

Introduction

- 1.1 There are six intelligence agencies in Australia that comprise the Australian Intelligence Community (AIC):
- Australian Security Intelligence Organisation (ASIO)
 - Australian Secret Intelligence Service (ASIS)
 - Australian Geospatial-Intelligence Organisation (AGO) - formerly Defence Imagery and Geospatial Organisation (DIGO)¹
 - Defence Intelligence Organisation (DIO)
 - Australian Signals Directorate (ASD) - formerly Defence Signals Directorate (DSD)
 - Office of National Assessments (ONA).
- 1.2 Together, AGO, DIO and ASD are known as the Defence Intelligence Agencies (DIAs) and with the Defence Security Authority², comprise the Intelligence and Security Group of the Department of Defence.
- 1.3 The AIC operates within a strict oversight and accountability framework, which balances the need for public accountability with the need for agency operations and other sensitive information held within agencies to remain classified, to protect Australia's national security.
- 1.4 Within this oversight framework, the intelligence agencies have limited *public* reporting responsibilities because of the need to protect certain

1 The change of name for DIGO/AGO and DSD/ASD was proposed during the reporting period but had not yet come into effect. The National Security Legislation Amendment Bill (No.1) 2014 was introduced to Parliament in July 2014; therefore, the name change will take effect through the passage of legislation. The Committee uses the terms AGO and ASD throughout the report.

2 The Defence Security Authority is responsible for supporting Defence to protect its business from unacceptable security risks and for providing security clearances for individuals in Defence, the defence industry and most government departments. It does not fall within the oversight of this Committee.

information about the agency's work. For this reason, ASIO is the only intelligence agency that produces an annual unclassified report to Parliament.³

1.5 Despite the need to keep certain information confidential, there are several levels of oversight to ensure that intelligence agencies are held accountable to the Australian Government, to the Parliament and through it to the Australian public. This oversight includes:

- the Inspector-General of Intelligence and Security, who provides independent assurance that the AIC agencies conduct their activities within the law, behave with propriety and comply with ministerial guidelines and directives⁴, and
- parliamentary oversight, including oversight of administration and expenditure by the Parliamentary Joint Committee on Intelligence and Security.

Role of the Committee

1.6 The Committee was established pursuant to section 28 of the *Intelligence Services Act 2001* (the IS Act). Its functions include an obligation to review the administration and expenditure of each of the intelligence agencies, including their annual financial statements.⁵

1.7 This important oversight role is carried out in circumstances where transparency and public accountability of the intelligence agencies must be balanced with the need to protect national security.

1.8 The Committee is privy to detailed, largely classified, information about the administration and expenditure of agencies. Each agency provides information on its administration and expenditure to the Committee in the form of written submissions, by appearing to give evidence in private (classified) hearings, and by providing private briefings to the Committee, at its request. Much of the evidence received by the Committee must remain confidential, due to its classified nature.

1.9 The Committee does not consider that its role in these reviews extends to advising what level of resources is appropriate for each agency to maintain to protect Australians from risks to its national security. Similarly, the Committee has no role in determining what the national

3 See ASIO (Review No. 12), *Submission 7*, p. 35.

4 See <www.igis.gov.au>.

5 See section 29 of the IS Act.

security priorities should be, nor how these priorities may be met with existing resources.

- 1.10 Rather, the Committee has responsibility to analyse the evidence put before it and report to the Parliament (and through it, to the Australian community) on any changes to administration and expenditure, or any other issues which the Committee identifies, that may affect the agency's ability to continue to meet its objectives.

