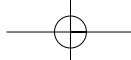




Government Response to the
Intelligence and Security
Committee's
Annual Report 2003–2004

Presented to Parliament by the Prime Minister
by Command of Her Majesty
JULY 2004

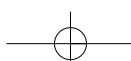
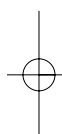
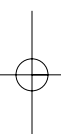


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GOVERNMENT RESPONSE TO THE INTELLIGENCE AND SECURITY COMMITTEE'S ANNUAL REPORT 2003–2004

The Government attaches considerable importance to the work of the Intelligence and Security Committee (ISC) and is grateful to it for its Annual Report for 2003–04. In a year during which there has been considerable public and parliamentary interest in intelligence issues, the Report once again demonstrates the Committee's ability to provide effective parliamentary oversight of the intelligence Agencies.

The Report highlights the Committee's conclusions and recommendations. These are set out below (in **bold**). Each one is followed immediately by the Government's response.

- A. **Most of the hard work that the Agencies do every year will never be made public. The staffs of the Agencies are to be commended for what they have done in difficult circumstances: in particular we should record that UK Force Commanders in the Gulf reported to us that they had been well served by the intelligence community during military action.**

The Government endorses the Committee's commendation of the Agencies' work and its recognition of the difficult circumstances in which they operate.

EXPENDITURE AND RESOURCES

- B. **We recognise that Public Service Agreements (PSAs) can be useful in helping to measure and deliver the business objectives of the Agencies. Both HM Treasury and the Agencies are clear that they still need to develop more useful PSAs but progress has been made. We will continue to monitor the development of the PSAs and the Service Delivery Agreements that stem from them.**

The Agencies, in conjunction with HM Treasury and the Cabinet Office, are developing their PSAs to ensure that they effectively measure and deliver the business objectives of the Agencies. The Government notes the ISC's intention to monitor these developments.

- C. **We are concerned that ***

***. We will return to this matter.**

The Government notes the Committee's concern and its intention to return to the matter.

- D. That the National Audit Office (NAO) did not qualify GCHQ's resource account is a significant improvement, which the Committee welcomes. We note, however, that the NAO still believes that GCHQ needs to take further managerial action to ensure that the account remains unqualified.**

The Government agrees that further management action by GCHQ is required. It believes, however, that GCHQ has already made significant progress towards developing more robust accounting processes. GCHQ has allocated additional resources to improve its financial accountancy systems, including improving asset management arrangements.

- E. Planning has not been completed nor have resources been allocated to transfer GCHQ staff from the retained Oakley site to the new building when the site is handed over to the developers. We will monitor this situation.**

GCHQ expects to hand over the remainder of the retained site by 2012 at the latest. GCHQ will update its accommodation and workforce plans in the light of the outcome of Spending Review 2004 (SR2004). This will set the proper context for transferring the remaining staff from the retained site. The Government notes the Committee's intention to monitor the situation.

- F. GCHQ has successfully managed the Private Finance Initiative (PFI) contract, which has provided them with an excellent facility, and the fact that the sigint service to customers has been maintained during the transition is welcome, reflecting the planning work prior to the move into the New Building.**

The Government welcomes the Committee's recognition of GCHQ's success in managing the PFI project and maintaining the sigint service to customers during the transition.

- G. The Agencies make a valuable contribution to the fight against serious organised crime and we welcome the additional resources being allocated to this task.**

The Government welcomes the Committee's acknowledgement of the important contribution that the Agencies make to combating serious organised crime and its recognition that they are planning to increase the resources allocated to this task in 2004-05.

- H. We will monitor how the new requirement for crime-related intelligence will feed into the Joint Intelligence Committee (JIC) Requirements and Priorities for secret intelligence and we will take evidence on the impact that the formation of the Serious Organised Crime Agency will have on the intelligence and security Agencies.**

The Government notes the Committee's intention to return to these issues.

