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## Australian Security Intelligence Organisation

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Office of the Director-General

27 October 2000

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 Organisation Act 1979*, I am pleased to submit the annual report on ASIO for the year ending 30 June 2000.

The distribution of the 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

Dennis Richardson  
Director-General of Security



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 **Our Vision**

The intelligence edge for a secure Australia

 **Our Mission**

To provide advice to protect Australia and its people  
from threats to national security

 **Our Values**

- ▶ Accountability
- ▶ Integrity
- ▶ Learning
- ▶ Quality
- ▶ Respect
- ▶ Responsiveness
- ▶ Security
- ▶ Teamwork

# ASIO and its Annual Report

## What ASIO does

The Australian Security Intelligence Organisation – ASIO – is Australia's security service. ASIO was established in 1949 and operates under the *Australian Security Intelligence Organisation Act 1979*.

The ASIO Act defines security as protection of Australia and its people from espionage, sabotage, politically motivated violence, promotion of communal violence, attacks on Australia's defence system, or acts of foreign interference. These *heads of security* provide the primary direction to ASIO's work.

ASIO provides Government with security intelligence advice, protective security advice, and contributes to Australia's national counter-terrorism response capability. ASIO also collects foreign intelligence within Australia at the request of the Minister for Foreign Affairs or the Minister for Defence.

ASIO's corporate vision, mission, and values are contained in the Corporate Plan 1998/2002, which is available on our website at [www.asio.gov.au](http://www.asio.gov.au).

## ... And what we do not do

ASIO does not have executive powers, for instance, the power to arrest. Our role is the collection, analysis and dissemination of intelligence to help Government comprehend and manage the security environment.

ASIO reports to the Attorney-General. Oversight arrangements include the Inspector-General of Intelligence and Security, the Parliamentary Joint Committee on ASIO, and the Auditor-General.

## This report

ASIO produces two versions of its Annual Report. The first version is classified and contains an account of ASIO's performance during the previous twelve months, including sensitive reporting on security risks and investigative outcomes that cannot be released publicly. That report is provided to the Attorney-General, the Prime Minister, members of the National Security Committee of Cabinet, the Leader of the Opposition, and members of the Secretaries Committee on National Security.

An abridged version is then prepared for tabling in the Parliament, excluding classified information in accordance with section 94 of the *ASIO Act*.



Part 1: The *Overview* provides a review of our principal achievements over the reporting period. Part 1 also includes an Agency Overview describing our organisational structure, together with the Government Outcome and the ASIO Outputs that contribute to its achievement.

Part 2: *Output Performance* reports on the performance of ASIO's Outputs. Briefly, and using short-hand descriptors, these involve *intelligence advice, security advice, investigation, and foreign intelligence* (see page 8 for further detail). The Outputs contribute to the achievement of the Government Outcome '*A secure Australia for people and property, for Government business and national infrastructure, and for special events of a national and international significance*' (short title: *A secure Australia*).

Part 3: *Management and Accountability* describes performance in respect of accountability arrangements and those key internal service functions that enable ASIO to deliver its Outputs – this includes issues affecting our people, information management, and the security of our working environment.



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



Mr Dennis Richardson  
Director-General of Security

# Part 1

## Overview





## The Year in Review

The Sydney Olympics was the main focus of ASIO's work in 1999/2000.

Partly as a result of the Olympics we were unable to meet our benchmarks in archives requests, and fell well short of our benchmarks in personnel security assessments.

Several emerging issues required a response:

- ▶ the significant increase in illegal arrivals requiring security assessments
- ▶ the need to work with other agencies on strategies to protect the National Information Infrastructure
- ▶ plans for violent anti-globalisation protests against the Melbourne World Economic Forum.

The number of telecommunication carriers and changing technology continued to require close attention to ensure telecommunication services were able to be intercepted, subject to due process and approval by the Attorney-General.

And we continued to work with the Attorney-General's Department, the AFP and US authorities on the prosecution on espionage charges of former DIO employee, Jean-Philippe Wispelaere.

We contributed to the Blick Review on improving security, and security systems and culture in Government.

Amendments to the *ASIO Act* and the *Telecommunications (Interception) Act* enable ASIO to carry out its functions more efficiently through better use of technology and access to new information sources.

A website was launched in June 2000, providing a single point of access to all publicly available ASIO material.

### Protecting the Olympic Games

The need to prevent terrorism at the Olympics shaped our approach to the security environment. And the Olympics underlined the importance of our key intelligence relationships. We worked closely with other Commonwealth agencies, NSW Police and our overseas liaison partners.

- ▶ An intensive three-year program of preparations for the security of the Games was finalised and the Federal Olympic Security Intelligence Centre was activated on 1 May 2000.
- ▶ As of 30 June 2000 overt contact had been established with 82 ethnic communities to provide a channel of communication for concerns relating to Olympics security, and to explain ASIO's role.
- ▶ 22 people had been interviewed by 30 June as part of a Preventative Interview Program targeting individuals with a current or past connection with politically motivated violence.

- ▶ By the end of the reporting period 342 Threat Assessments had been issued relating to the Games. We received positive feedback from the NSW Police Olympic Intelligence Centre and other clients about their usefulness and timeliness.
- ▶ By 30 June we had provided security assessment advice to NSW Police on 62 167 people accredited to the Olympics (for example, SOCOG employees) and advice to DIMA on some Olympic Family Members and other visitors.
- ▶ Our updated counter-terrorism technical capabilities were successfully deployed with NSW Police and the Australian Defence Force in national counter-terrorism exercises.

### **Protecting people and property**

In 1999/2000 ASIO issued 1 346 Threat Assessments compared to 885 in 1998/99 – a 52 per cent increase. About 25 per cent of the Assessments related to the Olympics.

- ▶ The threat to US and Israeli interests in Australia was kept under continuing review against developments in the Middle East peace process and the threat of terrorist activity by associates of Usama bin Laden and other groups.
- ▶ At times during the East Timor crisis the threat to Indonesian interests in Australia was raised.
- ▶ The threat to Turkish interests was raised following the arrest, death sentence and appeal process of Kurdistan Workers' Party (PKK) leader, Abdullah Ocalan.

Events in the Middle East continued to have a significant impact on Australia's security environment.

We analysed the impact of violent anti-globalisation protests overseas on local protest activity.

We were unable to confirm the accuracy of allegations of arms procurement in Australia for Falantil in East Timor.

### **Protecting Government business and national infrastructure**

- ▶ In cooperation with DSD we accredited the sites of 11 private sector information technology providers to Government agencies.
- ▶ There was a 9.5 per cent increase in the number of personnel security assessments (12 471 against 11 400), and a marked increase in the complexity of cases. We fell well short of our benchmarks in turn-around times (*see p 24*). One adverse assessment and 12 qualified assessments were issued.

- ▶ Visa security checks increased by 37 per cent (24 854 compared to 18 122). On our advice three visa applicants were refused entry to Australia on espionage or foreign interference grounds, and a fourth applicant on politically motivated violence grounds.

### **Enhancing capabilities**

ASIO continued its program of investment in technical capabilities commenced in 1997/98.

- ▶ A bulk automated name checking system was introduced which assisted in successfully handling the very large number of Olympic accreditation checks.
- ▶ Operational and analytical capabilities were improved through new integrated information systems, including the delivery of open source information to the desktop.
- ▶ Additional direct electronic links were established with liaison partners. The links were relevant to Olympics security and will be of continuing value in counter-terrorism.

### **Management and accountability**

- ▶ ASIO's Fifth Workplace Agreement came into effect on 30 March 2000.
- ▶ A key challenge in 1999/2000 was the recruitment and integration of significant numbers of temporary staff to meet the Olympics workload. As of 30 June 2000, 18 per cent of ASIO staff were temporary, compared to 7 per cent in June 1998.
- ▶ Staff development remained a priority with corporate investment of 1.34 per cent of ASIO's budget (excluding on-the-job development). A new program in leadership development was established.
- ▶ Reports on visa security checking and business continuity management were completed as part of the corporate evaluation program.
- ▶ A Y2K compliance program was successfully completed and validated by external consultants.
- ▶ The Parliamentary Joint Committee on ASIO completed an inquiry into the *ASIO Legislation Amendment Bill 1999* and commenced an inquiry into 'The nature, scope and appropriateness of the way in which ASIO reports to the Australian public on its activities'.
- ▶ The Director-General gave evidence to the Senate Scrutiny of Bills Committee in March 2000, and the Legal and Constitutional Legislation Committee in April 2000 regarding the proposed amendments to the *Telecommunications (Interception) Act 1979*.

## **The Outlook for 2000/2001**

ASIO's support for the security of the Olympics and Paralympics will dominate the first four months of 2000/01. Preparations for CHOGM security will be a major focus after the Olympics.

A key task in 2000/01 will be the implementation of the four-year investment program in new capabilities approved by Government in May 2000. Taking forward the program, while paying for the Fifth Workplace Agreement, will require a critical review of corporate overheads to ensure an appropriate balance between operational and other activities.

Other issues include:

- ▶ Giving effect to the recommendations contained in the Blick Report on security within the Australian Intelligence Community and the Public Service more broadly.
- ▶ Bedding down arrangements, which will be across Government and involve ASIO, for protection of the National Information Infrastructure.
- ▶ Continuing unauthorised arrivals requiring ASIO security assessment.
- ▶ Competing in a tight labour market for skilled specialists to work in National Information Infrastructure Protection, information technology and engineering/technical areas.

Dennis Richardson  
Director-General of Security



### **Postscript: Key Olympic Statistics**

As of 2 October 2000, ASIO had:

- ▶ Provided more than 157 000 Olympic-specific security clearances for people accredited to the Games and for the entry into Australia of some Olympic Family Members.
- ▶ Issued 423 Threat Assessments specifically related to Olympics security.
- ▶ Made overt contact with 98 ethnic communities as part of a Community Interview Program designed to establish a channel of communication for any concerns relating to Olympics security, and to explain ASIO's role in that context.
- ▶ Interviewed 57 people of specific security interest to assist in the prevention of politically motivated violence during the Olympics.
- ▶ Activated the Federal Olympics Security Intelligence Centre on 1 May 2000 which issued 82 Security Situation Reports, each of which addressed multiple security issues.

## Agency Overview

### Organisational Structure

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

ASIO's management structure is at Figure 1.

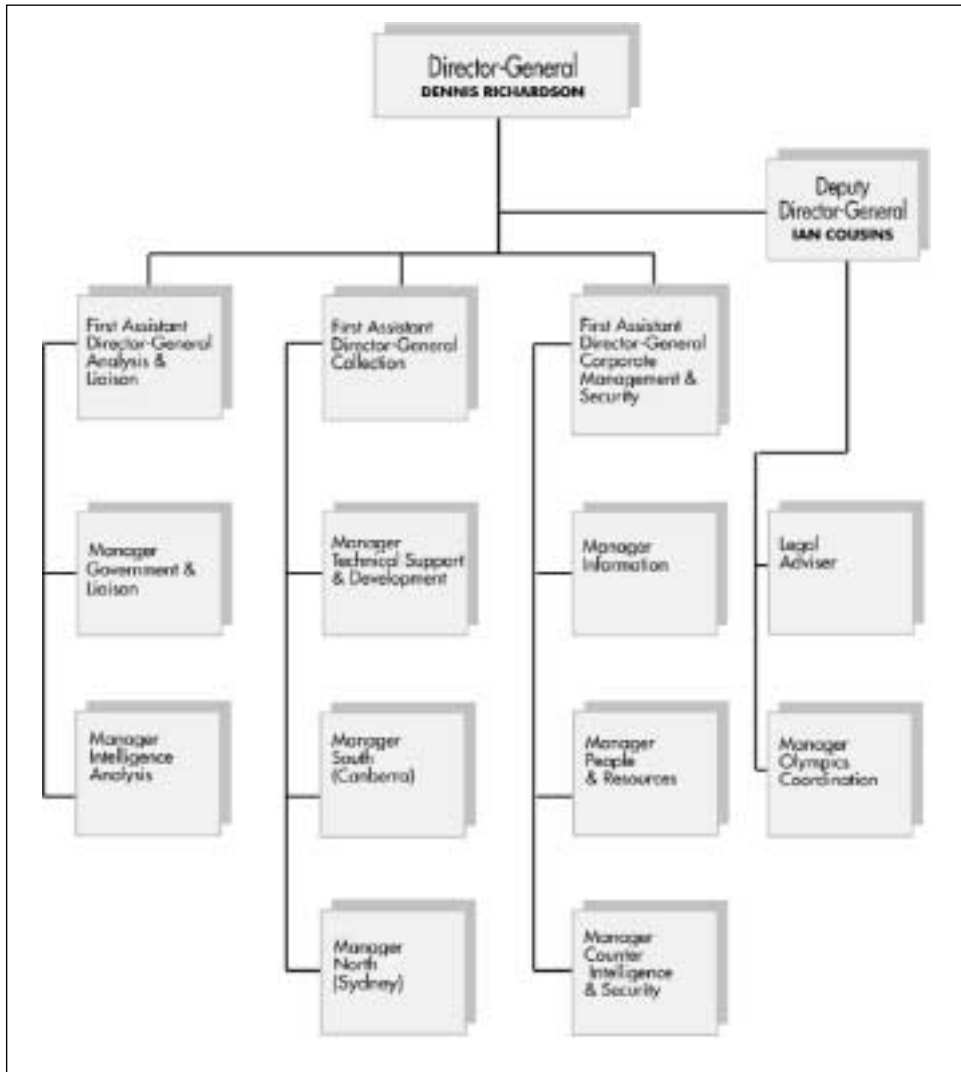


Figure 1. ASIO's management structure

### The Government Outcome and ASIO's Outputs

ASIO contributes to the Government Outcome – *'A secure Australia for people and property, for Government business and national infrastructure, and for special events of a national and international significance'*, which supports the Government's policy aim of *'A secure Australia in a secure region'*. (The short-hand descriptor *'A secure Australia'* is also used.)

To support this Outcome ASIO delivers Output Group 1 – *Security Intelligence*, which includes four Outputs (see Figure 2).

