 30 June 1998 and the results of its operations and its cash flows for the year then ended.

Australian National Audit Office



David C. McKean
Executive Director

Delegate of the Auditor-General
Canberra

17 September 1998

COMMONWEALTH OF AUSTRALIA

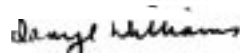
AUDIT ACT 1901

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 1997, 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 corrective action was taken.

Dated this 23rd day of September 1998


ATTORNEY-GENERAL

Statement by the Director-General of Security

In my opinion, the attached financial statements give a true and fair view of the matters required by Schedule 2 of the Finance Minister's Orders made under section 63 of the *Financial Management and Accountability Act 1997*.



Dennis Richardson
Director-General of Security

17 September 1998

Agency Revenues and Expenses for the year ended 30 June 1998

	Notes	1997-98 \$ '000	1996-97 \$ '000
NET COST OF SERVICES			
Expenses			
Employees	3A	33 585	38 373
Suppliers	3B	17 244	14 777
Depreciation and amortisation	3C	5 364	5 882
Write down of assets 3D		1 733	5
Net losses from sale of assets	3E	134	10
Total expenses		<u>58 060</u>	<u>59 047</u>
Revenues from independent sources			
Sales of goods and services	4A	233	240
Other	4A	956	107
Total revenues from independent sources		<u>1 189</u>	<u>347</u>
Net cost of services		<u>56 871</u>	<u>58 700</u>
REVENUES FROM GOVERNMENT			
Appropriations used for:			
Ordinary annual services (net appropriations)		56 909	64 757
Resources received free of charge	4B	2 266	1 857
Total revenues from government		<u>59 175</u>	<u>66 614</u>
Operating surplus			
Accumulated results at 1 July		23 642	13 738
Change in accounting policy		-	1 990
Accumulated results at 30 June		<u>25 946</u>	<u>23 642</u>

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

Agency Assets and Liabilities as at 30 June 1998

	Notes	1997-98	1996-97
		\$ '000	\$ '000
<i>PROVISIONS AND PAYABLES</i>			
Employees	5A	9 926	11 161
Suppliers	5B	476	501
Total provisions and payables		10 402	11 662
<i>EQUITY</i>			
Accumulated results	6	25 946	23 642
Reserves		1 857	-
Total equity		27 803	23 642
Total liabilities and equity		38 205	35 304
<i>FINANCIAL ASSETS</i>			
Cash	7A	1 738	2 953
Receivables	7B	17 344	12 347
Total financial assets		19 082	15 300
<i>NON-FINANCIAL ASSETS</i>			
Land and buildings	8A,8D	4 262	3 226
Infrastructure, plant and equipment	8B,8D	11 620	14 151
Intangibles	8C,8D	2 758	1 703
Other	8E	483	924
Total non-financial assets		19 123	20 004
Total assets		38 205	35 304
Current liabilities		5 090	3 895
Non-current liabilities		5 312	7 767
Current assets		19 565	16 224
Non-current assets		18 640	19 080

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

Agency Cash Flows for the year ended 30 June 1998

	Notes	1997-98 \$ '000	1996-97 \$ '000
<i>OPERATING ACTIVITIES</i>			
Cash received			
Appropriations		51 929	52 566
Other		1 161	470
Total cash received		53 090	53 036
Cash used			
Employees		(34 863)	(37 998)
Suppliers		(14 508)	(13 463)
Total cash used		(49 371)	(51 461)
Net cash from operating activities	9	3 719	1 575
<i>INVESTING ACTIVITIES</i>			
Cash received			
Proceeds from sales of property, plant and equipment		337	935
Total cash received		337	935
Cash used			
Purchase of property, plant and equipment		(5 271)	(2 506)
Total cash used		(5 271)	(2 506)
Net cash used by investing activities		(4 934)	(1 571)
<i>FINANCING ACTIVITIES</i>			
Net cash from financing activities		-	-
Net increase/(decrease) in cash held		(1 215)	4
Add cash at 1 July		2 953	2 949
Cash at 30 June		1 738	2 953