- I. **BBC Monitoring provides a valuable service both to government departments and to the Agencies. It has adapted well to report on the growing number of terrorism-related media sources.**

The Government agrees.

- J. **We welcome the decision, taken since we raised this issue, to maintain BBC Monitoring's funding at its current level until the end of 2005–06. We believe that the overall level of funding should reflect the value of BBC Monitoring to the Government, the Agencies and US relationships as a whole, and we will continue to take an interest in this matter.**

As the Committee notes in its Report, a strategic review of BBC Monitoring is to be undertaken. It should be completed by the end of the current financial year. The Government anticipates that the review will ensure that the overall level of funding reflects the value of BBC Monitoring to each stakeholder. The review will involve consultation with US partners.

ADMINISTRATION

- K. **While we welcome the progress so far in improving the number of women in senior positions, greater efforts need to be made.**

The Agencies remain committed to increasing the proportion of women in senior posts, which are filled on merit and qualification.

- L. **Whilst the Agencies are taking steps to improve their recruitment of ethnic minorities, the effect of the additional nationality requirements on successful recruiting needs to be examined further.**

The Government welcomes the Committee's recognition that Agencies are taking steps to improve recruitment of ethnic minorities. The Agencies apply vetting standards even-handedly to all candidates, regardless of ethnic origin. Nonetheless, non-UK nationality and extensive ties or long-term residency overseas can prolong the vetting process and occasionally render it impossible to complete. The Agencies are seeking to be as flexible as possible in overcoming these difficulties while maintaining the integrity of the vetting process.

- M. **We recommend that a cross-Agency review of legal matters be undertaken, in consultation with the Attorney General, to ensure that staff members are being correctly trained, that best practice is being followed and that measures are taken against misunderstandings occurring during prosecutions.**

The Government agrees with the Committee that it is important to ensure that staff members are being correctly trained, that best practice is being followed and that

measures are taken against misunderstandings occurring during prosecutions. Such training is already being conducted. In addition, liaison between the Agencies, the Crown Prosecution Service and the Attorney General's office has increased and where weaknesses have been identified, these are being addressed. The Government does not, therefore, consider it necessary to establish a formal cross-Agency review of legal matters.

POLICY

- N. The Prime Minister has informed us that, with one exception, all interviews conducted or observed by UK intelligence personnel have been conducted in a manner consistent with the principles laid down in the Geneva Convention, but that some detainees questioned by them have complained about their treatment while in detention. Whilst the UK intelligence personnel never witnessed any evidence of detainee abuse of the type that the US authorities have acknowledged has occurred in Iraq, on the few occasions that they became aware that detainees were being held by the US authorities in austere conditions or treated inappropriately, the concerns were passed on to the US authorities. We will take evidence on all these matters and the usefulness of information obtained from interviews.**

The Government notes the Committee's intention to take evidence on this issue and will co-operate fully with its inquiries.

- O. We welcome the fact that police special branches are planning to work in a more co-ordinated manner and we will take evidence next year on the usefulness of these developments in the context of the Security Service's work.**

The Government recognises the important role that special branches play in working with the Security Service in the fight against terrorism. Regional Intelligence Cells are working well and will make Special Branch partnerships with other national bodies and agencies more robust. The allocation of additional funding for special branches will enhance their ability to gather intelligence and disrupt terrorists' plans.

The Government notes the Committee's intention to take evidence on this issue.

WEAPONS OF MASS DESTRUCTION

- P. The Committee is not satisfied with the Government's Response to its Report *Iraqi Weapons of Mass Destruction – Intelligence and Assessments*. It emphasised only four key conclusions while either rejecting or failing to address fully many of our other conclusions and recommendations, which we regard as extremely unsatisfactory.**

The Government regrets that the Committee found its Response unsatisfactory. It did not intentionally ignore or fail to address fully any of the Committee's conclusions and recommendations. It did, however, following past practice, conflate some points in the Response. As the Government noted in its Response, it is grateful for the considerable work that the Committee put into compiling a detailed and comprehensive Report.

