



Intelligence and Security Committee

Annual Report 2002–2003

Chairman:
The Rt. Hon. Ann Taylor, MP

Intelligence Services Act 1994
Chapter 13



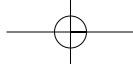
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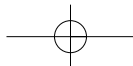
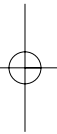
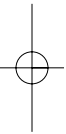
Presented to Parliament by the Prime Minister
by Command of Her Majesty
JUNE 2003



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From the Chairman: The Rt Hon. Ann Taylor, MP

**INTELLIGENCE AND SECURITY
COMMITTEE**

70 Whitehall
London SW1A 2AS

8 May 2003

The Rt Hon Tony Blair MP
Prime Minister
10 Downing Street
London SW1A 2AA

Dear Tony,

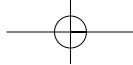
I enclose the Intelligence and Security Committee's Annual Report for 2002-03. The Committee has already reported to you after our inquiry into Intelligence, Assessments and Advice in relation to the Terrorist Bombings on Bali 12 October 2002.

In producing this Annual Report we have examined the Intelligence and Security Agencies' expenditure, administration and policies and we also report to you on the National Intelligence Machinery. We wish to highlight that the Ministers on the Ministerial Committee on Intelligence (CSI) do not meet collectively to discuss and set the Agencies' long term requirements and priorities. We believe that the CSI members must meet to discuss these issues.

We indicated in last year's Annual Report our intention to take evidence on the work of the Agencies to counter the proliferation of weapons of mass destruction and their delivery means. This work continues. We will report to you when the work we are currently undertaking on Iraq is complete.

*Yours sincerely,
Ann Taylor*

ANN TAYLOR



INTELLIGENCE AND SECURITY COMMITTEE

The Rt. Hon. Ann Taylor, MP (Chairman)

The Rt. Hon. James Arbuthnot, MP

The Rt. Hon. The Lord Archer of Sandwell, QC

The Rt. Hon. Kevin Barron, MP

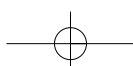
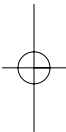
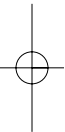
The Rt. Hon. Alan Beith, MP

The Rt. Hon. Alan Howarth CBE, MP

Mr Michael Mates, MP

The Rt. Hon. Joyce Quin, MP

The Rt. Hon. Gavin Strang, MP



INTELLIGENCE AND SECURITY COMMITTEE

Annual Report 2002–2003

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GLOSSARY

ACPO	Association of Chief Police Officers
CNI	Critical National Infrastructure
C&AG	Comptroller and Auditor General
CPC	Counter-Proliferation Committee
CPIC	Counter-Proliferation Implementation Committee
CSI	Ministerial Committee on the Intelligence Services
DIS	Defence Intelligence Staff
DPA	Data Protection Act 1998
DTI	Department of Trade and Industry
EB	Executive Branch (in SIS)
FCO	Foreign and Commonwealth Office
***	***
GCHQ	Government Communications Headquarters
IA	Information Assurance
IAEA	International Atomic Energy Authority
IMINT	Imagery Intelligence
IT	Information Technology
JIC	Joint Intelligence Committee
JIC R&P	JIC Requirements and Priorities
JTAC	Joint Terrorism Analysis Centre
JWI	Joint Working Initiative
LEA	Law Enforcement Agencies
MoD	Ministry of Defence
NAO	National Audit Office
NAP	GCHQ's New Accommodation Programme
NATO	North Atlantic Treaty Organisation

NCIS	National Criminal Intelligence Service
NIM	National Intelligence Machinery
NISCC	National Infrastructure Security Co-ordination Centre
PFI	Private Finance Initiative
PJHQ	Permanent Joint Headquarters
PSA	Public Service Agreement
REU	Restricted Enforcement Unit
SB	Special Branch (Police)
SDA	Service Delivery Agreement
SIA	Single Intelligence Account
SIAC	Special Immigration Appeals Commission
SIGINT	Signals Intelligence
SIS	Secret Intelligence Service
SRO	Senior Responsible Owner
SR2002	Spending Review 2002
SR2004	Spending Review 2004
UN	United Nations
WMD	Weapons of Mass Destruction