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

Schedule of Commitments as at 30 June 1998

	Notes	1997-98 \$ '000	1996-97 \$ '000
<i>BY TYPE</i>			
Capital commitments			
Land and buildings		2 254	-
Infrastructure, plant and equipment		364	391
Other capital commitments		5	-
Total capital commitments		<u>2 623</u>	<u>391</u>
Other commitments			
Operating leases		7 911	9 757
Other commitments		12 466	89
Total other commitments		<u>20 377</u>	<u>9 846</u>
Net commitments		<u>23 000</u>	<u>10 237</u>
<i>BY MATURITY</i>			
All net commitments			
One year or less		16 810	2 326
From one to two years		1 736	1 721
From two to five years		2 921	3 864
Over five years		1 533	2 326
Net commitments		<u>23 000</u>	<u>10 237</u>
Operating lease commitments			
One year or less		1 721	1 846
From one to two years		1 736	1 721
From two to five years		2 921	3 864
Over five years		1 533	2 326
Net commitments		<u>7 911</u>	<u>9 757</u>

There is no formal lease in place in respect of ASIO's Central Office. Annual rental payments amount to \$1 800 000 (1996-97: \$1 800 000)

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

Schedule of Contingencies as at 30 June 1998

	Notes	1997-98 \$ '000	1996-97 \$ '000
<i>CONTINGENT LOSSES</i>			
Claims for damages/costs		—	—
Total contingent losses		—	—

A claim against ASIO is being arbitrated. It is not possible to provide an estimate of the outcome.

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

Notes to the Financial Statements for the year ended 30 June 1998

NOTE 1: Objective

To provide advice in accordance with the ASIO Act to Ministers and appropriate agencies and authorities to protect Australia and its people from threats to national security.

NOTE 2: Summary of significant accounting policies

A. Basis of accounting

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report. The financial statements have been prepared in accordance with *Schedule 2 to the Financial Management and Accountability (FMA) Orders made by the Minister for Finance and Administration*. Schedule 2 requires that the financial statements are prepared:

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

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:

- transactions of the Consolidated Revenue Fund;
- act of grace payments and waivers;
- remuneration of executives; and
- remuneration of auditors.

C. Taxation

ASIO's activities for 1997–98 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.

Schedule 2 requires 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 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.

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 and Administration 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.

Schedule 2 requires that property, plant and equipment be progressively revalued in accordance with the 'deprival' method of valuation by 1 July 1999 and thereafter be revalued progressively on that basis every three years.

ASIO is implementing its revaluations program as follows:

- Land and buildings, including leasehold improvements, will be revalued during 1998–99. Earlier valuations are as disclosed in Note 8A.
- Infrastructure plant and equipment assets will be revalued in 1998–99. Computing and communications equipment which comprise a part of this class were revalued during 1997–98.
- Intangibles, comprising computer software were revalued in 1997–98.

Assets in each class acquired after the commencement of the progressive revaluation cycle will be reported at cost until the next revaluation.

The financial effect of the move to progressive revaluations is that the carrying amounts of assets will reflect current values and that depreciation charges will reflect the current cost of the service potential consumed in each period.

With the application of the deprival method, ASIO values its land at its current market buying price and its other assets at their depreciated replacement cost. Any assets which would not be replaced or are surplus to requirements are valued at net realisable value. At 30 June 1998, ASIO had no assets in this situation.

All valuations are independent.

J. Depreciation of non-financial assets

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight line basis over the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are as follows:

	1997-98	1996-97
Buildings on freehold land	40 years	40 years
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 15 years	3 to 15 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 3C.

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. The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 1998. In determining the present value of the liability, account has been taken of attrition rates and pay increases through promotion and inflation.