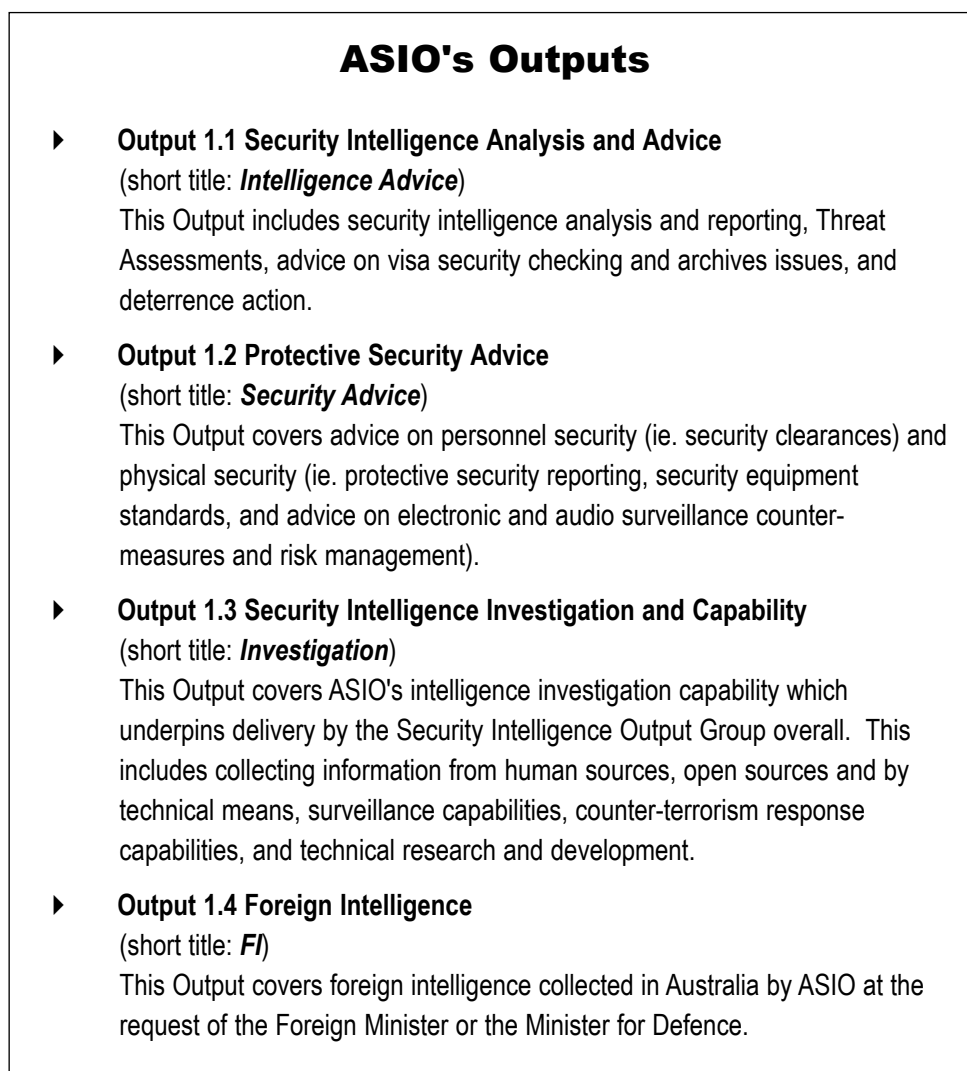


Figure 2. Output Group 1: Security Intelligence

The framework refines that developed in 1998, which has been modified to streamline and more clearly identify our Outputs. This involved:

- ▶ Focusing on the Government Outcome rather than four lower-level 'planning' Outcomes (ie. *people and property, the Olympics, Government business, and foreign intelligence collection*).
- ▶ Renaming the Output 'Security Intelligence Advice and Action' as '*Security Intelligence Analysis and Advice*' to better reflect ASIO's analytical and advisory function.

- ▶ Adding a new Output '*Security Intelligence Investigation and Capability*' to reflect the key security intelligence capabilities delivered to Government.
- ▶ Amalgamating the previous Outputs 'Security Assessment and Advice' and 'Physical Security Advice and Standards' into a new Output '*Protective Security Advice*'.

ASIO also requires internal enabling outputs that support its Output delivery (see Figure 3).

- ▶ **Executive Services**  
The governance, legal advisory and coordination functions, including high-level coordination such as is required for the Olympic Games.
- ▶ **Enabling Services**  
The corporate functions, including people development and management, financial services, information management, facilities management and internal security.

Figure 3. ASIO's Services

# Part 2

## **Output Performance**





**P**ART 2 reports on the performance of ASIO's four Outputs. The components of each Output are reviewed against (1) their effectiveness, in terms of the utility and credibility of their contribution to client understanding and management of risk to national security; and (2) their performance, in terms of quality, efficiency, and security of the activity involved.

Over the reporting period Outputs 1 (*Intelligence Advice*) and 2 (*Security Advice*) provided advice to Ministers and other clients on the security environment, and threats to national security related to people, property, and Government business and infrastructure. Output 3 (*Investigation*) contributed to the Outcome by investigations into threats to security and by maintaining and developing investigative capabilities. And Output 4 (*Foreign Intelligence*) supported the Government's foreign intelligence outcomes.

The overall price for our Output Group was \$66.986m (*see Table 1*). This includes supplementary appropriations for the Sydney Olympics (\$4.929m in 1998/99 and \$7.462m in 1999/2000).

Table 1. Price of ASIO's Outputs

Output	1998/99 \$m	Estimated 1999/00 \$m	Actual 1999/00 \$m
Output Group 1: Security Intelligence	66.133*	65.944	66.986

\* Note: The 1998/99 Output Group price of \$66.133m shown above differs from the figure of \$48.963m shown in the Financial Statement. The difference reflects a one-off change in Government accounting policy in 1998/99 relating to carry-over funds.

## Output 1: Security Intelligence Analysis and Advice

ASIO contributes to the Outcome of 'A secure Australia' by the timely provision of security intelligence analysis and advice. ASIO prepares assessments, reports and briefings for Government decision-makers and client agencies to help them manage risks, and take appropriate steps to protect people, property, and Government business and infrastructure.

Output 1 contributed to the Outcome by providing advice and analysis on:

- ▶ foreign influenced politically motivated violence
- ▶ local politically motivated violence
- ▶ foreign interference and espionage
- ▶ protecting the National Information Infrastructure
- ▶ threat levels in Australia and to Australian interests abroad
- ▶ visa security checking
- ▶ release of archival documents.

### Threat from foreign influenced politically motivated violence

Politically motivated violence can occur in Australia in response to ethnic, religious or political conflicts overseas. Individuals and groups can seek to publicly express their distress at events overseas by taking action in Australia, which occasionally spills over into violent protest activity. At the other extreme, there are militant groups internationally which view terrorism as a legitimate means of pursuing their cause. Some are sufficiently well-resourced to view the whole world as their theatre of operations. Some have a small number of supporters in Australia.

During 1999/2000 the following analysis and advice contributed to reducing the threat from foreign influenced politically motivated violence:

- ▶ Forewarning of potential threats in Australia, including to visiting dignitaries.
- ▶ Forewarning of potential threats to the Olympic Games which provided a sound risk management basis for security planning and was welcomed by NSW Police, other Police services and Commonwealth clients.
- ▶ Assistance to foreign liaison services in their investigation of terrorist threats.

The remainder of this performance report is excluded from the unclassified *Report to Parliament* because of security sensitivity.

## PERFORMANCE



**PERFORMANCE****Threat from local politically motivated violence**

During 1999/2000 ASIO focused on identifying and providing advice regarding those Australian groups and individuals assessed to be planning to undertake, or inciting others to undertake acts of violence in support of their views – with a particular emphasis on violent activities directed against the Olympic Games in Sydney and the World Economic Forum (WEF) in Melbourne.

The WEF and the Olympics provided a particular focus for the emergence of Issue Motivated Groups, providing some unity of purpose for previously disparate interests. We directed more resources to analysing the threat from local politically motivated violence – particularly the intentions and tactics of Issue Motivated Groups and millennium cults – through additional Olympics funding.

CHOGM will come into sharper focus post-Olympics.

The following analysis and advice contributed to reducing the threat from local politically motivated violence:

- ▶ Forewarning of potential threats to Australian high office holders and minority communities.
- ▶ Forewarning of potential threats to the WEF and the Olympic Games which provided a sound risk management basis for security planning and was welcomed by NSW Police, Victoria Police and other clients.

The remainder of this performance report is excluded from the unclassified *Report to Parliament* because of security sensitivity.

**Threat from foreign interference and espionage**

ASIO provides advice to Government on covert activity conducted on behalf of foreign governments.

- ▶ This includes espionage and attempts to interfere in the lives of people in Australia, or in political processes here or overseas.

Agents of foreign governments are posted here to collect intelligence – sensitive official, military or political information, or scientific and technical knowledge or hardware. Also, foreign agents report on, and sometimes intimidate people in Australia regarded as 'dissidents' by foreign governments. ASIO monitors the activities of these agents.

This performance report is excluded, in its entirety, from the unclassified *Report to Parliament* because of security sensitivity.

**PERFORMANCE**

**PERFORMANCE**

*Outlook*

**National Information Infrastructure Protection**

In August 1999 the Attorney-General announced a five-point strategy to protect Australia's National Information Infrastructure (NII).

Protection of the NII is a collaborative effort involving a number of agencies. ASIO's NII protection role relates to its security intelligence and protective security responsibilities.

We were able to make some limited, initial progress in developing our NII protection capability from within existing resources.

We produced six assessments of the threat to specific Government computer systems, and issued Security Intelligence Reports in conjunction with other agencies on:

- ▶ computer attack trends, including denial of service attacks sourced from Australia
- ▶ computer attacks under cover of the Y2K roll-over.

We participated in a Y2K Technical Monitoring and Analysis Group which monitored computer activity during the 1 January 2000 date conversion.

A small part of this performance report is excluded from the unclassified *Report to Parliament* because of security sensitivity.

Funding was provided for 2000/01 to more fully develop ASIO's NII capability. Our focus will be on:

- ▶ developing a capability to collect information in a coordinated and sustained way, to analyse that information, and to develop Threat Assessments
- ▶ developing a small investigative capability, to work as necessary with other agencies such as DSD and the AFP
- ▶ contributing to the development of a protective security program for critical infrastructure
- ▶ contributing to policy development on NII Protection.

**Threat levels in Australia and to Australian interests abroad**

ASIO provides advice in the form of Threat Assessments that seek to give forewarning of politically motivated violence.

- ▶ Many Assessments focus on threats to Australian high office holders at home or abroad, or the safety of foreign dignitaries visiting Australia.
- ▶ Most are prepared in response to requests from the Protective Security Coordination Centre in the Attorney-General's Department.

**PERFORMANCE**

- ▶ Police services and other agencies utilise Threat Assessments to make resourcing and deployment decisions to prevent or limit the occurrence of violence.

We also provide longer-term Threat Assessments on:

- ▶ threats to diplomatic and consular interests in Australia
- ▶ threats to ministerial residences and electorate offices, Government buildings and defence establishments
- ▶ the overall threat from politically motivated violence – we produce a comprehensive biannual assessment 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 Services carry out its responsibilities in the aviation industry.

There was a significant increase in the number of Threat Assessments issued in 1999/2000 – 1 346 compared to 885 in 1998/99 (*see Table 2*).

25 per cent of the Threat Assessments related to the Olympics, for instance to participating teams and events, the Torch Relay and test events, Games-related infrastructure and international interests in Australia.

The crisis in East Timor also contributed to the increase in Threat Assessments, accounting for 177 Assessments or 13 per cent of the total.

The increased number of Assessments relating to visiting dignitaries was largely due to high profile visits by HM Queen Elizabeth II and HRH The Duke of Edinburgh, President Jiang Zemin of China, and the large number of visits associated with the Olympics and with APEC in New Zealand.

*Table 2. Threat Assessments issued*

Subject of assessment	1995/96	1996/97	1997/98	1998/99	1999/00
Visiting dignitaries	153	137	106	107	131
Australian dignitaries	315	254	238	347	552
National security	21	43	39	30	34
Demonstration notifications	45	62	71	63	48
Diplomatic premises	109	90	113	208	164
Other Threat Assessments	93	58	54	84	75
Olympic Games 2000				46	342
<b>Total</b>	<b>736</b>	<b>644</b>	<b>621</b>	<b>885</b>	<b>1346</b>

**Sydney 2000 Olympics****PERFORMANCE****Visa refusals**

We produced 90 Olympic Country Threat Assessments covering 198 countries, providing clients at both the Federal and State level with advice on the threat to International Olympic Committee (IOC) member countries. These will be reviewed in the lead-up to the Games, and updated Threat Assessments will be issued for those countries assessed to be at greatest threat, and for countries in which the political situation changes.

ASIO assessments of the threat to the Torch Relay through the South Pacific and Australia assisted authorities to determine the nature of protective security arrangements.

No part of this performance report is excluded from the unclassified *Report to Parliament*.

**Visa security checking**

ASIO provides advice to DIMA and DFAT to assist in decisions on visa issue, and – to DIMA – in respect of decisions on residence. We assess whether people applying for entry or permanent residence have the potential to conduct espionage, foreign interference or terrorist activity, and provide a security assessment advising whether a person is a direct or indirect risk to national security.

Excluding illegal arrivals and Olympic-specific work, there was a 37 per cent increase in the number of visa security checks in 1999/2000 – 24 854 compared to 18 122 in 1998/99 – see *Table 3*.

Of the 24 854 security checks, 94.4 per cent were assessed within the agreed timeframe (temporary/permanent visas in five working days, student visas in ten days, and diplomatic visas in 15 days).

Most of the remaining 5.6 per cent required checks with overseas authorities.

*Table 3. Visa security assessments 1995/96 to 1999/00*

Type of entry	1995/96	1996/97	1997/98	1998/99	1999/00
Temporary	12 037	11 929	10 364	10 015	16 483
Permanent	14 322	5 552	7 156	8 107	8 371
<b>Total</b>	<b>26 359</b>	<b>17 481</b>	<b>17 520</b>	<b>18 122</b>	<b>24 854</b>

These figures do not include security assessments of illegal arrivals held in detention or Olympic Family Members

On ASIO advice three visa applicants were refused entry or permanent residence in Australia because they were assessed as likely to engage in espionage or foreign interference. A fourth applicant was refused entry

when we assessed that he was linked to or involved in politically motivated violence – refer Table 4.

Table 4. Prejudicial security assessments for visa applicants 1995/96 to 1999/00

	1995/96	1996/97	1997/98	1998/99	1999/00
Prejudicial assessments	16	15	11	9	4

### **Olympic Family Members**

Olympic Family Members (OFMs) are subject to the same security checking requirements as other foreign national visitors and receive an electronic visa in the form of an Olympic Travel Authority when cleared by DIMA for entry.

ASIO began receiving OFM applications for security checking in May 2000. The workload was expected to peak in July and August, enabling ASIO to complete the great bulk of its checking before the beginning of September.

### **Illegal arrivals**

ASIO needed to recruit additional staff in response to an unexpected increase in illegal arrivals (4 174 in 75 boats and another 1 694 by air).

The vast majority of the illegal arrivals were from Iraq and Afghanistan. A joint ASIO/DIMA review introduced efficiencies, and moved ASIO's security assessments forward in the process to improve processing times. ASIO is now better placed to respond quickly to new boat arrivals while continuing to work on the more difficult cases where interviews or overseas checks are required.

2 739 security assessments for illegal arrivals were issued during 1999/2000. As of 30 June 2000, 530 security assessments were awaiting finalisation.

A continuing high level of unauthorised arrivals is expected in 2000/01, many of whom will require security assessments.

The remainder of this performance report is excluded from the unclassified *Report to Parliament* because of security sensitivity.