INTRODUCTION

1. This Annual Report covers the period May 2002 to April 2003 and is the second Annual Report produced by the Intelligence and Security Committee (ISC) under the chairmanship of the Rt. Hon. Ann Taylor MP. The Committee also produced a special Report *Inquiry into Intelligence, Assessments and Advice prior to the Terrorist Bombings on Bali 12 October 2002* in December 2002.
2. The ISC is established under the Intelligence Services Act 1994 to examine the expenditure, administration and policy of the United Kingdom's three intelligence and security Agencies: the Security Service, the Secret Intelligence Service (SIS) and the Government Communications Headquarters (GCHQ). The ISC members are appointed by, and report directly to the Prime Minister, and through him to Parliament by the publication of the Committee's Reports. The members are notified under the Official Secrets Act 1989 and, as such, operate within 'the ring of secrecy'. The Committee has also taken evidence from the Security and Intelligence Co-ordinator, the Chairman of the Joint Intelligence Committee (JIC), the Defence Intelligence Staff (DIS) and other organisations that receive secret intelligence from the Agencies.
3. The Committee sees significant amounts of classified material in carrying out its oversight duties and it questions and has taken evidence from Cabinet Ministers and senior officials – all of which is used to formulate this Report. When laying this Report before Parliament, the Prime Minister, in consultation with the Committee, excludes any parts of the Report (indicated by the *** in the text) that would be prejudicial to the continuing discharge of the functions of the three intelligence and security Agencies. To date, no material has been excluded without the Committee's consent.
4. During the year, all the Agencies have been under intense pressure due to the consequences of the Al-Qaida attacks on 11 September 2001, the Bali bombings on 12 October 2002 and the Mombasa attacks on 28 November 2002. In addition to all this, the continuing action in Afghanistan and the growing crisis in Iraq, and subsequent military action, led to a further substantial increase in demand for additional collection and deployment of resources, which was met fully with the utmost urgency. Meanwhile day-to-day coverage of other matters such as other terrorist threats, the counter-proliferation of Weapons of Mass Destruction (WMD) and anti-drugs work has had to continue.
5. The Agencies' resources have been increased significantly from their 1999–2000 levels and the programmes to increase staff numbers and technological developments are beginning to show success. The Agencies are coping well with the extra demands, but this has inevitably resulted in reductions elsewhere. These matters will be covered later in this Report.

6. Our Annual Reports inevitably tend to focus on the areas that the Committee believes are problems or will develop into problems. So it is important to highlight the numerous successes that the Agencies have had in the last year, many of which cannot be reported to avoid prejudicing current and future operations. It must be stressed that the Committee holds the Agencies and their achievements in high regard and any criticism or comments should be judged in this context.

WORK PROGRAMME

7. The Committee's work programme in the reporting period fell into two main sections. The first was dominated by investigations into the terrorist bombings in Bali. In the second section, evidence was taken on the role and function of the National Intelligence Machinery as well as the work of the Agencies to counter the proliferation of WMD. We also took evidence on a number of matters raised in the previous year's report, such as Information Assurance (including Defensive Information Warfare) and the centrally sponsored SCOPE programme. Additionally, the Committee was regularly briefed on the Agencies' work, particularly on Iraq. A full list of the witnesses can be found at Annex A.

8. In the context of the Committee's oversight work a number of visits were made within the UK and abroad. The Committee visited all three Agencies' headquarters, the SIS's staff training facility and a sub-agency of the SIS, which provides scientific and technical development facilities and operational support for both the SIS and the Security Service. Visits were also made to the National Criminal Intelligence Service (NCIS) and to police Special Branch units in London and South Yorkshire.

9. The Committee visited the USA, South Africa and Australia in order to meet parliamentary oversight committees, ministers and members of the intelligence and security agencies in these countries. We also visited EUROPOL and the intelligence and security agencies in the Netherlands. We received inward visits from parliamentarians and officials from Romania, the USA, France and Australia.

10. As part of our commitment to work with developed and developing democracies, the Committee hosted the third International Intelligence Review Agencies' Conference in May 2002 – which was attended by a mixture of oversight, parliamentary and governmental representatives from nine countries. Topics covered included oversight as seen by the UK's intelligence and security Agencies, the relationship between Agencies and law enforcement organisations, public perception and oversight and the role of technology in oversight. The conference provided a very useful forum for oversight bodies to exchange ideas and discuss issues; the next conference will be held in 2004.

11. During the course of the year, the Committee examined and considered the reports by the Committee's Investigator given below. Relevant parts of the reports and the Investigator's conclusions are included in this Report.

- a. The Agencies' People Policies
- b. Joint Working in the Agencies
- c. The National Intelligence Machinery
- d. The Agencies' Business Planning Processes

THREATS TO THE UNITED KINGDOM AND ITS CITIZENS

12. The Agencies, operating under their statutory mandates and ministerial authorisations, collect secret intelligence on a wide range of subjects. Terrorism, the proliferation of WMD, espionage and drugs and other Serious Organised Crime all threaten the UK and therefore form a substantial part of the intelligence and security Agencies' work. We set out at this early stage the main threats facing the security of the UK and UK citizens abroad.

13. The most serious threat to the UK and its citizens today is terrorism, whether international or Northern Ireland related. Until all the Northern Ireland terrorist groups have destroyed or decommissioned their weapons and explosives they remain a real threat.