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 \$3 305 000 (1996–97: \$4 188 000) 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 \$599 000. (1996–97: \$646 000)

N. Resources received free of charge

Resources received free of charge are recognised as revenue in the Agency 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 Subprogram 6.8 of the Attorney-Generals' portfolio and no program statement is required with these financial statements.

1997-98	1996-97
\$ '000	\$ '000

NOTE 3: Goods and services expenses

NOTE 3A: Employee expenses

Basic remuneration	31 346	35 639
Separation and redundancy	2 239	2 734
	33 585	38 373
Total	33 585	38 373

NOTE 3B: Suppliers' expenses

Supply of goods and services	13 586	10 686
Operating lease rentals	3 658	4 091
	17 244	14 777
Total	17 244	14 777

	1997-98 \$ '000	1996-97 \$ '000
NOTE 3C: Depreciation and amortisation		
Provision for depreciation,		
– buildings on freehold land	19	15
– infrastructure, plant and equipment	3 530	3 619
Amortisation of intangibles	1 329	1 758
Amortisation of leasehold improvements	486	490
	<hr/>	<hr/>
Total	5 364	5 882
	<hr/>	<hr/>

NOTE 3D: Write down of assets

Non-financial assets,		
– infrastructure, plant and equipment	1 733	5
	<hr/>	<hr/>
Total	1 733	5
	<hr/>	<hr/>

NOTE 3E: Net losses from sale of assets

Non-financial assets,		
– land and buildings	–	(27)
– infrastructure, plant and equipment	134	37
	<hr/>	<hr/>
Total	134	10
	<hr/>	<hr/>

	1997-98	1996-97
	\$ '000	\$ '000
NOTE 4: Items credited as revenue		
NOTE 4A: Revenues from independent sources		
Sales of goods and services	233	240
Other	956	107
Total	1 189	347
NOTE 4B: Resources received free of charge		
National Archives of Australia		
Provision of ongoing archival services	14	28
Australian National Audit Office		
The estimated cost of services provided by the Auditor-General in auditing the Organization's financial statements	53	59
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	2 199	1 770
Total	2 266	1 857
NOTE 5: Provisions and payables		
NOTE 5A: Employee liabilities		
Salaries and wages	668	445
Leave	9 151	10 638
Superannuation	52	54
Other	55	24
Total	9 926	11 161
NOTE 5B: Suppliers		
Trade creditors	476	501

NOTE 6: Equity

	<i>Accumulated results</i>	<i>Asset revaluation</i>	<i>Total reserves reserve</i>	<i>Total equity</i>
	\$ '000	\$ '000	\$ '000	\$ '000
Balance 1 July 1997	23 642	-	-	23 642
Operating result	2 304	-	-	2 304
Net revaluation increases	-	1 857	1 857	1 857
Balance 30 June 1998	25 946	1 857	1 857	27 803

1997-98 1996-97
\$ '000 \$ '000

NOTE 7: Financial assets

NOTE 7A: Cash

Cash at bank	1 641	2 850
Cash on hand	97	103
Total	<u>1 738</u>	<u>2 953</u>

NOTE 7B: Receivables

Appropriations	17 171	12 191
Goods and services	173	158
Less provision for doubtful debts	-	(2)
Total	<u>17 344</u>	<u>12 347</u>

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

Not overdue	163	141
Overdue:		
- less than 30 days	1	-
- 30 to 60 days	7	7
- more than 60 days	2	10
	<u>173</u>	<u>158</u>

NOTE 8: Non-financial assets	1997-98 \$ '000	1996-97 \$ '000
NOTE 8A: Land and buildings		
Freehold land—at cost	549	549
	549	549
Buildings on freehold land—at cost	336	336
Accumulated depreciation	(30)	(19)
	306	317
Buildings on freehold land—at June 1996 valuation	245	245
Accumulated depreciation	(41)	(33)
	204	212
Leasehold improvements—at cost	5 387	3 850
Accumulated amortisation	(2 287)	(2 015)
	3 100	1 835
Leasehold improvements—at April 1995 valuation	495	797
Accumulated amortisation	(392)	(484)
	103	313
Total	4 262	3 226
NOTE 8B: Infrastructure, plant and equipment		
Infrastructure, plant and equipment—at cost	14 108	33 844
Accumulated depreciation	(8 350)	(19 693)
	5 758	14 151
Infrastructure, plant and equipment —at June 1998 valuation	5 862	-
Accumulated depreciation	-	-
	5 862	-
Total	11 620	14 151