### **Release of archival documents**

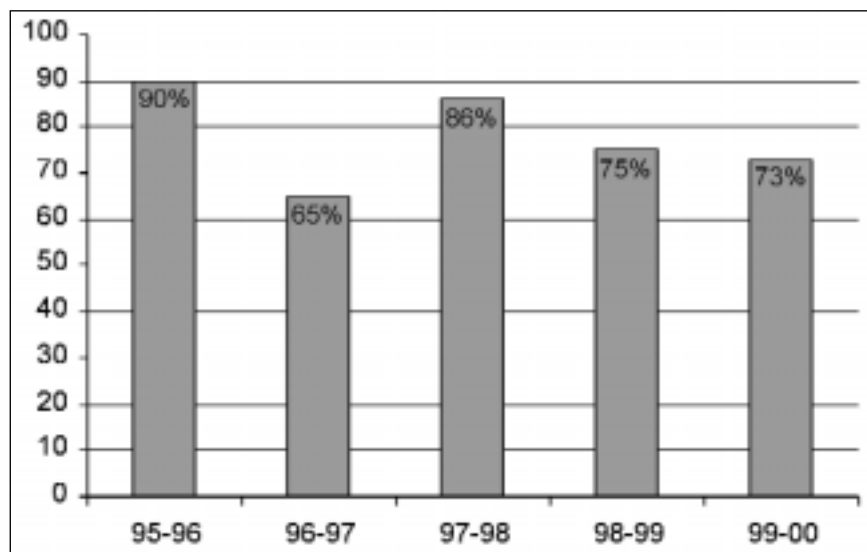
Although ASIO is an exempt agency under the *Freedom of Information Act 1982*, ASIO is not exempt from the operation of the *Archives Act*.

Researchers and other members of the public can apply to the National Archives of Australia (NAA) for access to ASIO records that are at least 30 years old. We then examine our files and provide advice to the National Archives about whether information should be exempted from public release under section 33 of the *Archives Act*.

**PERFORMANCE**

Applicants who are dissatisfied with the exemptions claimed by ASIO can request an internal reconsideration of the decision. Applicants can then appeal to the Administrative Appeals Tribunal (AAT) which may uphold the original decision, or grant access to all or part of a record.

73 per cent of the applications received during the reporting period were completed within the statutory timeframe of 90 days – down from 76 per cent in 1998/99 – see *Figure 4*. Staff redeployment to Olympic Games security intelligence priorities accounted for much of the decline. Post-Olympics these staff will return to archives work, but it does mean that our benchmark (80 per cent to be completed within 90 days) may again not be achieved in 2000/2001.



*Figure 4. Percentage of Archival requests satisfied within 90 days*

Priority continued to be given to requests from people seeking records about themselves or members of their family. These requests made up 36 per cent of the applications, and 90 per cent of these were completed within 90 days.

Requests from major researchers continued to absorb around 25 per cent of ASIO's archives resources. A further 25 per cent of resources were devoted to completing requests carried forward from previous years, in accordance with a list of priorities agreed with National Archives.

We received 157 new applications for access to our archival records, that were due to be completed during 1999/2000. These applications contained requests for access to 264 separate items or subjects.

- ▶ We advised the National Archives that 22 per cent of these items or subjects were not recorded in ASIO's indexes or there were no relevant records in the open access period.

**Internal  
Reconsideration**

- ▶ More than 27 000 individual folios (or pages) were examined. Of these, 21 per cent were released without deletions, 60 per cent were partially released and 19 per cent were not released because disclosure would reveal the identity of a confidential source.
- ▶ 257 files containing wholly released or partially exempt folios were transferred to the Archives. The files ranged in size from a single folio to 340 folios.

We received ten applications for internal reconsideration, all but one of which were completed. In most cases, they resulted in minor or no change to the original release decision.

Figure 5 shows a downward trend in the number of applications for internal reconsideration, which correlates with a policy decision by ASIO to release as much information as possible during the initial assessment. This means that, as the initial decision by ASIO is more accurate, it is unlikely that there will be substantial further releases of information.

**Administrative  
Appeals Tribunal**

The AAT heard one appeal from a dissatisfied researcher. The Tribunal's decision, which was made available in July 2000, affirmed ASIO's exemption claims, and agreed to ASIO's proposal that a further 12 words on two documents be released.

No part of this performance report is excluded from the unclassified *Report to Parliament*.

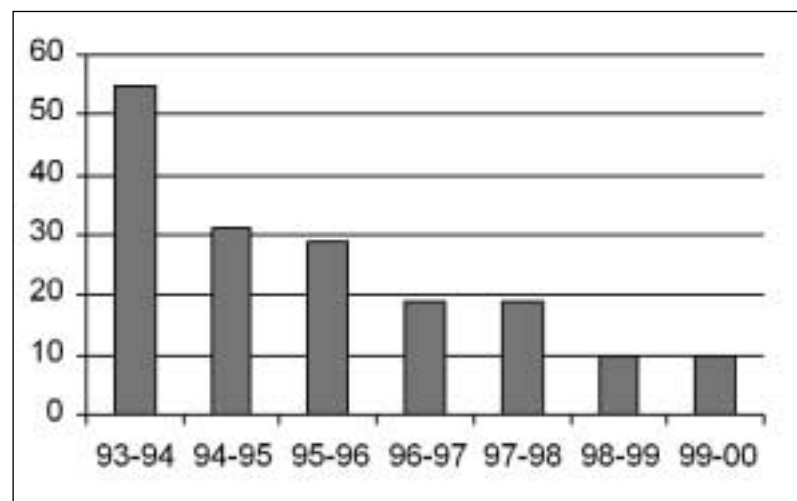


Figure 5. Requests for Internal Reconsideration

Jean-Philippe Wispelaere, an Australian citizen and former Defence Intelligence Organisation (DIO) employee, was arrested at Washington's Dulles Airport on 15 May 1999 and charged with attempted espionage. He had tried to sell classified documents to a person he thought was an intelligence officer of a foreign country, but who was, in fact, an undercover FBI agent.

The investigation preceding his arrest was conducted jointly by the FBI, ASIO and the AFP.

Wispelaere's trial was originally set for 4 October 1999 but was later changed to 8 November 1999. However, in October 1999 his lawyers informed the trial judge they had concerns about Wispelaere's mental competency and asked that the trial be adjourned and he be medically assessed. The trial judge granted the orders and Wispelaere was transferred to the Butner Correctional Facility in North Carolina for assessment.

On 19 November 1999 Butner advised the trial judge, in an interim assessment, that Wispelaere was incompetent to proceed with the legal process at that time. The trial judge granted a period of treatment and assessment at Butner which remained in process at the end of the reporting period. (Postscript: At a court hearing on 27 September 2000 Wispelaere was found to be competent to stand trial, subject to a continuation of his medical regime.)

Since Wispelaere's arrest, ASIO has continued to work closely with the Attorney-General's Department, the AFP and US authorities.

Figure 6. *The Wispelaere case*



## Output 2: Protective Security Advice

ASIO advises Government departments and agencies on the protection of Government business and national infrastructure.

Output 2 contributed to the Government Outcome of '*A secure Australia*' by:

- ▶ Providing advice on personnel security (security clearances for people who require access to national security classified information or secure places).
- ▶ Providing advice on physical security (the security of Government buildings and infrastructure).

In May 1999, following the Wispelaere case (*see Figure 6 on the opposite page*) the Prime Minister asked the Inspector-General of Intelligence and Security (IGIS) to report on specific measures to strengthen Government protection of classified information. Along with other departments and agencies ASIO has been involved in the IGIS Report, which is expected to be implemented in 2000/01.

Implementation of the recommendations in the IGIS Report will require ASIO to take on additional responsibilities.

### Personnel security

Before granting a security clearance to a candidate for a 'designated security assessment position' Commonwealth agencies are required to carefully assess the general suitability of the person for access. Once those factors are satisfied ASIO provides agencies with advice, in the form of a security assessment, on whether anything in the candidate's background or activities is a cause for security concern.

This advice is normally based upon an assessment of material provided to ASIO by the relevant agency. ASIO sometimes interviews people as part of its security assessment where it is relevant to the resolution of security issues arising either from its own information, or from material provided by the agency. Psychological testing, where it is part of an agency's procedures, is the responsibility of the agency and does not involve ASIO.

ASIO either advises agencies that it does not recommend against an applicant for a security clearance, or it issues an adverse or qualified assessment.

- ▶ An adverse assessment is a recommendation, supported by a statement of grounds, that a person should not be granted the access sought.

**PERFORMANCE**

- ▶ A qualified assessment does not recommend against access, but provides information that ASIO considers may need to be taken into account in decision-making.

In each case, the decision to grant or deny a security clearance rests with the head of the relevant agency. Individuals have a right of appeal to the Administrative Appeals Tribunal in respect of ASIO’s security assessments.

During 1999/2000 we received 12 471 requests for security clearances from agencies.

ASIO's benchmark is to complete 75 per cent of security assessments within 14 days, 90 per cent within 21 days, and to have no more than 1 per cent remaining incomplete after 12 weeks.

In 1999/2000 we fell well short in our performance against all benchmarks. This was due in part to the Olympics accreditation workload (62 237 security assessments as of 30 June 2000), and in part to a 9.5 per cent increase in the number of assessments and an increase in the complexity of cases (*see Table 5 and Table 6*).

As of 30 June 2000 we were seeking to develop an automated checking process with the Department of Defence which would reduce the timeframe in which most assessments are completed.

Table 5. Performance

Performance measure	Target	Performance
Complete within 14 working days	75%	33%
Complete within 21 working days	90%	43%
Remaining incomplete after 12 weeks	1%	8.8%

Table 6. Annual workloads

Level of access	1995/96	1996/97	1997/98	1998/99	1999/00
Confidential	1 259	887	1 169	1 038	1163
Secret	5 757	5 304	5 398	5 909	6658
Top Secret	3 725	3 520	4 280	4 453	4650
<b>Total</b>	<b>10 741</b>	<b>9 711</b>	<b>10 847</b>	<b>11 400</b>	<b>12 471</b>

**Adverse and qualified assessments**

We issued one adverse assessment and 12 qualified assessments – *see Table 7*.

**Olympics  
accreditation****Appeals****PERFORMANCE**

Table 7. Adverse and qualified assessments

	1995/96	1996/97	1997/98	1998/99	1999/00
Qualified assessments	3	2	4	4	12
Adverse assessments	2	1	3	1	1
<b>Total</b>	<b>5</b>	<b>3</b>	<b>7</b>	<b>5</b>	<b>13</b>

As of 30 June 2000 we had provided security assessment advice to the NSW Police on 62 237 people engaged as Olympics employees, volunteers and contractors who required access to secure Olympics sites. No prejudicial advice was issued.

To cope with the volume of work we developed an electronic process to index all names and identify those with profiles of possible security interest. This process, with some modifications, will have longer-term benefits for our security assessment work.

An appeal against an adverse assessment issued in 1998/99 was dismissed by the Administrative Appeals Tribunal.

No new appeals were lodged during 1999/2000.

A small part of this performance report is excluded from the unclassified *Report to Parliament* because of security sensitivity.

**Physical security**

ASIO provides protective security policy advice to Government, and specific advice to individual departments and agencies on protective security measures. This advice includes:

- ▶ protective security and risk management advice and training
- ▶ setting security equipment standards and testing equipment against those standards.

1999/2000 was a period of some rebuilding and upgrading of ASIO's protective security capabilities. New staff were recruited to replace earlier losses and to improve capabilities in mechanical and electronic engineering, equipment testing and security risk assessments and reviews.

**Protective security and risk management advice and training**

ASIO's protective security advice is based on a comprehensive Threat Assessment and detailed analysis of risk and vulnerabilities, and provides agencies with a sound basis for rational security risk management. It also helps agencies raise security awareness and can contribute to the development of a proper security culture.

**Cost recovery**

Since February 2000 advice and services have been provided on a full cost recovery basis.

We provided advice to 96 Commonwealth clients, recovering \$251 000 in costs – a significant increase over previous years.

**Protective Security Manual**

ASIO contributed to the redrafting of the Protective Security Manual (PSM) which provides guidelines for Government agencies on protective security policies and practices.

**Risk reviews**

ASIO undertook nine major security risk reviews, and 32 protective security risk reviews during 1999/2000, including:

- ▶ A four-month risk review project for Airservices Australia, covering five airports in the Sydney basin, which resulted in the counter-terrorism first response capability at Sydney Airport being extended to incorporate critical Airservices facilities.
- ▶ Completion of a three-year project to provide physical security advice to the Customs House refurbishment.

**Gatekeeper accreditation**

With DSD we conducted 'Gatekeeper' accreditation of 11 sites of private sector information technology providers to Government agencies, compared to one in 1998/99.

- ▶ 'Gatekeeper' is a Commonwealth Government initiative to develop a national framework for the authentication of users of electronic online services, and we anticipate an increase in future demand.

We continued to provide protective and physical security training to Agency Security Advisers, Defence and industry personnel.

**Security equipment standards**

ASIO tests security equipment, including motion detector systems, alarm panels and communication links, as well as general security hardware such as fences, barriers and locks to ensure minimum quality standards for security products used by the Commonwealth.

**Equipment testing**

Staff shortages meant that only a small number of items underwent test and evaluation. The testing workload is likely to increase when the new Security Equipment Catalogue is issued.

A refurbishment of ASIO's equipment test site in Canberra began, to increase the testing throughput and to deal with a testing backlog.

**Security Equipment Catalogue**

The Security Equipment Catalogue was revised. The new Catalogue updates Commonwealth standards for security equipment, and will be sold to security providers (in paper and CD-ROM format).

The remainder of this performance report is excluded from the unclassified *Report to Parliament* because of security sensitivity.

### **Output 3: Security Intelligence Investigation and Capability**

The investigation of security threats involves the development of specialised human and technical capabilities and the need to maintain those capabilities in a continually changing security and operational environment.

Output 3 is delivered through a range of integrated activities, each a key contributor to the security intelligence collection capability.

These include:

- ▶ Warrant operations, including:
  - telecommunications interception
  - covert entry and search of premises
  - mail intercept
  - the use of listening devices and tracking devices
  - computer exploitation
- ▶ Human source intelligence collection
- ▶ Surveillance
- ▶ Collection of information from open sources
- ▶ Liaison with other Australian security stakeholders
- ▶ Liaison with overseas security and intelligence partners
- ▶ Technical research and development
- ▶ Support to the National Anti-Terrorist Plan.

All operational activity by ASIO must comply with the Attorney-General's Guidelines for the Collection of Intelligence which require ASIO to use methods of investigation that are appropriate to the assessed risk.

#### **Legislative Amendments**

Amendments to the *ASIO Act* were passed by the Parliament in November 1999 and came into effect on 10 December 1999. The amendments were detailed in last year's Annual Report. In essence, the changes amount to a modernisation of current powers to meet the challenges posed by new technology, and to enable ASIO to utilise available technology in the execution of its functions.