14. The threat from international terrorism is no less real. Both here and abroad, as the terrible attacks on Bali and in Mombasa proved, Al-Qaida related groups and others will strike without warning to kill and maim as many people as they can, be they tourists, citizens or diplomats. Terrorists also pose a threat to our deployed forces overseas.

15. The intelligence and security Agencies are working to provide intelligence on all terrorist groups in order to prevent and disrupt attacks. The Security Service also provides threat assessments and security/protection advice for the Government and the Critical National Infrastructure (CNI). This covers the infrastructure systems essential to national well-being: telecommunications, energy, financial services, water and sewerage, transport and government.

EXPENDITURE AND RESOURCES

SR2002

16. The Spending Review 2002 (SR2002) provided the Agencies with a satisfactory funding base with real growth over the period averaging 7% each year. The annual Net Resource and Capital Requirements for the SIA and the Agencies can be seen in the table below:

All figures in £ millions

	2001-02	2002-03	2003-04	2004-05	2005-06
SIA Total					
Resource	937.8	1033.3	1,117.9	1,146.1	1,175.9
Capital	107.7	163.8	515.8	184.1	198.9
GCHQ					
Resource	***	***	***	***	***
Capital	***	***	***	***	***
SIS					
Resource	***	***	***	***	***
Capital	***	***	***	***	***
Security Service					
Resource	***	***	***	***	***
Capital	***	***	***	***	***

Notes

1. Figures for 2001-02 are outturns, figures for 2002-03 are estimated outturns and figures for 2003-04 and later are forecasts.
2. The figures include the costs of the SIS and Security Service pension schemes.
3. The figures include the £54 million claims from the reserves for both 2001-02 and 2002-03.
4. In January 2003 the Treasury retrospectively reduced the Capital Charge from 6% to 3.5% and all figures have been adjusted accordingly.
5. The capital value of GCHQ's new building comes onto the balance sheet in 2003-04.
6. The figures for 2005-06 will be revised as part of SR2004.
7. Additional Reserve Funding for Serious Crime for 2003-04 (not included in the main table):

	SIA	GCHQ	SIS	Security Service
Resources	12.1	***	***	***
Capital	2.2	***	***	***

Public Service Agreements and Service Delivery Agreements

17. The Committee examined the Agencies' Public Service Agreements (PSA) and Service Delivery Agreements (SDA). These are effectively the contracts between the individual Agencies and the Treasury. The PSAs set out the objectives and key targets for the Agencies for a three-year period (2001–02 to 2003–04). The SDAs cover the same time period and contain the PSA targets and measures for *Improving Performance*, *Managing People* and *Joint Working*. The Agency Heads are responsible for delivering the PSA and the SDA. Now that Sir David Omand has been appointed as the Security and Intelligence Co-ordinator and the Accounting Officer for the SIA, the Agencies are developing their relationships with him in this dual capacity.

18. In a previous Annual Report¹, the Committee said,

“while the Agencies are working to develop sensible but challenging measures that they can then be assessed against, some of those developed to date seem unrealistic. We support the development of sensible, quantifiable measures, but believe that more work is needed in this area”.

19. In evidence to the Committee this year one Agency Head stated that the PSA and SDA were useful for planning. **We believe that if the Agencies are to have PSAs and SDAs then further work needs to be undertaken in their development to ensure that they present realistic targets rather than arbitrary constraints or limits. We are also concerned that the Agencies will be over-controlled by agreements with different bodies. We will continue to monitor the situation and will report again next year.**

Security Service

20. Counter-Terrorism continues to be the main effort in the Security Service. As we previously reported, in 2001–02 32% of the total effort was allocated to Irish Counter-Terrorism and 25% to International Counter-Terrorism, giving a total of 57%. In 2002–03 61% of the Service's work was allocated to countering Terrorism; however the split between areas was different: 29% to Irish Counter-Terrorism and 32% to International Counter-Terrorism.

¹ Annual Report 1999–2000 Cm 4897

21. Protective Security continues to be an important part of the Service's work and accounted for 11% of its resources in 2002–03 compared with 10% in 2001–02, partly due to the additional £***million that the Service received in 2002–03 as part of the post 11 September 2001 Reserve Claim. The allocation of effort to Counter-Espionage and Serious Crime will fall slightly between 2001–02 and 2002–03, reflecting the Service's redistribution of resources to deal with the terrorism threat. However, work on counter-proliferation by the Security Service has increased from just under 3% to nearly 4% over the same period.

22. The Security Service's annual programme costs, which include interception, agents, equipment and research and development funding will be £***million in 2002–03 rising to £***million by 2004–05. This is because of the significant increase in research and development spending, which the Service believes is essential in order for it to maintain its ability to gather intelligence through covert means.