	1997-98 \$ '000	1996-97 \$ '000
NOTE 8C: Intangibles		
Purchased computer software—at cost	-	7 203
Accumulated amortisation	-	5 500
	<hr/>	<hr/>
	-	1 703
Purchased computer software—at June 1998 valuation	2 758	-
Accumulated amortisation	-	-
	<hr/>	<hr/>
	2 758	-
Total	<hr/>	<hr/>
	2 758	1 703

The revaluations as at 30 June 1998 were in accordance with the progressive revaluation policy stated at Note 2 (l) and were completed by an independent valuer, the Australian Valuation Office. Revaluation increments of \$1 857 000 for intangibles (computer software) were transferred to the asset revaluation reserve; decrements of \$1 372 000 for infrastructure, plant and equipment were expensed.

NOTE 8D: Analysis of property, plant and equipment and intangibles

Table A — Movement summary of property, plant and equipment for 1997-98

<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 1997	549	5 228	5 777	33 844	7 203	46 824
Additions	-	1 640	1 640	3 963	599	6 202
Revaluations	-	-	-	(14 102)	(4 172)	(18 274)
Disposals	-	(405)	(405)	(3 735)	(872)	(5 012)
Gross value as at 30 June 1998	549	6 463	7 012	19 970	2 758	29 740
Accumulated depreciation/ amortisation as at 1 July 1997	-	2 551	2 551	19 693	5 500	27 744
Depreciation/ amortisation charge for assets held 1 July 1997	-	505	505	3 340	1 319	5 164
Depreciation/ amortisation charge for additions	-	-	-	190	10	200
Adjustment for disposals	-	(306)	(306)	(2 142)	(801)	(3 249)
Adjustment for revaluations	-	-	-	(12 731)	(6 028)	(18 759)
Accumulated depreciation/ amortisation as at 30 June 1998	-	2 750	2 750	8 350	-	11 100
Net book value as at 30 June 1998	549	3 713	4 262	11 620	2 758	18 640
Net book value as at 1 July 1997	549	2 677	3 226	14 151	1 703	19 080

NOTE 8D: Analysis of property, plant and equipment

Table B — Summary of balances of assets at valuation as at 30 June 1998

<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 1998</i>						
Gross value	–	740	740	5 862	2 758	9 360
Accumulated depreciation/ amortisation	–	(433)	(433)	–	–	(433)
Other movements	–	–	–	–	–	–
Net book value	–	307	307	5 862	2 758	8 927
<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

NOTE 8E: Other

Prepayments

**1997-98
\$ '000**

1996-97
\$ '000

483

924

NOTE 9: Cash flow reconciliation

Reconciliation of net cost of services to net cash provided by operating activities

	1997-98	1996-97
	\$ '000	\$ '000
Net cost of services – gain/(loss)	(56 871)	(58 700)
Depreciation/amortisation	5 364	5 882
(Profit)/Loss on disposal of non-current assets	134	10
Asset write-off	1 733	5
Revenue from government	59 175	66 614
Changes in assets and liabilities:		
decrease (increase) in receivables	(4 997)	(12 035)
decrease (increase) in other assets	441	(397)
increase (decrease) in creditors	(25)	(158)
increase (decrease) in provisions	(1235)	354
Net cash provided by operating activities	3 719	1 575

	1997-98 Budget \$	1997-98 Actual \$	1996-97 Actual \$
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NOTE 10: Receipts of the Consolidated Revenue Fund

Section 31 of the *Financial Management and Accountability Act 1997* – to be credited to running costs – Division 124