Amendments to the *Telecommunications (Interception) Act* commenced operation on 22 June 2000. These amendments enhance ASIO's ability to advise Government on threats to security and to collect foreign intelligence, by enabling ASIO to be better placed to meet the challenges

**PERFORMANCE**

of new technology. In particular, ASIO may obtain telecommunications interception warrants targeting named persons if a telecommunications service warrant would be ineffective. This will provide the flexibility necessary to compensate for targets using multiple services in order to defeat investigation.

Output 3 contributed to the Government Outcome of '*A secure Australia*' by:

- ▶ investigating threats to security, particularly in the area of politically motivated violence, and thereby contributing to Outputs 1 and 2, and
- ▶ maintaining and developing investigative capabilities, including through legislative change.

A large part of this performance report is excluded from the unclassified *Report to Parliament* because of security sensitivity.

**Special powers**

**Warrant Operations**

Legislation enables ASIO, subject to the approval of the Attorney-General, to use intrusive methods of investigation such as telecommunications interception. Only the Director-General can seek a warrant. A written statement specifying the grounds on which it is considered necessary to conduct an intrusive investigation must accompany each warrant.

**Warrant approvals**

Warrants submitted for approval by the Attorney go through a system of checks within ASIO, including examination by the ASIO Legal Adviser. Also, before consideration by the Attorney, a senior official of the Attorney-General's Department independently advises the Attorney on whether the relevant statutory requirements have been met.

**External scrutiny**

Warrants are issued for specified limited periods. And at the expiry of each warrant ASIO must report to the Attorney on the extent to which the operation helped the Organisation carry out its functions.

The Inspector-General of Intelligence and Security continued his examination and audit of ASIO's warrant documentation. In his 1999/2000 annual report, the Inspector-General noted ASIO had taken considerable care to ensure that the conditions on which a warrant is granted were met, that the reporting of the results of warrant operations was timely, and that due attention had been paid to detail.

In no case did the Inspector-General consider ASIO had insufficient justification for seeking a warrant.

**Telecommunications interception**

Telecommunications interception involves the provision of intercept facilities by a telecommunications carrier or carriage service provider in

**Deregulation**

response to a warrant, which enables access to electronic communications to or between people of security interest. The *Telecommunications Act 1997* requires all carriers and carriage service providers to provide interception capabilities, unless specifically exempted.

ASIO contributed substantially to the Review of the Cost-Effectiveness of Telecommunications Interception conducted by the Australian Communications Authority during 1999 and to subsequent interdepartmental discussions on implementation of its recommendations.

The Review reaffirmed the continuing importance of telecommunications interception to the work of national security and law enforcement agencies and concluded that, in broad terms, the current arrangements under the Act are cost-effective and appropriate.

Deregulation of the industry and growth in the number of carriers and carriage service providers has required a significant investment by ASIO to ensure new telecommunication services can be intercepted. Since 1995, the number of licensed telecommunication carriers in Australia has increased from three to 46.

**Encryption**

Publicly available robust encryption, driven principally by e-commerce requirements, will be a major challenge in coming years.

**Funding**

Funds for new telecommunications interception capabilities were allocated to ASIO and Commonwealth law enforcement agencies in 1994.

Providers are responsible for the development costs of interception capabilities, with intercepting agencies required to pay delivery and any agency-specific formatting costs.

**Human source intelligence collection**

ASIO collects intelligence by recruiting and managing human sources – people who are prepared to provide information about individuals, groups or foreign powers of security interest.

We also undertake declared, overt interviews of members of the public or target personalities to assist with our investigations.

A well-placed human source can provide ASIO with valuable insight into issues of security interest, but can take a long time to recruit and develop. A significant investment is also needed to develop expert human source management skills in our intelligence officers.

**Olympic Community Interview Program**

As of 30 June 2000, our Olympic Community Interview Program covered 82 ethnic communities, establishing overt contacts with community leaders to explain ASIO's role in the Olympics and gather information about possible threats.

**Preventative and  
disruption operations**

A number of disruption operations were conducted as part of our pre-Olympics planning.

We also undertook a preventative, targeted interview program of people with a current or past connection to politically motivated violence.

As of 30 June 2000, 22 interviews had been completed, and a further 35 were planned before the start of the Olympics.

**Surveillance**

ASIO surveillance teams track and report on people of security interest.

During 1999/2000 surveillance operations were primarily focused on groups or individuals assessed as a potential threat to the Sydney 2000 Olympics.

**Open source information collection**

Information publicly available through commercial publications and electronic sources has a valuable place in ASIO's intelligence collection strategy. Open source information does not replace information that is covertly collected, but helps monitor the global and strategic environment for international and local developments, and alert analysts and collectors to emerging trends.

We established an Open Source Unit, the value of which will be assessed in 2000/01. Internet facilities were expanded to facilitate wider staff use of this resource.

In 2000/01 we will focus on improving electronic delivery of information to the desktop.

**Liaison with Australian agencies**

ASIO relies on strong partnerships with Commonwealth and State agencies. These organisations help us with investigations and provide access to information which helps identify individuals of security interest.

Information sharing is regulated by the *ASIO Act* and State legislation, and is scrutinised by the Inspector-General of Intelligence and Security.

ASIO senior management continued to meet biannually with the senior management teams of ASIS, DSD and the AFP to review cooperative arrangements, identify opportunities to share resources and capabilities, and discuss strategic directions.

Law enforcement agencies provide vital support to ASIO's collection effort, especially in the development of Threat Assessments, and when investigating politically motivated violence.

**Australian  
Intelligence  
Community**

**Law enforcement  
agencies**



**NSW Police**

Over the reporting period we participated in SAC-PAV counter-terrorism exercises with police services in NSW, Victoria, South Australia, Western Australia and the ACT. And the arrival of the Olympic torch required close liaison with police forces in Queensland and the Northern Territory.

We strengthened our relationship with the NSW Police in the lead-up to the Olympics, conducting joint exercises, including the Technical Support Unit (TSU), to ensure integration and interoperability.

Short reciprocal exchanges of officers between ASIO and the NSW Police Olympic Security Command Centre enhanced intelligence exchange and counter-terrorism responses, and will be particularly valuable during the Olympics and other major events.

And we expanded our reporting and collecting mechanisms to ensure the NSW Police Service was kept informed of emerging threats relevant to the Sydney Olympics, particularly in the areas of potential terrorist threats and violent protest activity.

**Border control agencies**

The relationship with DIMA, Customs, DFAT and other agencies responsible for border control is particularly important as we seek the earliest possible warning of potential security threats. ASIO is the principal source of advice to DIMA on the entry of people of security significance to Australia. We are represented on the DIMA-chaired Border Control Coordination Group addressing border security and integrity issues for the Olympics.

**Liaison with overseas services**

ASIO's legislation authorises communication with the security and intelligence authorities of other countries approved by the Attorney-General. Foreign services provide ASIO with access to security and intelligence information we cannot collect by other means, particularly in relation to threats to Australia's security that originate off-shore, or occur in response to events overseas.

**Strategic relationships**

ASIO liaison staff develop strategic relationships with agencies in their regions, to facilitate a two-way exchange of information. As at 30 June 2000, we had liaison relationships with 216 organisations in 104 countries and territories.

During 1999/2000 we continued to develop and reinforce bilateral relationships. We hosted visits of senior officers from key liaison partners. The visits covered Olympics-related and ongoing cooperative arrangements. We focused particularly on developing awareness among liaison partners of our Olympics requirements and implementing specific arrangements with key services to enhance our Olympics-related capability.

### **Foreign Services Support**

Assistance from overseas intelligence agencies is essential to ASIO's work, and we in turn respond to requests for information and support.

A decision to pass information about Australian citizens and permanent residents to a foreign service is only made after consideration of a range of factors, in particular the foreign government's regard for human rights, and the strength of the intelligence relationship with the foreign service. Any intelligence communicated must be relevant to the security of the country requesting the information.

### **Technical Development**

ASIO maintains a small but effective engineering development group, which conducts limited, in-house development work and manages technical equipment acquisition, and outsourced development projects.

Investment in technical capability is critical to our ability to undertake technical collection operations and to develop effective technology sharing partnerships with our liaison partners.

Technical collection capabilities maintained and developed during the year included telecommunications interception and related delivery, processing and monitoring systems.

### **Counter-Terrorism Support**

We work with State and Federal agencies as part of the national counter-terrorism machinery. ASIO collects information, provides advice to Government and clients, operates specialist intelligence gathering equipment, and conducts counter-terrorism training.

ASIO is a member of the two major committees coordinating Australia's counter-terrorism effort, and of the Counter-Terrorism (Overseas) Response Group which coordinates policy development and management of Australia's response to terrorist incidents overseas involving Australian interests, or requests for help from foreign governments.

We contribute to counter-terrorism policy development, preventative arrangements and crisis contingency planning, in support of the National Anti-Terrorist Plan (NATP) and the national crisis management arrangements.

Under the NATP, ASIO hosts and maintains the National Intelligence Group (NIG) which coordinates intelligence collection and strategic assessments during counter-terrorism exercises and terrorist incidents. We also participate in the Joint Intelligence Group, an operational intelligence unit established by the State or Territory police.

**National counter-  
terrorism exercises**

Testing and refining our counter-terrorism response capabilities was a particular focus in 1999/2000. We worked with other Commonwealth and State authorities and the Australian Defence Force to improve and integrate our capabilities before the Olympics.

Two SAC-PAV National Exercises were conducted in Sydney – 'Blue Ring' in November 1999 and 'Ring True' in May 2000. We made a significant contribution to exercise planning and writing, provided officers to the exercise control panels, and responded to the scenario as if it were a real incident.

Exercise 'Ring True' fully tested ASIO's counter-terrorism capability – including the activation of the national, regional and incident site machinery, deployment of the TSU and briefings to the Special Incident Task Force.

The exercises provided a valuable opportunity to test counter-terrorism response capabilities prior to the Olympics. Rigorous post-exercise reviews have enabled us to refine our capabilities further.

**Crisis management  
training**

Participation in these exercises was reinforced by crisis management training provided to our own staff, and to officers from the AFP, Queensland Police, Victoria Police, Office of National Assessments and Defence Intelligence Organisation. We also assisted in the planning and conduct of four other SAC-PAV counter-terrorism response exercises, participated in six SAC-PAV discussion exercises, and provided directing staff and students, or gave presentations to a range of SAC-PAV courses.

**Review of the  
National Anti-  
Terrorist Plan**

We contributed to a review of the NATP, coordinated by the Protective Security Coordination Centre. The aim of the review was to amend policies and procedures to enhance national capabilities to respond effectively to contemporary trends in terrorism. A further review will be conducted post-Olympics to include lessons learnt during that period.

**Output 4: Foreign Intelligence**

Output 4 contributes to the Government Outcome of '*A secure Australia*' by collecting foreign intelligence in Australia on behalf of ASIS and DSD under warrant, and incidentally through ASIO's security intelligence investigations and liaison with overseas partners.

This performance report is excluded, in its entirety, from the unclassified *Report to Parliament* because of security sensitivity.

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# Part 3

## **Management and Accountability**



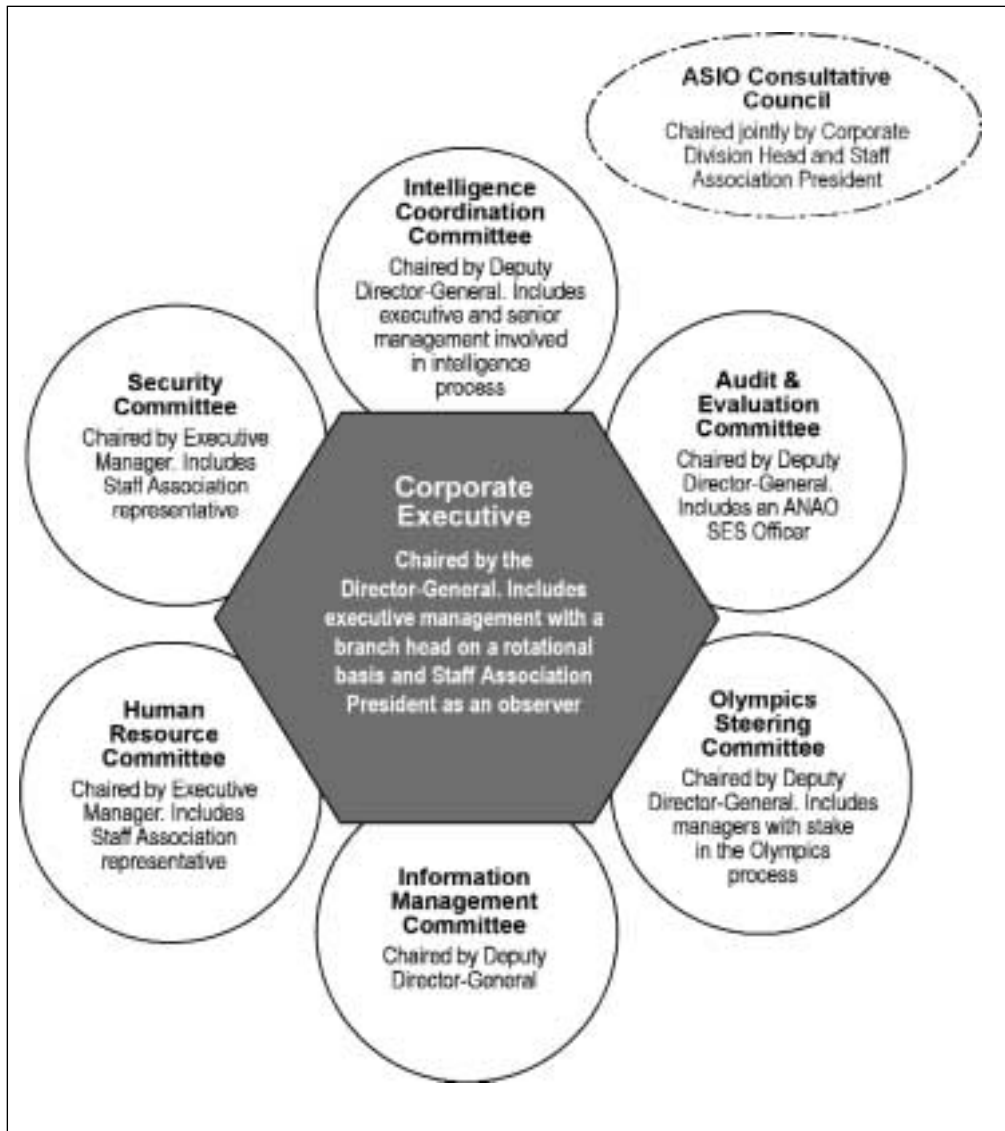


Figure 7. Corporate governance structure

**P**ART 3 addresses those functions that enable ASIO to deliver its Outputs effectively and efficiently. This includes governance and accountability arrangements and the internal (enabling) services by which our people, information systems, and the security of our working environment are managed and developed.

A small part of this report is excluded from the unclassified *Report to Parliament* because of security sensitivity.