Secret Intelligence Service

23. In 2001 SIS allocated *** of its effort to Counter-Terrorism; this has risen to *** in 2002 and will be *** in 2003. Work relating to the Middle East and North Africa rose from *** in 2002 to *** in 2003, largely due to additional work relating to Iraq. Effort allocated to countering the proliferation of WMD also rose slightly from *** in 2002 to *** in 2003.

24. In common with the other Agencies, SIS redistributes its resources in order to cover urgent work and this results in a reduction in the effort to less urgent areas. For example *** of effort was spent on *** the Former Soviet Union in 2002 but this has fallen to *** in 2003. *** of effort was allocated to Asia in 2002, compared with *** in 2003, while *** will be spent on the Balkans and *** compared with *** in 2002. However, it should be noted that there is overlap between these divisions – such as between WMD and Iraq and Counter-Terrorism and Asia, which includes Afghanistan.

25. As we reported last year, the SIS spent some *** but the impact of this

*** operation on future drug production cannot be fully measured. The operation was not repeated this year and the SIS is concentrating on ***.

26. As reported last year and covered in more detail in paragraph 41, the SIS is increasing the size of its staff. This increase of some *** over a three-year period has resulted in a *** and the SIS has allocated some £*** million to the ***. Preliminary work has started and the SIS aims to have staff working *** in 2004.

GCHQ

27. GCHQ's effort on Counter-Terrorism work in 2002–03 accounted for *** of its resources and was the largest for any collection category. GCHQ is planning for this to rise to *** in 2003–04, reflecting the growing importance of this work. Collection on Iraq accounted for *** of GCHQ's total expenditure in 2002–03 and it is now rising to *** in 2003–04. Expenditure on *** will fall from *** of the total in 2002–03 to *** in 2003–04. Similarly, expenditure on the Rest of the World (***) is planned to fall from *** to *** in 2003–04. These changes reflect GCHQ's redistribution of resources in order to tackle the current threat and work required on the ***.

28. *** continues to deliver considerable value to GCHQ and it may exceed its design life. As a consequence, GCHQ expects to extend the expected life of *** and make the corresponding accounting changes. *** will start later this year. **The Committee wishes to record the significant contribution that *** makes to intelligence collection.**

29. **The Committee is concerned about the size of the planned write-off of between £***-*** million that GCHQ is having to make in the next year for a developmental SIGINT system that has only partly delivered the intended capability. We recognise that developmental work is not always successful and that the Resource Accounting system requires GCHQ to highlight the cost of capital equipment that cannot be used again, but we believe that GCHQ must learn the lessons from this experience.**

New Accommodation Programme

30. In our previous reports, we have continuously stressed the challenge that the New Accommodation Programme presents to the GCHQ management. The buildings are 10 weeks ahead of schedule and the building consortium will be paid a £*** bonus for each month that the building is completed early. The early completion will enable GCHQ to advance technical fit-out and mitigate risk. Staff will begin to move into the new accommodation in September 2003, once parts of the building have been fitted out. The building should be fully occupied by August 2004. The Committee has been impressed by the new accommodation and we look forward to seeing it being used by the GCHQ staff. We have been told that there are only a few variations to the building costs under the PFI contract and, as noted above, that the building will be finished ahead of schedule. The PFI contract covers the cost of moving the staff into the new accommodation; but it does not cover the cost of moving the technical equipment and computers.

31. We still have concerns about the technical transfer from the two current sites to the new buildings. GCHQ had to obtain additional funding from the Treasury to carry out this transition, as well as finding funds from within its own programme. The technical transfer is capped at £308 million and the Director has assured both the Committee and the Treasury that this amount will not be exceeded. Last year the Committee stated that it was

“concerned that, in order to keep within the agreed relocation budget, GCHQ may be forced to reduce its operational effectiveness and agreed service to its customers. We would not wish to see this happening, especially after the 11 September attacks.”

32. The Committee has been reassured that GCHQ has taken steps to maintain its operational effectiveness during the technical relocation, including the routing of communications and reporting through other sites in the UK. However, we remain concerned that resources originally allocated to technological development programmes were moved or recast to support the technical relocation. This has had the effect of slowing GCHQ’s ability to develop new systems but, due to the significant additional funding that GCHQ received in 2001–02, 2002–03 and SR2002, some of these programmes have been effectively brought back up to speed.

33. In our 1998–99 Annual Report, the Committee recommended that the NAO examine the New Accommodation Project once the PFI contract had been placed. The NAO are now in the process of completing this examination and we will report in due course.