Conduct of the inquiries

- 1.11 This report covers two inquiries, namely *Review of Administration and Expenditure No. 11 (2011-12)* (Review No. 11) and *Review of Administration and Expenditure No. 12 (2012-13)* (Review No. 12) of the Australian Intelligence Agencies.
- 1.12 The Committee commenced the inquiry into Review No. 12 on 17 December 2013.
- 1.13 The inquiry into Review No. 11 commenced during the 43rd Parliament, but lapsed upon prorogation of the Parliament. On 30 January 2014, the Committee of the 44th Parliament resolved to conduct Review No. 11 concurrently with Review No. 12.
- 1.14 Submissions were sought and received from the six intelligence agencies, the Auditor-General for Australia and the Inspector General of Intelligence and Security. The submissions made to Review No. 11 during the 43rd Parliament were accepted as evidence to the Committee's inquiry for the 44th Parliament. A list of submissions is at Appendix A.
- 1.15 The majority of submissions received were classified by the respective agencies. Accordingly, these submissions have not been authorised for publication and are not publicly available. Unclassified excerpts from these submissions are used in the report.
- 1.16 Unclassified submissions from ASIO and the Inspector-General of Intelligence and Security are available on the Committee's website.
- 1.17 Private (classified) hearings were held on 27 March, 15 May and 16 May 2014. Representatives of the six intelligence agencies, the Australian National Audit Office and the Inspector-General of Intelligence and Security appeared before the Committee. A list of the private hearings and witnesses who appeared before the Committee is at Appendix B.
- 1.18 As the reviews have been conducted concurrently, the Committee had the opportunity to compare administration and expenditure of the intelligence agencies over the two reporting periods. Some issues raised in evidence

carried through both financial years, whereas other issues were discrete to a particular financial year. The evidence presented in the report has been identified by financial year, so that variances and commonalities are evident.

- 1.19 Administration of the intelligence agencies over the two financial years is discussed in Chapter 2.
- 1.20 The expenditure and financial position of the intelligence agencies are discussed in Chapter 3.

The security environment in 2011-12

- 1.21 There were a number of developments in 2011-12 within the security environment that impacted upon the administration and expenditure of the intelligence agencies.
- 1.22 ASIO stated that:
- Australia's domestic security environment is dynamic, constantly changing in response to a range of factors – predominantly offshore influences. Australian interests overseas face a persistent threat in a number of international locations. The significant challenge to identify individuals and small groups inspired by, but not otherwise affiliated with, terrorist groups is an emerging security concern.⁶
- 1.23 ASIO reported that the following threats were prominent in 2011-2012:
- terrorism,
 - communal violence and violent protests,
 - espionage and foreign interference,
 - proliferation, and
 - border security.⁷
- 1.24 Providing an outlook for the security environment, ASIO advised:
- it was likely there would be an emergence of new domestic extremists in 2013, either individually or in small groups,
 - countries in North Africa caught up in the Arab Spring were emerging as new arenas for terrorist training, facilitation and attack planning,
 - the G20 in 2014 was expected to be the subject of protest activity by a range of issue-motivated groups,
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6 ASIO (Review No. 11), *Submission 7*, p. 8.

7 ASIO (Review No. 11), *Submission 7*, pp. 12-14.

- espionage remained a first-order threat to the security of Australia, and
- numbers of irregular maritime arrivals continued to increase as people smugglers used established pipelines to Australia.⁸

The security environment in 2012-13

1.25 ASIO reported on changes in the security outlook for 2012-13, outlining the following issues which remained a serious and sustained threat for Australians and Australian interests:

- espionage and foreign interference,
- politically motivated violence,
- communal violence and violent protest, and
- border security.⁹

1.26 ASIO submitted:

The security challenges Australia is facing are the most diverse in a generation – the most significant stemming from terrorism, espionage and foreign interference.¹⁰

1.27 In addition, the source and type of espionage and foreign interference is becoming more varied and its impact more diverse, with traditional sources of espionage being supplemented by cyber espionage.¹¹

1.28 ASIO also reported that the security challenges stemming from the Syrian conflict would continue, particularly with the increased number of Australian individuals involved in the conflict and the risks posed upon their eventual return to Australia.¹²

1.29 Notably, ASIO advised that its resourcing would need to account for the preparation and response required for a variety of expected and unexpected events:

Depending on the nature of the event, it may require ASIO to divert resources away from addressing the thematic challenges outlined above.¹³

8 ASIO (Review No. 11), *Submission 7*, p. 14.

9 ASIO (Review No. 12), *Submission 7*, pp. 10-11.

10 ASIO (Review No. 12), *Submission 7*, p. 11.

11 ASIO (Review No. 12), *Submission 7*, pp. 11-12.

12 ASIO (Review No. 12), *Submission 7*, p. 12.

13 ASIO (Review No. 12), *Submission 7*, p. 12.