## **Governance**

Corporate governance in ASIO is exercised through a Corporate Executive that supports the Director-General in managing and setting the strategic direction for the Organisation. An Audit and Evaluation Committee and other corporate committees which review security, intelligence, human resource and information management issues support the Corporate Executive. A Consultative Council, comprising representatives from management and the ASIO Staff Association, examines employment and conditions of service matters.

The Director-General chairs the Corporate Executive, which includes the Deputy and First Assistant Directors-General, an SES branch head on a rotational basis, and the President of the ASIO Staff Association as an observer. The Corporate Executive meets twice monthly and otherwise as required. It sets overall strategic directions and oversees resource management.

The Audit and Evaluation Committee is chaired by the Deputy Director-General, and includes an SES officer from the Australian National Audit Office (ANAO). Other corporate committees are shown in Figure 7.

ASIO reports annually through the Attorney-General by means of a classified Annual Report to the National Security Committee of Cabinet, and an unclassified *Report to the Parliament*. Financial activities are regularly audited, and certain budgetary details published in the annual Budget Papers.

## **Accountability**

A security service's tasks are both to investigate and report on threats to Australia's security such as politically motivated violence and espionage. Our effectiveness lies in our ability to obtain and exploit secret information, which those under investigation may go to some lengths to hide. We are conscious that ASIO investigations can be invasive and so we adhere to a range of accountability arrangements and safeguards that govern the way we operate.

**Internal audits**

A number of measures help ensure ASIO is accountable - our internal evaluation, audit and fraud control measures, external accountability arrangements, and arrangements governing our interface with the public. More information relating to these issues can be found on our website at [www.asio.gov.au](http://www.asio.gov.au).

**Audit, Evaluation and Fraud Control**

ASIO has an ongoing program of internal and external evaluations and reviews, which is overseen by the Audit and Evaluation Committee. We completed four evaluations and a range of internal audits in 1999/2000.

Other planned evaluations were temporarily suspended due to commitments to the Sydney 2000 Olympics.

The following internal audits were conducted during the reporting period:

- ▶ an audit of the Advanced Infrastructure Project acquisition process
- ▶ a review of Technical and Operational asset acquisitions
- ▶ a review of Olympics expenditure
- ▶ a review of controls to safeguard data received from other agencies
- ▶ a review of ASIO's preparedness for the introduction of the GST
- ▶ an assessment of the adequacy of the National Intelligence Group to support the National Anti-Terrorist Plan
- ▶ a review of the cost of operating small State offices
- ▶ a test of compliance with the *NSW Law Enforcement and National Security (Assumed Identities) Act 1988*.

The internal audits disclosed some administrative and procedural shortcomings, and remedial action is either underway or has been finalised. No loss of monies or assets was reported.

We also completed preparations for the introduction on 1 July 2000 of the new taxation system, including a GST-compliant upgrade of Finance One, the Financial Management Information System.

The consultants, Walter and Turnbull, conducted a fraud risk assessment. This will provide the basis for a revised Fraud Control Plan, which is to be finalised later in 2000.

**Evaluations**

Four evaluations were completed in 1999/2000:

- ▶ PriceWaterhouseCoopers conducted an activity-based costing exercise to identify the cost of ASIO's Outputs and Outcome, the additional on-cost imposed by security requirements, and to benchmark ASIO's performance against that of other organisations. This review will be completed in late 2000.



- ▶ PriceWaterhouseCoopers also reviewed the Physical Protective Security (T4) costs to help determine an appropriate costing model and policy. The model is now being used to design a new pricing structure for T4 services.
- ▶ An internal review of Visa Security Checking processes examined ASIO's security assessment procedures for people applying for Australian visas, permanent residence or citizenship. This evaluation also assessed ASIO's capability to handle an increased workload in the lead-up to the Olympics. Recommendations from the review are being implemented, including the revalidation of ASIO inputs to DIMA's Movement Alert List.
- ▶ A review of Business Continuity Management examined how well ASIO plans for the continued availability of services, including all functions associated with the provision of services. The evaluation analysed priority issues from a risk management perspective. Managers are now evaluating risks in their areas, and implementing risk reduction strategies.

## External Scrutiny

External scrutiny of ASIO's activities is exercised through Ministerial oversight, the Inspector-General of Intelligence and Security (the Inspector-General), the Auditor-General and the Parliamentary Joint Committee on ASIO.

A copy of ASIO's classified Annual Report is made available to the Leader of the Opposition, who also receives briefings from the Director-General.

ASIO's financial program is included in the Attorney-General's Portfolio Budget Statement, which is scrutinised by the Senate Legal and Constitutional Reference and Legislation Committee. The Director-General attends Committee hearings.

The Attorney-General is responsible for Ministerial oversight of ASIO.

- ▶ In 1999/2000 we provided the Attorney with 123 briefing papers and submissions on significant security and ASIO-related issues.
- ▶ All operational activity by ASIO must comply with the Attorney-General's Guidelines for the Collection of Intelligence, which require ASIO to use methods of investigation which are appropriate to the perceived risk.
- ▶ All warrants for the exercise of ASIO's special powers must be approved by the Attorney-General.

**The Minister**

***The Inspector-General***

- ▶ The Attorney-General also receives reports from the Inspector-General on inquiries relating to ASIO, including those involving complaints.

The Inspector-General may inquire into matters concerning ASIO on his own motion, at the request of the Attorney-General or the Government, or in response to complaints. His role is to ensure that ASIO acts legally and with propriety, complies with ministerial guidelines, and acts with due regard for human rights.

The Inspector-General also undertakes a systematic review of ASIO's activities. This includes:

- ▶ meetings with the Director-General and senior managers
- ▶ access to operational files
- ▶ monitoring ASIO's use of intrusive powers under warrant
- ▶ visiting ASIO State and Territory offices, and
- ▶ meetings with the President of the ASIO Staff Association.

In his 1999/2000 report the Inspector-General noted he had inquired into nine new complaints about ASIO (compared with 12 in 1998/99). All involved preliminary inquiries. He also dealt with three outstanding matters carried over from 1998/99 and handled a further 15 complaints administratively.

The Inspector-General made two adverse findings regarding complaints about ASIO.

- ▶ One concerned an application for ASIO employment. This was resolved via an internal review, which concluded the handling of the application had been deficient; and as a result the complainant was offered and accepted employment.
- ▶ The other case involved an adverse ASIO security assessment of a refugee applicant, where the Inspector-General concluded ASIO's procedures had been deficient and had resulted in the refugee applicant being held in immigration detention significantly longer than had been necessary. He recommended compensation. The Director-General accepted the recommendation as fair and reasonable and initiated a review of procedures to avoid a repetition.

Other recommendations concerning minor deficiencies in ASIO procedures were also accepted and acted upon.

The Parliamentary Joint Committee on ASIO (the PJC) reviews matters referred by the Attorney-General or the Parliament. The Committee membership is listed at Appendix A.

***The PJC on ASIO***

During the previous reporting period the PJC completed a public inquiry into the *ASIO Legislation Amendment Bill 1999*.

- ▶ The Committee recommended that the Memoranda of Understanding regulating ASIO's access to AUSTRAC and Australian Taxation Office data be presented to the PJC for consideration before being signed.
- ▶ The Attorney-General accepted this recommendation and the Committee considered the Memoranda of Understanding in June 2000.

The PJC also commenced a public inquiry into *The nature, scope and appropriateness of the way in which ASIO reports to the Australian public on its activities*. ASIO provided a written submission to the inquiry, and the Director-General was to appear as a witness before the Committee in July 2000.

During 1999/2000 the Director-General also briefed the PJC on matters such as ASIO's Fifth Workplace Agreement, ASIO's Olympics preparations, and ASIO involvement in the national counter-terrorism exercise, 'Blue Ring'.

The Director-General gave evidence to the Senate Scrutiny of Bills Committee in March 2000, and the Legal and Constitutional Legislation Committee in April 2000 regarding the proposed amendments to the *Telecommunications (Interception) Act 1979*.

## Interface with the Public

ASIO relies on support from the Australian public to be fully effective, so we provide people with non-sensitive information about our role and functions where we can. For security reasons we have to limit public information on subjects of investigation, working methods and information sources.

In 1999/2000 ASIO received 246 items of unsolicited correspondence from members of the public. Such correspondence generally falls into two categories – an offer of information that might be relevant to security, or complaints that ASIO has acted improperly.

All correspondence is examined and appropriate action taken. Some letters reflect misconceptions about ASIO's roles and powers. In some cases, discussion with an ASIO representative can clarify issues or resolve concerns. In other cases, complainants are referred to the Inspector-General.

ASIO officers interview members of the public in the course of intelligence investigations, in order to explore national security issues. In

[www.asio.gov.au](http://www.asio.gov.au)

recent years some people have falsely presented themselves as ASIO officers to gain credibility while pursuing improper or criminal activities.

- ▶ Bona fide ASIO officers operate under a strict code of conduct, particularly when interviewing members of the public. The officer must declare the ASIO affiliation and show proof of identity.
- ▶ If the person to be interviewed is still concerned, they should telephone the public ASIO line to confirm the identity of the officer.
- ▶ A person interviewed may also complain to ASIO or to the Inspector-General if they have concerns about the behaviour of an ASIO officer.

Members of the public should be suspicious of any approach from people purporting to be ASIO officers or 'operatives' whose behaviour seems inappropriate. Any serious concerns should be reported to the police.

Members of the public can call ASIO's public telephone number (*see Appendix B*) and request information about the Organisation. ASIO also publishes brochures and pamphlets about its work, in addition to its Annual Report, and its website is at [www.asio.gov.au](http://www.asio.gov.au).

ASIO's website was launched by the Attorney-General on 22 June 2000. It provides the most extensive consolidation of background information on ASIO ever made available. Importantly, it provides members of the public with 24-hour access to information about ASIO, including information on ASIO's work and accountability arrangements, significant events in ASIO's history and current employment opportunities.

The site also provides links to the website of the Attorney-General, the Inspector-General, the Parliamentary Joint Committee on ASIO, and the sites of other members of the Australian Intelligence Community.

In the first week after its launch there were 7 421 visitors and 298 457 hits on ASIO's website. Interest remained high with an average of 10 965 hits each day during July 2000.



ASIO website home page

**Media interviews****Media Policy**

In response to media inquiries, ASIO has a modified policy of 'neither confirm nor deny'.

While ASIO does not normally comment on matters of national security, in some circumstances the Attorney-General (or the Director-General, with the Attorney's agreement) will provide public comment where this may help to promote public confidence in the legality, propriety and effectiveness of ASIO's conduct.

- ▶ In July 1999 the Director-General appeared on the ABC television program 'Lateline' in relation to the proposed amendments to the *ASIO Act*.
- ▶ The launch of ASIO's website also generated considerable media interest, and the Director-General was interviewed by radio station 2BL in Sydney and Radio National.

**Our People**

ASIO's performance as an organisation reflects the quality of its people. Our officers conduct investigations, analyse information, produce intelligence assessments and reports, and provide executive and enabling services that support the delivery of our Outputs.

Recruiting, developing and retaining highly skilled people is high on our corporate priorities.

**Fifth Agreement****Workplace Relations and Reform**

We successfully finalised our Fifth Workplace Agreement in March 2000. Of the 81.5 per cent of staff who voted on the Agreement, 75 per cent supported it. The Agreement runs from 30 March 2000 for three years and provides a salary increase of 9.5 per cent over that period.

ASIO's Senior Executive Service officers also negotiated individual Workplace Agreements with the Director-General.

ASIO's Fifth Workplace Agreement included:

- ▶ improved performance management, streamlining of dispute resolution procedures, a review of excess officer provisions and a review of the method of payment of Travel Allowance
- ▶ an option to sell back one week of recreation leave in the first year of the Agreement
- ▶ roll-in to salary of the Senior Officer Expenses Allowance from 1 July 2000

**Staffing profile**

- ▶ childcare assistance for staff during the Olympic school holiday period in September 2000
- ▶ an option for paid maternity leave to be taken on half pay.

**Recruitment and Staffing**

A major challenge in the reporting period was to recruit experienced and capable temporary staff to meet the Olympics workload and replace separating staff. While the number of permanent staff in ASIO remains the same as in June 1998, the number of temporary staff has increased three-fold, primarily to meet Olympics commitments.

As of 30 June 2000, 18 per cent of ASIO staff were temporary, compared to 7 per cent in June 1998 (*see Appendix C for staffing statistics*).

**Recruiting**

We successfully introduced a streamlined and more flexible recruitment process in the reporting period. This followed a review by an external consultant, which identified opportunities to improve our handling of large numbers of applications in a shorter timeframe. That said, the time taken to recruit staff is still significantly longer than in most workplaces because of the need for all ASIO staff to be subject to an intrusive vetting process and psychological testing.

**Separations**

There were 60 separations in 1999/2000, out of a workforce of 605 staff. 52 of the 60 were permanent officers and 8 were temporary employees. This represents a separation rate of 9.9 per cent – up from 6.5 per cent in 1998/99. The increased attrition rate was due to a mix of an improved labour market, life-style choices and, in some cases, dissatisfaction.

**Advertising**

The higher attrition rate correlates with increased spending on advertising – \$113 000 compared with \$74 000 in 1998/99.

**Developing our People**

All staff were encouraged to prepare Individual Development Plans to guide their own training and education, as well as contributing to ASIO's corporate training strategies. In 1999/2000 we focused on training to develop our security intelligence analysis and investigation capabilities in readiness for the Olympics. We also gave priority to financial management, information technology and leadership training and development.

In order to reinforce the skills of staff, 43 people were provided with support for their tertiary studies. More than 100 senior officers and SES officers participated in leadership development programs, 35 staff in project management training, and 354 in information technology training. Work groups also sponsored staff attendance at a wide range of job-specific courses.

**Training and development**

Corporate investment totaling \$879 000 – about 1.34 per cent of operating expenses – was directed to staff development (excluding on-the-job training).

Major human resource development activities in 1999/2000 included:

- ▶ in-house programs for advanced intelligence collection and analysis capabilities, including in the use of new software and hardware
- ▶ advanced Human Source Management and Recruitment courses
- ▶ a 12-month traineeship in intelligence collection and analysis methods
- ▶ a surveillance training program
- ▶ training in the use of new software and hardware for financial management
- ▶ a leadership and management development program for all managers and senior officers, involving the Monash-Mt Eliza Business School and other external consultants
- ▶ crisis management training, including the responsibilities of the National Intelligence Group in the event of a terrorist incident.

We also continued secondments and exchanges with other agencies.

**Workplace Diversity**

In 1999/2000 we continued to give priority to eliminating discrimination from the workplace and increasing diversity. In-house publications raised awareness of workplace diversity issues and of ASIO's policy. Work continued on a re-orientation program for staff returning from extended leave.

The number of staff in three of the EEO designated target groups remained proportionately the same as in 1998/99. Continuing the improvement of the last few years, there was a small increase in the percentage of women in ASIO as a whole (40 per cent as opposed to 35 per cent in June 1996).