Agency Resource Accounts

34. The 2001–02 Single Intelligence Account was, for the third consecutive year, qualified by the NAO. The Committee noted that the Resource Accounts for the Security Service and the SIS were both described by the Comptroller and Auditor General (C&AG) as being a “true and fair” record of their expenditure. However, the GCHQ 2001–02 Resource Account was qualified for three main reasons:

- a. There was insufficient audit evidence to conclude that interest on capital charges of £*** million (which are based on the average of the values of opening and closing balances) and in-year depreciation of £*** million on operational equipment were properly presented in the 2001–02 Operating Cost Statement and associated notes.
- b. Some £*** million worth of operational equipment (out of a total of £*** million) listed on the Fixed Asset Register remained to be reconciled to items listed on the inventory system.
- c. The accounting status of prepayments with a reported value of some £*** million (out of a total of £*** million) in respect of the procurement of projects and services *** could not be verified.

35. In his report, the C&AG states that:

*“GCHQ have made substantial progress since the completion of the 2000–01 audit to address the issues raised in my report on that year’s account. ...More generally, the introduction of ***, the new *** fixed asset module, and the parallel establishment of reliable inventory records led to improvements in GCHQ’s accounting processes, and in the recording and valuation of fixed assets.*

“The momentum of these improvements needs to be sustained by GCHQ during what is left of the current financial year [2002–03] if the deficiencies and omissions described above are to be remedied in time to produce an unqualified Resource Account for 2002–03.”

36. The Committee acknowledges that GCHQ has made significant progress in producing a Resource Account, particularly in the area of asset management and tracking. However, we believe that, from the introduction of Resource Accounting in 1999–2000, GCHQ did not allocate sufficient resources to produce an accurate account. As a consequence it did not have the right people in place to ensure not only that the *** project was introduced but that the asset registers were correct and up to date. GCHQ now has 19 trained accountants on the staff, but in 2000 it only had 5. This, we believe, proves that GCHQ did not originally recognise the full complexity of its accounting problem.

37. We are concerned that the Resource Account for 2002–03 will be qualified owing to the historical problems in the asset register. We understand that GCHQ is taking steps to address the remaining problems but whether or not the “momentum” described by the C&AG will be maintained is unclear. It would be a significant failure of management if the Resource Account were to be qualified yet again.

Investment in Information Technology

38. The Committee was briefed by the Agencies about their internal Information Technology (IT) programmes. All three Agencies are investing substantial sums, over a number of years, to upgrade or replace their office IT systems and, in the case of GCHQ, to *** the SIGINT process. As mentioned earlier for GCHQ, the funding for these developments came, in part, from the Reserve Claims made by the Agencies after the 11 September 2001 terrorist attacks. The office upgrade programmes involve using and developing commercial off-the-shelf products, and the Agencies, supported by consultants, have been fairly successful in their work to date. For example the Committee was told that the Security Service spent some £*** million on consultants, which had considerably reduced the technological risk associated with the introduction of the new computer system. **We will continue to monitor the Agencies’ investment in IT systems.**

ADMINISTRATION

SIS Staff Matters

39. In our last Annual Report we stated that the SIS would be revising the terms and conditions of employment for its staff. The Appraisal and Performance Bonus system has been revised but other revisions are not yet complete. The SIS will introduce a new grade structure for its entire staff in June 2003, which has been developed following consultation with the staff. Under the new structure there will be 10 grades (Grade 1 the most senior and Grade 10 the most junior), designed to recognise potential and improve promotion. They are also linked to pay increases and career progression. As part of these changes the SIS will increase the number of staff branches from 4 to 6 in order to give linguists, science and technology staff and specialists their own established branches; the traditional Intelligence, Executive and Auxiliary Branches remain unchanged.

40. The Committee remains concerned that there is no member of the Executive Branch (EB) on the SIS board, even though the EB comprises some *** of the staff of the Service. SIS inform us that as part of the new grading system the Service will be doing away with the distinction between branches at Grade 4 and above, where the jobs tend to have significant management and leadership content. We welcome this change but recommend that steps be taken to ensure that suitably qualified and experienced individuals other than those developed through the Intelligence Branch sit on the board.

Recruitment and Retention

41. As we described last year, both the SIS and the Security Service have ambitious programmes to increase significantly the number of staff they recruit. Both met their targets in 2002–03 other than in a small number of specialist languages and some IT areas. Linguists in some languages can be difficult to recruit. There can be an additional difficulty because of the nationality and security vetting requirements, although the Security Service informed us that it had ***. All three Agencies have also benefited from retired former members who have rejoined them, some on a part-time basis, for a temporary period.

42. The Agencies took on additional security vetting staff to ensure that they could handle the increased number of recruits. However, the Services did indicate that the numbers of new staff being absorbed by the Agencies were putting a strain on the training and mentoring systems. Despite this rapid increase in numbers the Agencies assured us that the quality of recruits had not diminished, the ethos had not been diluted and morale remained high. The Security Service noted that it was *** than in the past and consequently they did not have the ***. However, the Director General stated that this had not become a problem.