	1 032 000	1 531 517	1 434 862
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NOTE 11: Expenditure from Annual Appropriations

	1997-98 Budget estimates	1997-98 Additional appropriations	1997-98 Total appropriation	1997-98 Actual expenditure	1996-97 Actual Expenditure
Ordinary Annual Services of Government Appropriation Act	Act No 1 \$	Act No 3 \$	\$	\$	\$
Division 124 – Administrative 1. Running costs	70 076 000	357 000	70 433 000	53 460 517	54 000 862

	1997-98 \$ '000	1996-97 \$ '000
Reconciliation of agency running costs		
Running costs appropriation spent (Div 124-1)	53 461	54 001
Less: appropriation under FMA Act Section 31	<u>1 532</u>	<u>1 435</u>
	51 929	52 566
Add: carry over 30 June	17 171	12 191
Less: carry over 1 July	<u>12 191</u>	<u>-</u>
	56 909	64 757
Running cost revenue (included in Statement of Agency Revenues and Expenses)	56 909	64 757
Other agency spending – ordinary annual services appropriations	-	-
Revenue from government – ordinary annual services (per Statement of Agency Revenues and Expenses)	<u>56 909</u>	<u>64 757</u>

1997-98	1996-97
Actual	Actual
\$	\$

NOTE 12: 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:

<u>53 000</u>	<u>59 000</u>
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NOTE 13: Executive remuneration

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

	Number	Number
\$100 000 to \$110 000	-	-
\$110 000 to \$120 000	9	8
\$120 000 to \$130 000	-	-
\$130 000 to \$140 000	4	4
\$150 000 to \$160 000	-	-
\$160 000 to \$170 000	1	1
\$180 000 to \$190 000	-	-
\$190 000 to \$200 000	1	1

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

<u>\$1 888 072</u>	<u>\$1 753 944</u>
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The aggregate amount of performance pay paid during the year to executive officers shown above

<u>-</u>	<u>5 696</u>
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NOTE 14: Act of Grace payments

No Act of Grace payments were made during the reporting period.

No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997*.

NOTE 15: Average staffing levels

	1997-98 Number	1996-97 Number
Average staffing levels	<u>488</u>	<u>537</u>

NOTE 16: Financial Instruments

NOTE 16A: Terms, conditions and accounting policies

<i>Financial Instrument</i>	<i>Notes</i>	<i>Accounting policies and methods (including recognition criteria and measurement basis)</i>	<i>Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)</i>
<i>Financial assets</i>		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash – deposits at call		Deposits are recognised at their nominal amounts. Interest accrues directly to the Commonwealth.	Not applicable.
Receivables for goods and services	7B	These receivables are recognised at the nominal amounts due less any provision for bad or doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 30 days (1996-97: 30 days).
<i>Financial liabilities</i>		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	5B	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced.)	Settlement is usually made net 30 days.

NOTE 16B: Interest rate risk and net fair values

ASIO's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	1997-98	1996-97
	\$ '000	\$ '000
Financial assets (non interest bearing)		
Cash	1 738	2 953
Receivables for goods and services	<u>173</u>	<u>158</u>
Total	<u>1 911</u>	<u>3 111</u>
The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying values.		
Financial liabilities (non interest bearing)		
Trade creditors	<u>476</u>	<u>501</u>
Total	<u>476</u>	<u>501</u>

NOTE 16C: Credit risk exposures

The maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Assets and Liabilities. ASIO does not have any significant exposures to any concentrations of credit risk.

Appendixes

A: Program expenditure

Tables 12 and 13 in 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 (APS).