The percentage of female SES officers within ASIO, however, remains below the APS average. And the percentage of women at middle management level is significantly below the APS average, although the percentage of female Senior Officers has steadily increased from 9.8 per cent in 1996/97 to 16.3 per cent in 1999/2000. The number of female Generalist Intelligence Officers has increased markedly in recent years and this will, over time, impact at the senior officer level.

Recruitment and internal promotion and selection practices continue to be monitored to ensure processes are equitable.

**EEO target groups**

**OH&S  
Agreement****First Aid Code  
of Practice****Reportable  
incidents**

Appendix C provides statistical information about ASIO's total staffing numbers, composition of the workforce, Senior Executive Service, and representation of designated groups within ASIO.

**Occupational Health and Safety**

A new OH&S Agreement was signed by the Director-General and the President of the ASIO Staff Association in February 2000. The Agreement aims to promote increased awareness of OH&S concerns at working level and requires the development and implementation of guidelines as new Codes of Practice are introduced.

Implementation of the First Aid Code of Practice for Commonwealth Workplaces was completed, and new guidelines developed.

Other OH&S activities included:

- ▶ an annual Health Week focusing on improving health, managing stress and educating staff on health and safety issues
- ▶ refurbishment of the Building Maintenance and Technical Workshop with OH&S compliance
- ▶ completion of an environmental audit of ASIO's Central Office conducted on behalf of the Department of Finance and Administration Property Group
- ▶ eight First Aid Officers and six Health and Safety Representatives were selected and trained.

There were no accidents causing death or serious personal injury recorded during the reporting period. And there were no incidents during the reporting period involving an incapacity of 30 days or more as a result of accident/incident or disease arising out of an employee's work.

One dangerous occurrence was reported to Comcare regarding an electrical fault that endangered an ASIO staff member at an overseas liaison post. The problem was rectified immediately and advice of the occurrence passed to other posts.

**Compensation Appeal**

In December 1999 the Administrative Appeals Tribunal made a finding on a Comcare compensation matter relating to an ASIO staff member. The case arose out of a claim by a staff member that he had suffered a psychological injury as a result of receiving malicious telephone calls which he argued were related to his employment in ASIO. Comcare rejected his claim and the officer appealed to the AAT. At issue was whether his Commonwealth employment had contributed to his injury in a material degree.



The AAT found that there was sufficient connection between the calls and his employment, and that the calls had contributed to his condition. The matter was referred back to Comcare for a determination of liability under the *Safety, Rehabilitation and Compensation Act 1988*. Comcare accepted liability to make incapacity payments. A separate claim for permanent impairment is presently under consideration by Comcare.

## Information Management

As an intelligence organisation, ASIO is critically dependent on information – its collection, collation, storage, analysis, and dissemination as intelligence. To be of value, ASIO's information must be relevant, focused, timely and retrievable – and it must be managed well.

In the reporting period we gave priority to enhancing information management capabilities in support of our intelligence analysis capability, and connectivity with other agencies in Australia and overseas.

The ability of our analysts and case officers to quickly identify and make linkages between individuals, groups, images and events of security interest was enhanced with the further development of ASIO's integrated intelligence information management system. The last major delivery of changes to this system occurred in September 1999 to ensure officers were comfortable with the system prior to the Olympics.

We provided timely delivery to the desktop of a range of intelligence data – including open source information – with the development of an electronic document distribution and retrieval system based on a commercially available product. Previously this information had to be accessed through other networks or printed data. Further sources of information will be added in 2000/01.

Olympics accreditation checking was facilitated with the development of a Bulk Automated Name Checking System, and an electronic link allowed the NSW Police to send batches of names to ASIO electronically. This enabled us to check large numbers of names through our index without a significant increase in staff.

To facilitate the rapid exchange of information on Olympics-related investigations, we established secure communications links to some foreign intelligence services, and upgraded existing links to other services. Improved communications between ASIO's Central and State offices were also achieved.

Y2K compliance was a critical issue for ASIO. A compliance program was successfully completed on 17 November 1999, and an independent examination of ASIO's Y2K readiness was conducted by external consultants.

### Intelligence information

### Name checking

### Secure communications

### Y2K compliance

**Consultants and contractors****Looking ahead**

There was no failure of any high, medium or low risk ASIO application or system. Several incidents with non business-critical applications were detected between the roll-over to 1 January and the start of work on 4 January 2000. All were rectified quickly with no impact.

Where possible we supplemented our own skills by using external contractors for development work, and by using commercially developed software rather than developing in-house applications. However, national security considerations meant that outsourcing was often not appropriate.

Information management priorities for 2000/01 include:

- ▶ Replacing the aging Local Area Network infrastructure to improve maintenance procedures and maximise the use of new technology.
- ▶ Implementing more advanced storage technology to better manage the continued high growth in data storage.
- ▶ Introducing an ASIO intranet to enhance internal connectivity, including improved access to published information such as human resource manuals, the ASIO website, and management information.

## Security of ASIO

Rigorous internal security is fundamental to our ability to function as an effective and credible security intelligence organisation. A range of internal strategies support this. These include relatively simple measures such as electronic pass checking and random bag searches, to resource-intensive practices, including the isolation of the ASIO computer networks from outside contact and possible contamination, and the security clearance and revalidation of all staff.

Staff revalidation involves an exhaustive and detailed examination of an officer's background, including financial checks, police checks, interviews of nominated and un-nominated referees, mandatory psychological testing, annual supervisor security reports, and interviews of the officers themselves. The revalidation occurs at least every five years, or on a needs basis.

123 revalidations were completed in 1999/2000.

ASIO also maintains a Counter Intelligence and Security Staffing section which provides support and assistance to staff on personal and professional matters which may have implications for security. This includes the provision of psychological counselling and other staffing assistance. It is designed to ensure that issues, which might not be considered to be a security concern, are properly managed, and that

officers feel confident in approaching ASIO's Counter Intelligence and Security Branch to resolve their own and other officers' problems before they become a matter of security concern.

All of this is aimed at minimising risk from:

- ▶ foreign intelligence services attempting to penetrate ASIO or gain access to ASIO information
- ▶ unauthorised disclosure of information by ASIO staff
- ▶ targeting of ASIO by hostile groups or individuals.

Throughout the year we continued to review internal security arrangements, including audits of photocopiers, facsimile machines and computer printers.

ASIO provided input to the Inquiry into Security Issues conducted by the Inspector-General, Mr Bill Blick. The Review took note of ASIO's security practices, and made substantive recommendations directed at improving security in the Australian Intelligence Community and the wider public service.

The outcomes of the review will generate some new work for ASIO, and will require some changes to our own internal security practices.

## Supporting Facilities

ASIO's provision of co-tenancy for the Office of National Assessments has continued to prove a successful arrangement for both agencies.

As part of the Department of Finance and Administration's Strategic Alliance with a private sector property management provider, ASIO began to move into commercial lease management arrangements for the Central Office building in Canberra.

While ASIO maintains its own printing facilities for classified product, there was an increasing emphasis on the development of web-based material for our website and various internal and external networks.

## Purchasing

ASIO's purchasing objectives focused on investment in its key business areas, including information technology and engineering support.

During 1999/2000 we continued to successfully maintain an annual investment program.

## **Consultants and Contractors**

Expenditure on consultants and contractors in FY 1999/2000 increased to \$1.4m compared with \$322 000 in 1998/99.

This increase was in part the result of a decision to make greater use of outside expertise, where appropriate, in the context of national security considerations, and a continued emphasis on contract employment in some specialised areas. Olympic demands and recruitment also contributed to the increased use of consultants and contractors.

The use of contractors continued in the area of engineering development and support of telecommunications interception hardware and systems. Greater use was made of specialist information technology consultants and contractors to enhance our IT infrastructure and to provide computing applications to support our business. More use was also made of consultant psychologists to supplement our own internal resources in conducting psychological assessments for recruitment and security revalidation purposes.


A partial list of the 25 consultants and contractors employed, excluding names classified for security reasons, is available on request.

# Part 4

## **Financial Statements**



## Audit Report on the Financial Statements of the Australian Security Intelligence Organisation



**INDEPENDENT AUDIT REPORT**

**To the Attorney General**

**Scope**

I have audited the financial statements of the Australian Security Intelligence Organisation for the year ended 30 June 2000. The financial statements comprise:

- Statement by the Director-General of Security;
- Agency:
  - Operating Statement;
  - Balance Sheet;
  - Statement of Cashflows;
- 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 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 and statutory requirements in Australia so as to present a view of the Organisation which is consistent with my understanding of its financial position, its operations and its cash flows.

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

GPO Box 707 CANBERRA ACT 2601  
Centenary House 15 National Circuit  
BARTON ACT  
Phone (02) 6203 7390 Fax (02) 6203 7777

**Audit Opinion**

In my opinion,

- (i) the financial statements have been prepared in accordance with Schedule 2 of the Finance Minister's Orders;
- (ii) the financial statements 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 Organisation as at 30 June 2000 and the results of its operations and its cash flows for the year then ended.

Australian National Audit Office



David C. McKean  
Executive Director

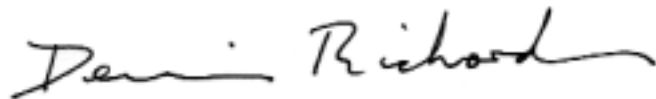
Delegate of the Auditor-General

Canberra  
8 September 2000



## Statement by the Director-General of Security

In my opinion, the attached financial statements have been prepared in accordance with an agreement between the Finance Minister and the Attorney-General which complies with 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

8 September 2000

## Agency Operating Statement for the period ended 30 June 2000

	Notes	1999-00 \$ '000	1998-99 \$ '000
<b>Operating revenues</b>			
Revenues from government	3A	65 003	46 804
Sales of goods and services	3B	340	294
Reversal of previous asset write-downs		-	125
Other	3C	1 643	1 740
<b>Total operating revenues</b>		<b>66 986</b>	<b>48 963</b>
<b>Operating expenses</b>			
Employees	4A	37 462	35 675
Suppliers	4B	21 753	20 964
Depreciation and amortisation	4C	6 134	5 656
Write-down of assets	4D	396	-
Net losses from sale of assets	4E	-	142
<b>Total operating expenses</b>		<b>65 745</b>	<b>62 437</b>
<b>Operating surplus (deficit) before extraordinary items</b>		<b>1 241</b>	<b>(13 474)</b>
<b>Net surplus or (deficit) after extraordinary items</b>		<b>1 241</b>	<b>(13 474)</b>
<b>Net surplus or (deficit) attributable to the Commonwealth</b>		<b>1 241</b>	<b>(13 474)</b>
Accumulated surpluses or deficits at the beginning of reporting period		12 472	25 946
<b>Total available for appropriation</b>		<b>13 713</b>	<b>12 472</b>
Assets not previously recognised	5	426	-
Capital use provided for or paid		(3 161)	-
<b>Accumulated surpluses at end of reporting period</b>		<b>10 978</b>	<b>12 472</b>

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

## Agency Balance Sheet as at 30 June 2000

	Notes	1999–00 \$ '000	1998–99 \$ '000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash		15 331	3 238
Receivables	6A	262	9 085
<b>Total financial assets</b>		<b>15 593</b>	<b>12 323</b>
<b>Non-financial assets</b>			
Land and buildings	7A, 7D	8 181	8 485
Infrastructure, plant and equipment	7B, 7D	16 456	12 471
Intangibles	7C, 7D	2 757	2 998
Other	8	1 566	387
<b>Total non-financial assets</b>		<b>28 960</b>	<b>24 341</b>
<b>Total assets</b>		<b>44 553</b>	<b>36 664</b>
<b>LIABILITIES</b>			
<b>Debt</b>			
Leases	9	878	–
<b>Total debt</b>		<b>878</b>	<b>–</b>
<b>Provisions and payables</b>			
Capital use		3 161	–
Employees	10A	13 022	11 872
Suppliers	10B	1 196	1 257
Other	10C	255	–
<b>Total provisions and payables</b>		<b>17 634</b>	<b>13 129</b>
<b>Total liabilities</b>		<b>18 512</b>	<b>13 129</b>
<b>EQUITY</b>			
Capital		12 928	8 928
Reserves		2 135	2 135
Accumulated surpluses		10 978	12 472
<b>Total equity</b>	11	<b>26 041</b>	<b>23 535</b>
<b>Total Liabilities and Equity</b>		<b>44 553</b>	<b>36 664</b>
<b>Current liabilities</b>		<b>10 495</b>	<b>6 202</b>
<b>Non-current liabilities</b>		<b>8 017</b>	<b>6 927</b>
<b>Current assets</b>		<b>17 159</b>	<b>12 710</b>
<b>Non-current assets</b>		<b>27 394</b>	<b>23 954</b>

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

## Agency Statement of Cash Flows for the period ended 30 June 2000

	Notes	1999-00 \$ '000	1998-99 \$ '000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		76 990	63 269
Other		2 133	2 050
Total cash received		<u>79 123</u>	<u>65 319</u>
<b>Cash used</b>			
Employees		(36 312)	(33 729)
Suppliers		(21 872)	(19 381)
Total cash used		<u>(58 184)</u>	<u>(53 110)</u>
<b>Net cash from operating activities</b>	12	<u>20 939</u>	<u>12 209</u>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment		187	156
Total cash received		<u>187</u>	<u>156</u>
<b>Cash used</b>			
Purchase of property, plant and equipment		(9 033)	(10 865)
Total cash used		<u>(9 033)</u>	<u>(10 865)</u>
<b>Net cash used by investing activities</b>		<u>(8 846)</u>	<u>(10 709)</u>
<b>FINANCING ACTIVITIES</b>			
<b>Net cash from financing activities</b>		-	-
<b>Net increase in cash held</b>		12 093	1 500
Cash at the beginning of the reporting period		3 238	1 738
<b>Cash at the end of the reporting period</b>		<u>15 331</u>	<u>3 238</u>

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

## Schedule of Commitments as at 30 June 2000

	Notes	1999–00 \$ '000	1998–99 \$ '000
<i>BY TYPE</i>			
<b>Capital commitments</b>			
Land and buildings		–	28
Infrastructure, plant and equipment		565	1 303
Other capital commitments		–	46
Total capital commitments		565	1 377
<b>Other commitments</b>			
Operating leases		9 086	10 982
Other commitments		13 812	11 173
Total other commitments		22 898	22 155
Net commitments		23 463	23 532
<i>BY MATURITY</i>			
<b>All net commitments</b>			
One year or less		13 420	15 050
From one to two years		6 017	4 896
From two to five years		3 556	3 176
Over five years		470	410
Net commitments		23 463	23 532
<b>Operating lease commitments</b>			
One year or less		2 572	2 500
From one to two years		2 488	4 896
From two to five years		3 556	3 176
Over five years		470	410
Net commitments		9 086	10 982

There is no formal lease in place in respect of ASIO's Central Office. Annual rental payments amount to \$1 800 000 (1998–99: \$1 800 000). All 1999-00 commitments are GST inclusive where relevant. The comparatives have not been adjusted to reflect the GST.