Q. In its future Responses to this Committee's Reports, the Government should explicitly address each of our conclusions and recommendations.

The Government accepts the Committee's recommendation. Future Responses will adopt the format used in this Response.

R. Libya announced on 19 December 2003 that it was disbanding and destroying its WMD capability. Libya's subsequent admission of inspectors to oversee this dismantling was the culmination of months of work by the SIS, together with the FCO and CIA. This was a major intelligence success.

The Government welcomes the Committee's recognition of the important role played by our intelligence Agencies, FCO and CIA on this issue.

THE JOINT TERRORISM ANALYSIS CENTRE (JTAC)

S. The introduction of the JTAC has been a success and we suggest that the Government should consider setting up a similar analysis and assessment body to support counter-proliferation work.

The Government welcomes the Committee's recognition of JTAC's success. It will consider carefully whether JTAC's success holds lessons for the way work is done in other important areas, including counter-proliferation. It will consider the Committee's specific recommendation alongside any related recommendations that may be made by the Review of Intelligence on Weapons of Mass Destruction, chaired by Lord Butler.

COUNTER-ESPIONAGE

T. We remain concerned that, because of the necessary additional effort allocated to counter-terrorism by the Security Service, significant risks are inevitably being taken in the area of counter-espionage.

The Government acknowledges the Committee's concern. Measures are being taken to mitigate these risks through promoting greater awareness of the threat from espionage activity, training of those responsible for protective security in government and critical industries, and ensuring greater access to protective security advice through the Security Service's website.

THE INTELLIGENCE COMMUNITY

- U. **We welcome the Government's clarification and acknowledgement of the relationship between this Committee and the JIC, Assessments Staff and the Defence Intelligence Staff (DIS).**

The Government notes the Committee's comments.

- V. **The Committee believes that candidates for the position of JIC Chairman should be drawn from as wide a field as possible.**

The Government agrees.

- W. **We will look further into the work of the DIS, particularly at how its analysis work links with that of the Assessments Staff and at how its collection effort supports national requirements.**

The Government is happy to reiterate that the DIS will assist the Committee wherever it can in respect of work under the Chief of Defence Intelligence's control and of relevance to the Committee's responsibilities.

- X. **Despite the progress made on the SCOPE programme to date, a number of points need to be addressed as a matter of some urgency if the ambitious SCOPE programme is to be a success.**

The Government agrees that the issues identified by the Committee are crucial to the ultimate success of SCOPE. The SCOPE Programme has already flagged up these issues as risks and has planned ways to mitigate them.

- Y. **It is still unacceptable for common good work on Information Assurance to be funded by departments and we will monitor the results of SR2004 to see if the Central Sponsor for Information Assurance is given the necessary funding to carry out this important work properly.**

The Government recognises the vital importance of Information Assurance. Funding for the necessary work, which will be led by the Central Sponsor for Information Assurance, is being addressed. The Government notes the Committee's intention to monitor the SR2004 outcome.

- Z. **The threat to the UK's Critical National Infrastructure and vulnerability to electronic and other attacks should be examined by the JIC and considered by Ministers.**

Investigation, assessment and reporting of threats to the Critical National Infrastructure are being undertaken through the National Infrastructure Security Co-ordination Centre.

But the Government agrees that this is a suitable subject for examination by the JIC and consideration by Ministers.

AA. We remain concerned about the ability to communicate * to Ministers when they are out of London, particularly as they may need to make important decisions rapidly. We do not consider that the current communications systems yet provide a sufficiently reliable capability.**

The Government notes the Committee's concerns. It recognises the importance of providing Ministers and officials with secure communications facilities, wherever they happen to be.

COLLECTION

BB. By taking and endorsing the new Requirements and Priorities (R&P) in a meeting of the Ministerial Committee on the Intelligence Services, the Government has "*collectively engaged Ministers in setting the R&P*" as we recommended last year¹. We welcome this and trust that it will continue. We also note that the main users of the R&P system have welcomed the introduction of the new system.