Staffing numbers

Basis	1993-94	1994-95	1995-96	1996-97	1997-98
Average staffing level (ASL) for each financial year (FY)	562	530	5515	37	488
Full time staff equivalent (FSE) at end of each FY	544	529	577	524	480
Number of staff at the end of each FY	596	585	625	571	536

*Table 14:
Staffing
levels and
number at
30 June,
1993-94 to
1997-98*

Status	1994	1995	1996	1997	1998
Permanent full-time	545	525	550	519	469
Temporary full-time	8	15	26	16	13
Permanent part-time	9	14	18	18	23
Temporary part-time	4	3	—	—	3
Casual	6	17	15	8	22
Non-operational (including unattached and on compensation)	24	11	16	10	6
Total	596	585	625	571	536

*Table 15:
Composition
of the
workforce
(number at
30 June each
year)*

*Table 16:
Location and
structure of
workforce
(number at
30 June 1998)*

	Canberra	Elsewhere	Total
Director-General	1	—	1
SES	12	1	13
Senior Officers	68	22	90
Other	296	131	432
Total	377	154	536

*Table 17:
SES equivalent
staff location,
classification and
gender (positions
at level) at 30
June each year*

		1994	1995	1996	1997	1998
Central office						
Band 1	Female	3	3	3	2	2
	Male	4	4	6	7	6
Band 2	Female	—	1	1	2	1
	Male	2	1	2	2	2
Band 3	Male	1	1	—	1	1
Seconded						
Band 3	Male	—	—	1	—	—
States and Territories						
Band 1	Female	—	—	—	—	—
	Male	2	2	1	1	1
Band 2	Male	—	1	—	—	—
Total		12	13	14	15	13

Training

*Table 18:
Training
participation
and
expenditure,
1997-98*

Training sessions (days)	Person days	Expenditure \$
766	4209	1 215 458

Workplace diversity

Group	Total staff ¹	Women ²	NESB	ATSI	PWD	Staff with EEO data ²
SES	13	3 (23%)	–	–	1 (9%)	11 (84.6%)
Coord ³	7	1 (14%)	–	–	–	6 (85.7%)
D/AD ⁴	110	8 (7.3%)	4 (4.9%)	–	1 (1%)	81 (73.6%)
GIO ⁵	119	38 (32%)	8 (7.3%)	1 (0.92%)	4 (4%)	109 (91.6%)
SIO ⁶	126	43 (34%)	20 (17%)	–	4 (3%)	118 (93.7%)
SIO1–4 ⁶	144	103 (74%)	6 (4.6%)	1 (0.76%)	10 (8%)	131 (90.9%)
ITO1–2	14	2 (14%)	1 (8.3%)	–	–	12 (85.6%)
ENG1–2	2	–	–	–	–	1 (50%)
Other	1	–	–	–	–	–
TOTAL	536	198 (37%)	39 (8.3%)	2 (0.43%)	20 (4%)	469 (87.5%)

Table 19: Representation of designated groups within ASIO occupational groups at 30 June 1998

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

¹ Based on staff salary classification in CHRIS.

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 Coord is equivalent to APS Senior Officer Grade A (SOGA) and includes equivalent officers in the Engineer and Information Technology classifications.

⁴ D/AD (Director & Assistant Director) classification is the equivalent of the APS SOGC to SOGB classifications and includes equivalent officers in the Engineer and Information Technology classifications.

⁵ Salaries for GIO (Generalist Intelligence Officer, including GIO Trainees) span the APS ASO 3-6 salary range.

⁶ SIO (Specialist Intelligence Officer) Grades 1-5 span the APS ASO 1-6 salary range.

Group	June 1994	June 1995	June 1996	June 1997	June 1998
Women ¹	34.50	34.70	34.60	36.00	37.00
NESB	6.00	7.00	7.00	8.00	8.30
ATSI	0.20	0.20	0.20	0.20	0.43
PWD	4.70	4.8	4.00	4.00	4.00

Table 20: Percentage representation of designated groups in ASIO 1993–1998

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

¹ Percentages 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.

C: Security intelligence reports

Table 21 lists the titles of Security Intelligence Reports published during the reporting period (excluded from the unclassified *Report to Parliament*).

D: Significant threat assessments

Table 22 and Table 23 show significant visits to and from Australia on which ASIO provided security advice to government in the form of threat assessments in 1997–98.