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

## Schedule of Contingencies as at 30 June 2000

	Notes	1999-00 \$ '000	1998-99 \$ '000
<i>CONTINGENT LOSSES</i>			
Claims for damages/costs		-	-
Total contingent losses		-	-

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

## Notes to the Financial Statements for the year ended 30 June 2000

### 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.

ASIO is structured to meet the following Outcome:

A secure Australia for people and property, for government business and national infrastructure, and for special events of national and international significance.

### 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 the agreement between the Finance Minister and the Attorney-General. This agreement states that ASIO's financial statements must be prepared in accordance with the *Financial Management and Accountability Orders (Amendment No3) 1999* except where the disclosure of information in the notes to the financial statements would, or could reasonably be expected to be operationally sensitive. The financial statements are prepared:

- in compliance with Australian Accounting Standards and other authoritative pronouncements of Australian Accounting Standards Boards and the consensus views of the Urgent Issues Group;
- having regard to Statements of Accounting Concepts; and
- the Explanatory Notes to Schedule 2 issued by the Department of Finance and Administration.

The financial statements have been prepared on an accrual basis and 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.

#### B. Revenues from Government

Revenues from Government are revenues relating to core operating activities.

Policies for accounting for revenue from Government follow; amounts and other details are given in Note 3.

*Agency appropriation.*

From 1 July 1999, the Commonwealth Budget has been prepared under an accruals framework.

Appropriations to ASIO for its departmental outputs are recognised as revenue to the extent they have been received into ASIO's bank account or are entitled to be received at year end.

Appropriations for departmental capital items (\$4 000 000 in 1999-2000) are recognised directly in equity, to the extent that the appropriation has been received into ASIO's bank account or are entitled to be received at year end.

The appropriations for departmental capital items for 1999-2000 include, as carryovers, the re-appropriation of certain unspent amounts from 1998-99. These amounts were recognised directly in equity in the financial statements for 1998-99.

This is a change in the policy adopted in prior years when agency appropriations, other than running costs, were recognised as revenue to the extent that the appropriations were spent. Amounts appropriated for agency running costs were recognised as revenue in the year of appropriation, except to the extent of

- unspent amounts not automatically carried over into the new financial year, and
- running costs borrowings.

*Resources received free of charge*

Resources received free of charge are recognised as revenue in the Agency Operating Statement where the amounts can be reliably measured. Use of those resources is recognised as an expense.

**C. Other revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Revenue from the rendering of a service is recognised by reference to the stage of completion of contracts or other agreements to provide services to other government bodies.

The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.



All revenues described in this note are revenues relating to the core operating activities of ASIO. Details of revenue amounts are given in Note 3.

#### **D. Leases**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the estimated useful life of the asset. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Operating Statement on a basis which is representative of the pattern of benefits derived from the leased assets.

#### **E. Cash**

Cash includes notes and coins held and any deposits held at call with a financial institution.

#### **F. Acquisition of assets**

Assets are recorded at cost on acquisition. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

##### *Asset recognition threshold*

Purchases of property, plant and equipment with a historical cost equal to or in excess of \$500 are capitalised in the year of acquisition and included in the financial statements. Assets with a historical cost under \$500 are expensed in the year of acquisition.

##### *Revaluations*

Schedule 2 requires that buildings, infrastructure, plant and equipment be revalued progressively in accordance with the 'deprival' method of valuation in successive three-year cycles. Land is to be valued annually on the basis of its highest and best use, unless disposal is restricted by legislation, zoning or Government policy. In the latter cases, the deprival basis should be used and the valuation at highest and best use shown in a note.

ASIO has implemented its revaluations program as follows:

- Land and buildings, including leasehold improvements at State offices, have been revalued as at 30 June 1999. ASIO's Central Office was refurbished during the period February to October 1998 and hence improvements at that office are recorded at original cost.
- Infrastructure, plant and equipment comprises computing and communications equipment, technical and operational equipment, office furniture, office equipment and motor vehicles. Computing and communications equipment was revalued at 30 June 1998 and all other equipment items were revalued at 30 June 1999. Motor vehicles are changed over every two years and their value is disclosed at cost of acquisition.

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

The financial effect of the move to progressive revaluations is that 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 1999, ASIO had no assets in this situation.

All valuations are independent except where specifically noted otherwise.

#### *Recoverable amount test*

Schedule 2 requires the application of the recoverable amount test to departmental non-current assets in accordance with AAS 10 *Accounting for the Revaluation of Non-Current Assets*. The carrying amounts of these non-current assets have been reviewed to determine whether they are in excess of their recoverable amounts. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

#### **G. Depreciation of non-financial assets**

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to ASIO using, in all cases, the straight line method of depreciation. Leasehold improvements

are amortised on a straight line basis over the lesser of 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:

	<b>1999–00</b>	1998–99
Buildings on freehold land	<b>25-40 years</b>	25-40 years
Leasehold improvements	<b>Lease term</b>	Lease term
Plant and equipment	<b>3 to 15 years</b>	3 to 15 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4C.

## **H. Employee entitlements**

### *Leave*

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the annual sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2000 and is recognised at the nominal amount.

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 2000. In determining the present value of the liability, ASIO has taken into account attrition rates and pay increases through promotion and inflation.

### *Superannuation*

Staff of ASIO contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. Employer contributions amounting to \$3 654 000 (1998–99: \$3 428 000) 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 \$678 000 (1998–99: \$799 000).

#### **I. Taxation**

The Agency is exempt from all forms of taxation except fringe benefits tax and the goods and services tax.

#### **J. Capital usage charge**

A capital usage charge of 12% is imposed by the Commonwealth on the net departmental assets of the agency. The charge is adjusted to take account of asset gifts and revaluation increments during the financial year.

#### **K. 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.

Associated currency gains and losses are not considered material to the Organisation's operations.

#### **L. Insurance**

In accordance with the agreement with the Commonwealth, assets are not insured and losses are expensed as they are incurred.

#### **M. Bad and doubtful debts**

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

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

#### **N. Comparative figures**

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

**O. Rounding**

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

- appropriations
- act of grace payments and waivers
- remuneration of executives, and
- remuneration of auditor.

**P. Administered items**

ASIO does not have any administered items.

	<b>1999–00</b>	1998–99
	<b>\$ '000</b>	\$ '000

**NOTE 3: Operating revenues****NOTE 3A: Revenues from Government**

Appropriations for Outputs	<b>64 062</b>	46 098
Resources received free of charge	<b>941</b>	706
Total	<b>65 003</b>	46 804

<b>NOTE 3B: Sales of goods and services</b>	<b>340</b>	294
---------------------------------------------	------------	-----

<b>NOTE 3C: Other</b>	<b>1 643</b>	1 740
-----------------------	--------------	-------

During 1999–00 the major items of revenue included in Other Operating Revenues were lease rental income (\$ 462 000) and interest received (\$ 489 000).

**NOTE 4: Operating expenses****NOTE 4A: Employee expenses**

Basic remuneration	<b>34 987</b>	33 382
Separation and redundancy	<b>227</b>	179
Total remuneration	<b>35 214</b>	33 561
Other employee expenses	<b>2 248</b>	2 114
Total	<b>37 462</b>	35 675

**NOTE 4B: Suppliers' expenses**

Supply of goods and services	<b>15 790</b>	16 876
Operating lease rentals	<b>5 963</b>	4 088
Total	<b>21 753</b>	20 964

	1999–00 \$ '000	1998–99 \$ '000
<b>NOTE 4C: Depreciation and amortisation</b>		
Provision for depreciation,		
– buildings on freehold land	39	19
– infrastructure, plant and equipment	3 748	3 537
Amortisation of intangibles	1 449	1 131
Amortisation of leasehold improvements	898	969
	<hr/>	<hr/>
Total	6 134	5 656
	<hr/>	<hr/>

**NOTE 4D: Write down of assets**

Non-financial assets,		
– infrastructure, plant and equipment	396	–
	<hr/>	<hr/>

**NOTE 4E: Net losses from sale of assets**

Non-financial assets,		
– infrastructure, plant and equipment	–	142
	<hr/>	<hr/>

**NOTE 5: Assets not previously recognised**

Non-financial assets,		
– buildings	246	–
– infrastructure, plant and equipment	180	–
	<hr/>	<hr/>
	426	–
	<hr/>	<hr/>

	<b>1999-00</b>	1998-99
	<b>\$ '000</b>	\$ '000

**NOTE 6: Financial assets**

**NOTE 6A: Receivables**

Appropriations	-	8 928
Goods and services	<b>262</b>	157
Less provision for doubtful debts	-	-
	<hr/>	<hr/>
Total	<b>262</b>	9 085
	<hr/>	<hr/>
Goods and services receivables (gross) are aged as follows:		
Not overdue	<b>238</b>	140
Overdue:		
– less than 30 days	<b>17</b>	5
– 30 to 60 days	-	4
– 60 to 90 days	<b>5</b>	8
– more than 90 days	<b>2</b>	-
	<hr/>	<hr/>
	<b>262</b>	157
	<hr/>	<hr/>

**NOTE 7: Non-financial assets****NOTE 7A: Land and buildings**

Freehold land—at June 1999 valuation	<b>720</b>	720
	<hr/>	<hr/>
	<b>720</b>	720
	<hr/>	<hr/>
Buildings in progress—at cost	<b>66</b>	-
Accumulated depreciation	-	-
	<hr/>	<hr/>
	<b>66</b>	-



	<b>1999-00</b> <b>\$ '000</b>	1998-99 \$ '000
Buildings on freehold land—at 1999-02 valuation	<b>965</b>	620
Accumulated depreciation	<b>(243)</b>	(105)
	<hr/> <b>722</b>	<hr/> 515
Leasehold improvements—at cost	<b>7 815</b>	7 513
Accumulated amortisation	<b>(1 671)</b>	(922)
	<hr/> <b>6 144</b>	<hr/> 6 591
Leasehold improvements—at 1999-02 valuation	<b>925</b>	906
Accumulated amortisation	<b>(396)</b>	(247)
	<hr/> <b>529</b>	<hr/> 659
Total	<hr/> <b>8 181</b>	<hr/> 8 485

**NOTE 7B: Infrastructure, plant and equipment**

Infrastructure, plant and equipment—at cost	<b>12 114</b>	4 920
Accumulated depreciation	<b>(1 111)</b>	(350)
	<hr/> <b>11 003</b>	<hr/> 4 570
Infrastructure, plant and equipment —at 1998-01 valuation	<b>5 560</b>	5 838
Accumulated depreciation	<b>(3 429)</b>	(2 255)
	<hr/> <b>2 131</b>	<hr/> 3 583
Infrastructure, plant and equipment —at 1999-02 valuation	<b>9 371</b>	9 261
Accumulated depreciation	<b>(6 049)</b>	(4 943)
	<hr/> <b>3 322</b>	<hr/> 4 318
Total	<hr/> <b>16 456</b>	<hr/> 12 471

	<b>1999–00</b> <b>\$ '000</b>	1998–99 \$ '000
<b>NOTE 7C: Intangibles</b>		
Purchased computer software—at cost	<b>2 786</b>	791
Accumulated amortisation	<b>(455)</b>	(35)
	<hr/> <b>2 331</b>	<hr/> 756
Internally developed software—at cost	–	580
Accumulated amortisation	–	–
	<hr/> –	<hr/> 580
Purchased computer software—at June 1998 valuation	<b>2 335</b>	2 758
Accumulated amortisation	<b>(1 909)</b>	(1 096)
	<hr/> <b>426</b>	<hr/> 1 662
Total	<hr/> <b>2 757</b>	<hr/> 2 998

Internally developed software reported at 30 June 1999 has been reclassified and at 30 June 2000 is included under Purchased computer software—at cost.

## NOTE 7D: Analysis of property, plant and equipment and intangibles

Table A — Movement summary of property, plant and equipment for 1999–00

<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
<b>Gross value as at 1 July 1999</b>	720	9 039	9 759	20 019	4 129	<b>33 907</b>
Additions	–	732	732	9 297	1 431	<b>11 460</b>
Disposals	–	–	–	(2 271)	(439)	<b>(2 710)</b>
<b>Gross value as at 30 June 2000</b>	720	9 771	10 491	27 045	5 121	<b>42 657</b>
<b>Accumulated depreciation/ amortisation as at 1 July 1999</b>	–	1 274	1 274	7 548	1 131	<b>9 953</b>
Depreciation/ amortisation charge for assets held 1 July 1999	–	903	903	3 309	1 395	<b>5 607</b>
Depreciation/ amortisation charge for additions	–	34	34	439	54	<b>527</b>
Adjustment for disposals	–	–	–	(707)	(216)	<b>(923)</b>
Adjustment for prior year	–	99	99	–	–	<b>99</b>
<b>Accumulated depreciation/ amortisation as at 30 June 2000</b>	–	2 310	2 310	10 589	2 364	<b>15 263</b>
<b>Net book value as at 30 June 2000</b>	720	7 461	8 181	16 456	2 757	<b>27 394</b>
<b>Net book value as at 1 July 1999</b>	720	7 765	8 485	12 471	2 998	<b>23 954</b>

Table B — Summary of balances of assets at valuation as at 30 June 2000

<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
<b>As at 30 June 2000</b>						
Gross value	720	1 890	2 610	14 931	2 335	<b>19 876</b>
Accumulated depreciation/ amortisation	–	639	639	9 478	1 909	<b>12 026</b>
Net book value	720	1 251	1 971	5 453	426	<b>7 850</b>
<b>As at 30 June 1999</b>						
Gross value	720	1 526	2 246	15 099	2 758	<b>20 103</b>
Accumulated depreciation/ amortisation	–	352	352	7 198	1 096	<b>8 646</b>
Net book value	720	1 174	1 894	7 901	1 662	<b>11 457</b>

Table C — Summary of balances of assets held under finance lease as at 30 June 2000

<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
<b>As at 30 June 2000</b>						
Gross value	–	–	–	998	–	<b>998</b>
Accumulated depreciation/ amortisation	–	–	–	–	–	–
Net book value	–	–	–	998	–	<b>998</b>
<b>As at 30 June 1999</b>						
Gross value	–	–	–	–	–	–
Accumulated depreciation/ amortisation	–	–	–	–	–	–
Net book value	–	–	–	–	–	–

1999–00      1998–99  
\$ '000      \$ '000

**NOTE 8: Other**

Prepayments	1 566	387
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	<b>1999-00</b> \$ '000	1998-99 \$ '000
<b>NOTE 9: Debt</b>		
Finance lease commitments		-
Not later than one year	240	-
Later than one year and not later than two years	240	-
Later than two years and not later than five years	<u>599</u>	-
Minimum lease payments	1 079	-
Deduct: future finance charges	<u>201</u>	-
Lease liability	<u>878</u>	-
Lease liability is represented by:		
Current	167	-
Non-current	<u>711</u>	-
	<u>878</u>	-