Commissioners and the Investigatory Powers Tribunal

43. The Committee has not met the Commissioners or Chairman of the Investigatory Powers Tribunal since we last reported. We have examined the Commissioners' Annual Reports and followed up a number of issues with the Agencies involved. We have also been given the numbers of warrants issued by Secretaries of State for the Agencies under the Regulation of Investigatory Powers Act 2000 and the Intelligence Services Act 1994.

POLICY

Investigator's Reports

44. The Committee has continued its oversight of the Agencies' Personnel Policies. As noted in the last Annual Report, the Agencies were planning significant staff increases, which they are successfully achieving. The Investigator examined the different recruiting practices of the Agencies and concluded that they were appropriate to each Agency's needs. The retention rates of the Agencies are good and they all make good use of both inward and outward secondments to improve co-operation with other organisations and to enable staff to gain experience.

45. We also examined the structure of the Management Boards. We note that all three Boards have appointed non-executive directors or board advisors, and that these appointments are successfully supporting the Boards thanks to the individuals' outside experiences.

46. In last year's Report we stated that our Investigator had reported to us on *The Agencies' Joint Working Initiative*. The Joint Working Initiative (JWI) and the appointment of an Efficiency Adviser were products of the 1998 review of the Single Intelligence Vote and the Committee has commented on the Efficiency Adviser in previous Annual Reports.

47. The JWI has ensured that the Agencies focus methodically on opportunities for joint working. It has produced a system of formal working groups covering different small-scale areas with varying degrees of success. The Committee supports our Investigator's belief that the most productive areas have already been developed and that any future areas are unlikely to pay major dividends in terms of operational effectiveness or financial savings.

48. We note that a new Efficiency Adviser has been appointed to develop this work. Whilst the JWI was directed at the three Agencies working together, it did not preclude them from working with non-Agency bodies and the Agencies are individually and collectively pursuing opportunities for co-operation with other governmental organisations.

49. We note that the Chief Secretary to the Treasury has asked the Agencies to investigate whether further joint work on IT systems might improve efficiency across the Agencies. The Cabinet Office informed us that the Efficiency Adviser will be working with the Agencies to review opportunities for improving the IT systems across the intelligence community and any conclusions will be used to inform bids in SR2004.

50. The Committee has tasked our Investigator to follow up the report he produced three years ago on "Security Policies and Procedures" in the Agencies. This report, which is being completed in modules, will focus on the changes the Agencies have made following the earlier report and as a result of espionage cases and breaches of the Official Secrets Acts in the USA and the UK. The report will also cover computer and laptop security. We will report again in due course.

New Legislation

51. A considerable amount of new legislation is coming into force. The Agencies have programmes to ensure that all their staffs, either on joining or through re-training, have an understanding of this legislation and how it affects their work and the rights of individuals. In recent years there has been a significant growth in legislation and related casework affecting the Agencies. The Director General told the Committee that she now has 10 lawyers compared to only 3 ten years ago. They are involved in a range of matters including the Bloody Sunday Inquiry, the Stevens Inquiry, ***, together with the internal training programmes. The Security Service is creating legal awareness courses in partnership with professional legal training providers. **The Committee is reassured that the three Agencies are ensuring that all staff are fully aware of the law in relation to their work. We are aware that there is a risk that in-house lawyers could be over-stretched, but we emphasise that the staff need to be fully trained in this important area.**

THE NATIONAL INTELLIGENCE MACHINERY

52. Last year we reported that we had tasked our Investigator to conduct an inquiry into who collects, analyses and assesses intelligence within the National Intelligence Machinery (NIM). He interviewed the Security and Intelligence Co-ordinator and the JIC Chairman, together with representatives from the three Agencies, the Foreign and Commonwealth Office, the Home Office, the Ministry of Defence (including the DIS and the Permanent Joint Headquarters (PJHQ)), the Department for International Development, the Treasury (including HM Customs and Excise), the Northern Ireland Office and the NCIS. He also examined how the collection of intelligence was tasked and the role of the Joint Intelligence Committee.

53. On receipt of his Report we took evidence from the Foreign, Home, Defence and International Development Secretaries, as well as the Security and Intelligence Co-ordinator, the JIC Chairman and the Head of each Agency. The Committee also examined the United Kingdom's National Requirements for Secret Intelligence 2002–2005 and the JIC Chairman's review of the Agencies' performance 2001–2002.

CSI and Requirements and Priorities

54. In our previous Reports we have highlighted the fact that the Ministerial Committee on the Intelligence Services (CSI) has not met. It is chaired by the Prime Minister and consists of the Deputy Prime Minister, the Chancellor of the Exchequer and the Foreign, Home and Defence Secretaries.