Date	Visitor
Aug 97	Mr Domingo Siazon, Foreign Secretary, the Philippines
Oct 97	Mr Cavit Kavak, Minister of State, Turkey
Nov 97	Air Chief Marshal Tubagus, Indonesia
Nov 97	Lt General Sudjana, Minister for Mines & Energy, Indonesia
Nov 97	Lt General Tarub, Vice-Chief of Armed Forces, Indonesia
Nov 97	Mr Wim Kok, Prime Minister, the Netherlands
Dec 97	Mr Li Ruihuan, Political Consultative Conference & Politburo Standing Committee Member, People's Republic of China
Jan–Feb 98	Admiral Clemins, Commander in Chief US Pacific Fleet, US Navy
Feb 98	Mr Louis Farrakhan, Leader Nation of Islam
Feb 98	General Chi Haotian, Minister for National Defence & Vice-Chairman Central Military Commission, People's Republic of China
Feb 98	Mrs Jenny Shipley, Prime Minister, New Zealand
Mar 98	Mr Nong Duc Manh, National Assembly Chairman, Vietnam
May 98	General Michel Aoun, former Prime Minister, Lebanon
Jun 98	Mr Tung Chee Hwa, Chief Executive, Hong Kong

*Table 22:
Significant visits to Australia for which threat assessments were issued in 1997–98.*

Date	Visitor
Sep 97	Treasurer Costello—Visit to Malaysia, China and Hong Kong
Oct 97	Prime Minister Howard—Visit to UK and attendance at CHOGM
Oct 97	Prime Minister Howard—Visit to Indonesia
Nov 97	Foreign Minister Downer—Visit to UK, Russia and Germany
Nov 97	Prime Minister Howard—Attendance at the APEC leaders meeting in Vancouver, Canada
Dec 97	Defence Industry, Science and Personnel Minister Bishop—Visit to Malaysia, Indonesia, Singapore, Philippines and Thailand
Jan–Feb 98	Foreign Minister Downer—Visit to London, Dublin, Geneva, Pakistan and Bangladesh
Feb 98	Sport & Tourism Minister Thomson—Visit to Japan, China and India
Feb 98	Prime Minister Howard—Visit to Malaysia and Papua New Guinea
May 98	Deputy Prime Minister Fischer—Visit to Italy, Switzerland, Russia and the Netherlands
Apr–May 98	Workplace Relations and Small Business Minister Reith—Visit to New Zealand

*Table 23:
Significant Australian overseas visits for which threat assessments were issued in 1997–98*

Table 24 (excluded from the unclassified *Report to Parliament*) shows significant establishments for which national security threat assessments (NSTAs) were issued during the reporting period.

E: Recommendations against entry or residence

Table 25 shows the grounds on which eleven people applying for visas to enter or remain in Australia were subjects of adverse security assessments during 1997–98 (compared with 15 in 1996–97). An adverse security assessment is a recommendation by ASIO that the relevant agency (DIMA or DFAT) should refuse the application. The final decision rests with the agency.

In all but one of these eleven cases the application was refused by the agency. The case of the eleventh applicant was still under consideration by DIMA at the end of the reporting period. 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.

Type of application	No.	Reason for adverse assessment
Temporary entry	5	Espionage potential
"	1	Terrorist/extremist links
"	2	WMD procurement potential, Foreign interference
Permanent entry/ residence	2	Terrorist/extremist links
"	1	Espionage potential

*Table 25:
Adverse security assessments on visa applicants, 1997–98*

F: Foreign liaison delegations

During the reporting period ASIO was host to more than 30 delegations of senior officials from overseas security and intelligence authorities of the countries listed in Table 26 (excluded from the unclassified *Report to Parliament*).

G: 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 senators, 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 Table 19, Appendix B).
- Training, including expenditure and participation of staff (see also Table 18).
- 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).
- 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, and valuations for properties which are exempt from a rent or capital use charge).

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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