The Government continues to seek ways to improve the Requirements and Priorities process. Ministers will remain engaged.

CC. Because the scale of the challenge posed by the threat at the turn of the millennium was under-estimated, the Agencies did not seek an increase of the size that we now see until 2003. This was too late and it is why they do not have the level of resources that they need for all their priority requirements. We hope that the period of under-expansion has now been ended by the significant increase in funding for the Security Service. However, we remain concerned that the SIS and GCHQ will need further additional funds if the collection gaps are to be reduced and the UK's ability to identify, monitor and disrupt threats from abroad is to be improved.

The Government acknowledges that its understanding of the *scale* of the challenge posed by Al Qaida and associated groups has improved significantly since the turn of the millennium, not least because of the work of the Agencies. But it should be noted that, in the years prior to that date, the threat from these groups was considered regularly by the JIC and was a high priority in the JIC's intelligence collection requirements; the Agencies sought intelligence on these groups and regularly issued threat reports.

¹ Cm 5837

As the understanding of the scale of the threat has improved, the Agencies have, where appropriate, reallocated resources. But the Government does not agree that the Agencies waited until 2003 to seek significant increases in resources to counter the threat or that there has been a period of under-expansion. During the late 1990s and 2000, the resources devoted to the threat increased steadily. The Agencies sought and were given additional funding immediately after the 11 September 2001 attacks.

The Government notes the Committee's concern about the need for additional funding for SIS and GCHQ. The Government believes that it will be important to ensure that, while building on the autumn 2003 increase in Security Service resources allocated to meeting the terrorist threat, all the Agencies are adequately resourced to carry out the requirements placed upon them.

ASSESSMENT

DD. Two statements we made in our Report *Iraqi Weapons of Mass Destruction – Intelligence and Assessments* to the effect that we saw all the relevant JIC papers produced between August 1990 and March 2003 have now proved to be erroneous. In May of this year we were given a further eight JIC papers relating to Iraqi WMD and UN inspections that dated from the period, which a subsequent check had revealed had not been given to us last year. This causes us considerable concern.

The Government regrets very much that it failed to pass these papers to the Committee at the appropriate time. It did, however, rectify the error as soon as it became apparent.

EE. We have read the recently provided papers. We are satisfied that knowledge of them would not have led us to change the conclusions, including those that were critical, in our Report *Iraqi Weapons of Mass Destruction – Intelligence and Assessments*. However, we might well have included further material from these papers.

The Government welcomes the Committee's acknowledgement that the papers did not contain information that would have led it to reach different conclusions.

FF. We have received an apology and we accept that there was no deliberate attempt to withhold information from us. However, we are concerned that some internal systems and record-keeping within the Cabinet Office's Intelligence and Security Secretariat are defective and we will return to this issue.

As the Committee has acknowledged, the Government did not deliberately attempt to withhold any information. The Government is committed to responding as quickly and effectively as possible to requests from the Committee for information in support of its inquiries.

The weaknesses in record-keeping will be addressed as part of a wider information management strategy to be implemented by the Intelligence and Security Secretariat during the year.

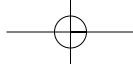
OTHER MATTERS

GG. We remain concerned that, despite our warning over two years ago, the potential vulnerability in national security caused by the importation of dangerous goods into the UK by post remains.

Since the Committee first raised its concerns on this matter, a number of actions have been taken, including reviewing threat assessments in this area. The Government is confident that the measures in place to address this potential vulnerability are proportionate to the threat. But it will continue to monitor the risk and check that appropriate resources are deployed to manage it.

HH. We believe that the time has come to consider whether a new Official Secrets Act would be the proper way forward.

The Government believes that the current Official Secrets Acts continue overall to provide a sound basis for protecting national security. However, all areas of law are subject to regular review and the Home Secretary has made it clear that the Home Office is considering the implications of recent events for legislation in this area. In doing so, he will take into account the important points made by the Committee in its Annual Report.



TJO