55. However, whilst CSI itself has not met, the Prime Minister, relevant Cabinet Ministers and senior officials have met collectively to manage crises, such as Afghanistan or Iraq, sometimes on a daily basis. These focused meetings, on short-term and urgent problems, involving all relevant parties, have proved to be successful in dealing with the given crisis.

56. Unfortunately, these crisis-driven and ad-hoc groupings do not provide Ministers with an active forum in which they can make collective decisions about longer-term intelligence requirements and priorities for secret intelligence across the full range of topics. The current system for setting requirements and priorities is almost entirely based on decisions and recommendations from officials, which are then endorsed by CSI members out of committee. As a result, **we believe that CSI Ministers are not sufficiently engaged in the setting of requirements and priorities for secret intelligence, nor do they all see the full capability of intelligence collection.**

57. We were told that, as part of SR2002, the Chief Secretary to the Treasury asked the intelligence community to take steps to improve the requirements and priorities setting process. We have not had details of these developments, which we understand have yet to be approved by Ministers. **We hope that the new system will require Ministers to be engaged collectively and fully in setting the requirements and priorities.**

JIC Papers

58. The Committee questioned the Secretaries of State on how intelligence and the JIC papers were meeting their needs. The Ministers confirmed that they were given the JIC papers which their private offices believed they needed to see, and that officials in the departments drew papers to their Minister's attention and reflected their Minister's views at JIC meetings. The Ministers also said that they themselves sometimes requested sight of specific papers.

59. Some JIC papers are commissioned specifically to support a forthcoming visit or a topic on which a Minister has requested information, others are requested by departments or form part of a rolling programme. The JIC Chairman, in his review of performance 2001–2002, noted the need to produce starker papers, which could then aid Ministerial decision making.

60. We remain concerned that not all CSI Ministers see all the JIC papers as a matter of routine and therefore they do not necessarily see all the assessments that they ought to see. We believe that they should and that this would then encourage their further participation in the requirements and priority setting processes.

IMINT

61. In evidence, the Defence Secretary stressed the importance of Imagery Intelligence (IMINT). The Committee has previously expressed concern that the UK's involvement in the next generation of IMINT systems, the *** programme, needs to be fully funded to ensure that the UK derives maximum benefit from the programme. Last year's Government response to our Report stated that "the necessary levels of finance will be made available to meet this important national requirement". We are concerned that the MoD has only been able to provide limited funding – "what we could afford" – to buy into the *** programme due to the pressures on the defence budget. **We recommend again that more funds are made available to maximise UK involvement in the *** programme. As we have previously stated, we believe that the IMINT programme needs to be funded and tasked as a national asset through the SIA and JIC, rather than by the MoD.**

JTAC

62. A major structural development within the Intelligence Community is the creation of the Joint Terrorism Analysis Centre (JTAC). We highlighted the problems and shortcomings of the previous counter-terrorism analysis system in our Report on the Bali Bombings² and the Government announced its plan to form the JTAC in its formal response to us³. We have been told that the establishment of the JTAC will address the points we raised. The JTAC, for which the Director General of the Security Service is responsible, is an interdepartmental and agency body established to improve the provision of assessed intelligence on international terrorism. The JTAC will bring together the existing cross-community expertise, for example the Security Service's Counter-Terrorism Analysis Centre, the SIS, GCHQ, DIS, the police, including Special Branch, and the security division (TRANSEC) of the Department of Transport. We were told that the new organisation would ensure that the analysis and assessment of counter-terrorism intelligence is a "much more collaborative process" providing increased efficiency and responsiveness to customer requirements. **We welcome this development and will monitor the role and outputs of the JTAC and report in due course.**

² Cm 5724

³ Cm 5765

SCOPE

63. In our last Annual Report⁴ we recommended that the key requirements and suitable funding be agreed for the SCOPE Business Change Programme. We followed this up by taking evidence from the JIC Chairman, who is the Senior Responsible Owner (SRO) for the programme in the Cabinet Office, and members of the SCOPE programme. We were told that

“the programme has [to date] concentrated on a sound base on which to approach its task before spending significant capital funds or committing significant resources. This work has resulted in a much fuller and more detailed understanding of what was required to deliver benefits to the Programme partners and identified the need for further funding.”

64. The ten partners have now agreed the requirements for the programme and a joint bid in 2003 to the Capital Modernisation Fund was successful. The Treasury has awarded the SCOPE programme £*** million over the next three years, mainly for capital funding that includes the introduction of *** new terminals and the adaptation of existing IT systems to create a system of *** terminals ***. Additional resources have been allocated by the three Agencies, the Cabinet Office and the FCO to enable the programme to deliver the “Effective Information Management” system agreed by the programme partners. The partners have also agreed the breakdown of running costs of the programme for its first eight years.