**NOTE 10: Provisions and payables****NOTE 10A: Employee liabilities**

Salaries and wages	1 419	766
Leave	11 201	10 696
Superannuation	118	67
Other	<u>284</u>	<u>343</u>
Total	<u>13 022</u>	<u>11 872</u>

**NOTE 10B: Suppliers**

Trade creditors	<u>1 196</u>	<u>1 257</u>
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**NOTE 10C: Other**

Prepayments received	<u>255</u>	-
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**NOTE 11: Equity**

	<i>Capital</i>	<i>Accumulated results</i>	<i>Asset revaluation reserve</i>	<i>Total reserves</i>	<i>Total equity</i>
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance 1 July 1999	8 928	12 472	2 135	2 135	23 535
Operating result	–	1 241	–	–	1 241
Equity appropriation	4 000	–	–	–	4 000
Capital use charge	–	(3 161)	–	–	(3 161)
Asset adjustment	–	426	–	–	426
Balance 30 June 2000	12 928	10 978	2 135	2 135	26 041

	<b>1999-00</b>	1998-99
	<b>\$ '000</b>	\$ '000

### NOTE 12: Cash flow reconciliation

Reconciliation of operating surplus to net cash provided by operating activities:

Operating surplus (deficit) before extraordinary items	<b>1 241</b>	(13 474)
Extraordinary items	-	-
Net surplus (deficit)	<b>1 241</b>	(13 474)
Depreciation/Amortisation	<b>6 134</b>	5 656
Loss on sale of non-current assets	-	142
Write down of assets	<b>396</b>	-
Asset adjustment prior year	-	(125)
Decrease in receivables	<b>8 823</b>	8 259
(Increase)/Decrease in prepayments	<b>(768)</b>	96
Increase in employee liabilities	<b>1 150</b>	1 946
Increase/(decrease) in suppliers liability	<b>(292)</b>	781
Increase in other liabilities	<b>255</b>	-
Equity injection	<b>4 000</b>	8 928
	<hr/>	<hr/>
Net cash provided by operating activities	<b>20 939</b>	12 209
	<hr/>	<hr/>

	<b>1999-00</b>	1998-99
	<b>Actual</b>	Actual

### NOTE 13: 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:

	<b>51 000</b>	51 400
	<hr/>	<hr/>



**NOTE 14: Executive remuneration**

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

	<b>1999–00 Number</b>	1998–99 Number
\$110 000 to \$120 000	4	10
\$120 000 to \$130 000	5	–
\$130 000 to \$140 000	1	–
\$140 000 to \$150 000	3	3
\$170 000 to \$180 000	–	1
\$180 000 to \$190 000	1	–
\$210 000 to \$220 000	–	1
\$220 000 to \$230 000	–	–
\$230 000 to \$240 000	1	–

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

<b>\$ 2 063 313</b>	<b>\$ 1 979 377</b>
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The aggregate amount of separation and redundancy payments during the year to executive officers shown above

–	–
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**NOTE 15: Act of Grace payments, Waivers and Defective Administration Scheme 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*.

No payments were made during the reporting period under the Defective Administrative Scheme.

	<b>1999–00 Number</b>	1998–99 Number
<b>NOTE 16: Average staffing levels</b>		
Average staffing levels	<b>538</b>	513

**NOTE 17: Appropriations**

Annual appropriations for Departmental items  
(price of Outputs)

	1999-00
	\$
Balance available at 1 July	
Add: Appropriation Acts No 1 & 3 credits:	
Section 6-Act 1-basic appropriations (budget)	63 990 000
Section 6-Act 3-basic appropriations	72 000
Add: FMA Act	
s31 appropriations	2 320 000
	<hr/>
Total appropriations available for the year	66 382 000
Expenditures during the year	64 748 404
	<hr/>
Balance of appropriations for Outputs at 30 June	1 633 596

Annual appropriations for Departmental non-revenue items

	Equity injections	Loans	Carryovers
	1999-00	1999-00	1999-00
	\$	\$	\$
Balance available at 1 July	-	-	-
Add: Appropriation Act No 4	4 000 000	-	8 928 000
	<hr/>	<hr/>	<hr/>
Total appropriations available for the year	4 000 000	-	8 928 000
Expenditure debited during the year	-	-	2 469 000
	<hr/>	<hr/>	<hr/>
Balance of appropriations for capital at 30 June 2000	4 000 000	-	6 459 000

**NOTE 18: Reporting of Outcomes**

	<b>Budget \$</b>	<b>Actual \$</b>
Net cash of entity outputs	65 559	63 762
Abnormal/extraordinary items	—	—
<b>Net cost to Budget outcome</b>	<u>65 559</u>	<u>63 762</u>
Total assets deployed as at 30/6/00	<u>20 512</u>	<u>44 553</u>
Net assets deployed as at 30/6/00	<u>11 650</u>	<u>26 041</u>

**Departmental Outputs**

	<b>Actual \$'000</b>
<b>Revenue from Government (appropriations)</b>	
Annual Appropriation Acts	64 062
Special Appropriations	—
Total	<u>64 062</u>
<b>Revenue from other sources</b>	2 924
Total	<u>66 986</u>
<b>Total expenses against Outputs</b>	<u>65 745</u>
Appropriation Acts No. 1 and No. 3	64 062
Appropriation Act No. 4—Departmental capital	12 928
<b>Total Appropriations</b>	<u>76 990</u>

**NOTE 19: Financial Instruments****NOTE 19A: 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>
<b>Financial assets</b>		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 is credited to revenue as it accrues.	ASIO invests funds with the Reserve Bank of Australia. Monies in the Agency's bank accounts are swept into the Official Public Account nightly and interest is earned on the daily balance at rates based on money market call rates. Rates have averaged 4.8% for the year.
Receivables for goods and services	6A	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 (1998–99: 30 days).
Accrued revenue	3C	Interest is credited to revenue as it accrues. Interest on ASIO's operating bank account is payable quarterly. Interest on fixed interest deposits is payable on maturity.	Interest: as for cash.
<b>Financial liabilities</b>		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	10B	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.
Finance lease liabilities	9	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases.	At reporting date, ASIO had one finance lease with a term of 5 years. The interest rate implicit in the lease is 7.08%. The lease assets secure the lease liabilities.

## NOTE 19B: Interest rate risk: agency

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate				Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
		99-00 \$'000	98-99 \$'000	1 year or less	1 to 2 years	2 to 5 years	> 5 years	99-00 \$'000	98-99 \$'000	99-00 \$'000	98-99 \$'000	99-00 %	98-99 %
<b>Financial Assets</b>													
Cash at Bank		5 331	-	10 000	-	-	-	-	-	15 331	3 238	4.8	n/a
Receivables for goods and services	6A	-	-	-	-	-	-	262	157	262	157	n/a	n/a
<b>Total Financial Assets (Recognised)</b>		5 331	-	10 000	-	-	-	262	3 395	15 593	3 395		
<b>Total assets</b>										44 553	36 664		
<b>Financial Liabilities</b>													
Finance lease liabilities	9	-	-	-	-	878	-	-	-	878	-	7.08	-
Trade creditors	10B	-	-	-	-	-	-	1 196	1 257	1 196	1 257	n/a	n/a
<b>Total Financial Liabilities (Recognised)</b>		-	-	-	-	878	-	1 196	1 257	2 074	1 257		
<b>Total liabilities</b>										18 512	13 129		

**NOTE 19C: Net fair values of financial assets and liabilities**

	Note	1999-00		1998-99	
		Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
<b>Departmental Financial Assets</b>					
Cash at Bank		15 331	15 331	3 238	3 238
Receivables for Goods and Services	6A	262	262	157	157
<b>Total Financial Assets</b>		<b>15 593</b>	<b>15 593</b>	<b>3 395</b>	<b>3 395</b>
<b>Financial Liabilities (Recognised)</b>					
Finance lease liabilities	9	878	878	–	–
Trade creditors	10B	1 196	1 196	1 257	1 257
<b>Total Financial Liabilities (Recognised)</b>		<b>2 074</b>	<b>2 074</b>	<b>1 257</b>	<b>1 257</b>

*Financial assets*

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts.

*Financial liabilities*

The net fair value of the finance lease is based on discounted cash flows using current interest rates for liabilities with similar risk profiles. (Where the liability is on a floating rate of interest, the method returns the principal amount).

The net fair values for trade creditors are short-term in nature, are approximated by their carrying amounts.

**NOTE 19D: Credit Risk Exposures**

The Agency's maximum exposures 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 has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

# Part 5

## **Appendices**





**A****Membership of the Parliamentary Joint Committee on ASIO**

Membership of the PJC on ASIO at 1 July 1999 comprised:

- ▶ Hon. David Jull, MP (LP, Fadden, QLD) - Presiding Member
- ▶ Senator Ron Boswell (NP, QLD)
- ▶ Senator Paul Calvert (LP, TAS)
- ▶ Hon. Senator Robert Ray (ALP, VIC)
- ▶ Mr Stewart McArthur, MP (LP, Corangamite, VIC)
- ▶ Mr John Forrest, MP (NP, Mallee, VIC)
- ▶ Hon. Leo McLeay, MP (ALP, Watson, NSW)

On 11 May 2000, Senator Boswell was replaced by Senator Sandy Macdonald (NP, NSW).

## B

**Contact Information****Written inquiries**

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

**Website**

[www.asio.gov.au](http://www.asio.gov.au)

**General inquiries**

Central Office switchboard	Tel:	(02) 6249 6299 1800 020 648 (toll free)
	Fax:	(02) 6257 4501

**Media inquiries**

Media Liaison Officer	Tel:	(02) 6249 8381
	Fax:	(02) 6262 9547

**Collection office telephone inquiries**

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

## C

## Staffing Statistics

Table 8. Staffing levels and number at 30 June, 1995-96 to 1999-2000

	1995/96	1996/97	1997/98	1998/99	1999/00
Average staffing level (ASL) for each financial year (FY)	551	537	488	513	538
Full time staff equivalent (FSE) at end of each FY	577	524	480	525	565
Number of staff at the end of each FY	625	571	536	566	605

Table 9. Composition of the workforce (number at 30 June each year)

	1995/96	1996/97	1997/98	1998/99	1999/00
Permanent full-time	550	519	469	473	469
Temporary full-time	26	16	13	30	77
Permanent part-time	18	18	23	22	20
Temporary part-time	-	-	3	6	10
Casual	15	8	22	21	22
Non-operational (including unattached and on compensation)	16	10	6	14	7
<b>Total</b>	<b>625</b>	<b>571</b>	<b>536</b>	<b>566</b>	<b>605</b>

Table 10. SES equivalent staff location, classification and gender (positions at level) at 30 June each year

	1995/96	1996/97	1997/98	1998/99	1999/00
<b>Central office</b>					
Band 1 Female	3	2	2	1	1
Band 1 Male	6	7	6	8	8
Band 2 Female	1	2	1	1	1
Band 2 Male	2	2	2	2	2
Band 3 Male	-	1	1	1	1
<b>States and Territories</b>					
Band 1 Female	-	-	-	-	-
Band 1 Male	1	1	1	1	1
<b>Total</b>	<b>13</b>	<b>15</b>	<b>13</b>	<b>14</b>	<b>14</b>

Note: This table does not include an unattached SES officer

Table 11. Representation of designated groups within ASIO occupational groups at 30 June 2000

Group	Total staff <sup>1</sup>	Women <sup>2</sup>	NESB	ATSI	PWD	Staff with EEO data <sup>2</sup>
SES <sup>3</sup>	15	2	0	0	0	3
Senior Officers <sup>4</sup>	80	13	3	0	2	77
AO5 <sup>5</sup>	267	90	27	1	8	209
AO1-4 <sup>6</sup>	205	124	7	1	8	134
ITO1-2 <sup>7</sup>	18	3	1	0	0	10
ENG1-2 <sup>8</sup>	3	1	0	0	0	2
Other <sup>9</sup>	17	10	0	0	0	17
<b>TOTAL</b>	<b>605</b>	<b>243</b>	<b>38</b>	<b>2</b>	<b>18</b>	<b>452</b>

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

#### Notes

1. Based on staff salary classifications recorded in CHRIS.
2. Figures for 'women' are based on actual numbers from CHRIS; figures for all other groups based on staff for whom EEO data was available. Provision of EEO data by staff is voluntary.
3. The SES staff figure includes one unattached officer not shown in SES Table 10.
4. The Senior Officer group is equivalent to the APS EO1 to EO2 classifications and also includes equivalent officers in the Engineer and Information Technology classifications.
5. The AO5 (ASIO Officer Grade 5) group is equivalent to APS Level 6 and includes ASIO Generalist Intelligence Officers.
6. The AO1-4 group spans the APS 1-5 salary range.
7. Information Technology Officers grades 1 and 2.
8. Engineers grades 1 and 2.
9. Includes Generalist Intelligence Officer Trainees and unattached staff.

Table 12. Percentage representation of designated groups in ASIO 1995-00

Group	June 1995	June 1996	June 1997	June 1998	June 1999	June 2000
Women <sup>1</sup>	35	35	36	37	38	40
NESB	7	7	8	8	8	8
ATSI	0.2	0.2	0.2	0.4	0.4	0.4
PWD	5	4	4	4	4	4

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

#### Note

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 = person with a disability.

## D

**Assumed Identities**

During the year 39 assumed identity approvals were granted in accordance with the *NSW Law Enforcement and National Security (Assumed Identities) Act 1998*. None were revoked.

The general nature of the duties undertaken by those officers under the assumed identities concerned:

- ▶ surveillance duties
- ▶ intelligence officer duties
- ▶ support officer duties.

The most recent audit required in accordance with section 11 of the Act was conducted in February 2000. The audit did not disclose any fraudulent or other criminal behaviour.

## E

**Glossary****Glossary of acronyms and abbreviations**

AAT	Administrative Appeals Tribunal
AFP	Australian Federal Police
ANAO	Australian National Audit Office
APS	Australian Public Service
ASIO	Australian Security Intelligence Organisation
ASIS	Australian Secret Intelligence Service
CHOGM	Commonwealth Heads of Government Meeting
DFAT	Department of Foreign Affairs and Trade
DIMA	Department of Immigration and Multicultural Affairs
DIO	Defence Intelligence Organisation
DSD	Defence Signals Directorate
EEO	Equal Employment Opportunity
MP	Member of Parliament
NAA	National Archives of Australia
NATP	National Anti-Terrorist Plan
NFIAPs	National Foreign Intelligence Assessment Priorities
NIG	National Intelligence Group
NII	National Information Infrastructure
OFMs	Olympic Family Members
OH&S	Occupational Health and Safety
ONA	Office of National Assessments
PJC	Parliamentary Joint Committee (on ASIO)
PKK	Kurdistan Workers' Party
PSM	Protective Security Manual
SAC-PAV	Standing Advisory Committee on Commonwealth-State Cooperation for Protection Against Violence
SES	Senior Executive Service
TSU	Technical Support Unit
UBL	Usama bin Laden
WEF	World Economic Forum
Y2K	Year 2000

## F

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