Mr Duncan Lewis AO, DSC, CSC
Secretary

SEC/OUT/2012/33

The Hon. Stephen Smith MP
Minister for Defence
Parliament House
CANBERRA ACT 2600

Dear Minister,

The Inspector-General of Intelligence and Security recently concluded her inquiry into security vetting practices in the Defence Security Authority and the Australian Government Security Vetting Agency (an integral part of the Defence Security Authority). Defence stands ready to implement fully the recommendations made by the Inspector-General of Intelligence and Security.

The inquiry was prompted by allegations from former contracted workers of inappropriate security practices that were aired on the '*Lateline*' television programme in May 2011. In her report the Inspector-General found that the substance of the allegations from the former workers was true, incorrect data had been inserted into the vetting process and transmitted to the Australian Security Intelligence Organisation. She also found that factors which contributed to this situation included inadequate management oversight, inadequate documentation and poor record keeping, inadequate training for staff, poor information technology systems, and high levels of pressure on vetting staff. The Inspector-General has made 13 recommendations to address these findings.

I consider the Defence Security Authority to be an integral element of the Defence Organisation and a key enabler of Defence business, as well as for Government more broadly. As such, I consider it a top priority to promptly fix the problems identified in the Inspector-General's report and I have closely reviewed all 13 of her recommendations. The report's recommendations are appropriate and can be implemented in full. Noting, however, the seriousness and complexity of these challenges I anticipate that it will take 18 months to two years to fully implement changes to fix the problems identified in the report.

The Defence Security Authority has already commenced steps to remediate problems in the vetting data and I have enclosed with this letter a short summary of actions already underway. I have strengthened the management team of AGSVA and brought in new managers where needed.

In summary I consider the Inspector-General's report to be fair and accurate. The report also provides a valuable guide to the key deficiencies that we need to address to get security vetting back on track. I commend the report to you for consideration and note that Defence is in a position to implement all 13 recommendations subject to your views and those of the Prime Minister.

Yours sincerely
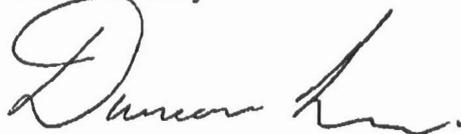
Duncan Lewis
8 February 2012

Enclosure:
1.   Initial Steps Taken to Address Inspector-General of Intelligence and Security Concerns.

INITIAL STEPS TAKEN TO ADDRESS INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY CONCERNS

Remediating the AGSVA processes is a big task, requiring a significant investment of time and resources over up to two years to get things right, while also meeting current vetting demand.

To support the remediation of AGSVA processes, the Acting Deputy Secretary, Intelligence and Security has agreed to supplement the existing Australian Government Security Vetting Agency (AGSVA) management structure.

The Intelligence & Security Group has temporarily supplemented the Defence Security Authority with extra personnel for up to two years, which will help us during this critical time of reform, before being reallocated back to their original area within the Group. A Data Remediation Team consisting of 15 members has been formed to revalidate clearances affected by inappropriate vetting practices, starting with high level clearances.

The AGSVA's new structure is now addressing the IGIS concerns in the following ways.

Strengthening Management

I have brought new managers in to strengthen the AGSVA and DSA where appropriate. The AGSVA is also establishing a stronger and more robust management structure, including:

- A Director of Strategy and Change Management has been established to manage work on strategy development and business improvement problem solving. This role is also actively managing a Remediation Master Plan that prioritises and programs the full range of remediation actions being undertaken.

- A Directorate of Quality Management has been established to develop and implement a quality management system to ensure security clearance processes are governed by consistent procedures and compliant with government policy. A comprehensive quality management system will take some time to develop and implement. While this is occurring, quality control measures are being implemented progressively across key risk areas of the vetting processes, starting at the National Coordination Centre in Brisbane.

- The Directorate of Vetting Operations continues to drive day to day vetting operations and is working to increasing productivity through better quality control and the identification and more consistent application of best practice across the vetting enterprise.

- A Chief Operating Officer has been appointed to oversee the full range of vetting operations, exercise vetting delegations and sit on a vetting review board that will provide oversight over major vetting decisions. The Chief Operating Officer will provide general management oversight for all vetting directorates.

- A Manager for the Industry Vetting Panel has been appointed to review and enhance the relationship with and management of the industry vetting panel. A key task is to ensure the panel supplements AGSVA's capability in a flexible and responsive manner.

Centralising the Control and Change Management of Vetting Documentation

A Directorate of Policy and Procedures has been established to provide more robust management of vetting documentation. All work instructions have been centralised in an online document management system. Change and version control measures have been put in place and enforced.

A preliminary audit of existing documentation to ensure compliance with policy has been conducted, and as the documentation is continuously improved all documentation will remain fully compliant with the new Australian Government Protective Security Policy Framework.

A prioritised program has begun to revise all vetting documentation to ensure processes are documented and applied consistently across the vetting enterprise.

Training

Training records have been collated and verified to provide a clear and current record of the progression of training through to full qualification.

A training plan is being developed to ensure all managers involved in the vetting process gain a formal qualification.

The AGSVA is employing the services of a contractor to conduct a training needs analysis, that will be completed at the end of February 2012.

This training needs analysis will inform the development of a comprehensive AGSVA Skilling Framework that will include the professional skills and development required to work in all vetting areas of the AGSVA.

Information Technology

A Project Board has been established to provide continuous oversight of the transition to a new vetting system for use by AGSVA staff – the Personnel Security Assessment Management System (PSAMS2).

A Project Team has been established to drive the delivery of PSAMS2. The team will ensure the development of comprehensive system documentation and a thorough training program to support the transition from PSAMS1. A leading IT firm has been engaged to develop a comprehensive project definition statement to support the comprehensive transition to the new system.

Regular updates have been made to the online vetting pack, which have resulted in significantly fewer problems being reported by vettees and has reduced the need for data entry protocols to support the transmission of data to ASIO. A total of nine updates have been implemented in 2011.

Data validation and remediation

A team has already begun validating the data affected by inappropriate vetting practices. So far, approximately 3100 Positive Vetting packs have been validated of some 5300 submitted during the period.

Assessing the errors in these packs and prioritising them to commence the remediation process will begin as soon as the detailed process for remediation has been tested between ASIO and Defence systems.