65. We were told that the SCOPE Business Change Programme has caused partners to review the way they interact with each other and that the Agencies’ internal systems are being developed to enable them to interface with SCOPE, once it is introduced. The programme will be introduced in phases and the full roll-out will commence in 2005. Experience has shown that IT programmes of this scale pose challenges, but the modular and phased approach of the SCOPE programme, despite security concerns, means that significant benefit can be obtained even before the most ambitious elements of the programme are introduced. **Now that the SCOPE programme has both agreed requirements and sufficient funding, it needs to start delivering working systems that improve interdepartmental and Agency communications. We will continue to monitor the programme and its impact on the intelligence community.**

⁴ Cm 5542

Collection Gaps

66. In our Annual Report⁵ last year we stated that there had been reductions in collection areas as resources were transferred to Counter-Terrorism:

“These reductions are causing intelligence gaps to develop, which may mean over time unacceptable risks will arise in terms of safeguarding national security and in the prevention and detecting of Serious Organised Crime. The Agencies must be given sufficient resources to enable them not only to fill the staff vacancies that have been created but also to expand sufficiently to ensure that they can meet the new demands now being placed on them.”

The Government responded⁶:

“The Government recognises that the increase in demand for intelligence to support the campaign against terrorism has meant that the Agencies, amongst others, have been obliged to review their priorities within their own budgets. This process has been carried out professionally and carefully, and the Government will continue to keep the situation under review. It is inevitable that if some areas of activity become relatively more important to the national interest, others become relatively less so and may have less resources devoted to them. All decisions about matching resources to tasks involve a degree of risk. Identifying, quantifying, managing, and where possible mitigating those risks is one of the basic responsibilities of the management of the Agencies. The Government is confident that the judgements taken so far have been the right ones, and that no unacceptable risks with or to national security have been, or will be taken.”

67. The above statement encouraged us, as did the fact that the Agencies have been given additional resources and are recruiting significant amounts of additional staff. We see a need to maintain this commitment in SR2004. As a result of the Bali and Mombasa bombings and world developments, the Agencies have increased the resources deployed on both Counter-Terrorism and Iraq. It takes time to recruit and train staff and consequently not all the new staff coming in are sufficiently trained or experienced to take on some front-line tasks, and will not be for a couple of years. The SIS has reduced effort on developing sources in a number of areas and the Security Service has had to reduce the ***.

⁵ Cm 5542

⁶ Cm 5543

GCHQ has reduced analysis effort in a number of possible trouble spots. These developments confirm our belief that the problem of collection gaps has worsened and therefore risks are being taken with national security. Intelligence assets are most useful when they can warn of and disrupt hostile action rather than being used to deal with current crises. **The Committee believes that, with the focus on current crises, the Agencies' long-term capacity to provide warnings is being eroded. This situation needs to be addressed and managed by Ministers and the JIC.**

Special Branch

68. The Committee has examined the relationship between the Security Service and the police Special Branches (SB) around the country. There are 43 SBs in England and Wales, 9 in Scotland and 1 in Northern Ireland, the largest being in the Metropolitan Police. In conducting this work the Committee also took note of the report *A Need to Know*, published in January 2003 by Her Majesty's Inspector of Constabulary on SB and Ports policing. We note that in the North East of England, the Association of Chief Police Officers (ACPO) regional boundary is not coterminous with the boundaries of the Government Regions and therefore there is only one SB Regional Intelligence Cell covering both the Yorkshire and Humberside and the North East Government Regions. We were told that resources constrained the development of a second cell at this initial stage.

69. There is a very close relationship between the individual SBs and the Security Service; in fact the SBs were described to the Committee as an executive partner of the Security Service. For example, SBs recruit and run agents either alone or in support of and co-operation with the Security Service, supplying the intelligence to the Security Service if it is relevant to its work. Other SB functions are covert observation, following intelligence leads and conducting routine national security related work, all under the relevant legislation including the Regulation of Investigatory Powers Act 2000 and Anti-Terrorism Crime and Security Act 2001. The SBs have sight of the relevant intelligence and security Agencies' requirements and work towards them in addition to their normal policing role, which is to safeguard the public. The Director General of the Security Service stated that the SBs continue to be a "major extension" to the Security Service in terms of intelligence collection capability.

70. In this collection work there is an important distinction between SB and the Security Service. While SBs investigate individuals and organisations that could present a threat to public order, the Security Service would not investigate these bodies unless they posed a threat to national security. This means that not all intelligence collected by SBs is or can be shared with the Security Service.

71. The vast majority of SB work depends on the resources allocated by individual Chief Constables – only a limited amount of SB work conducted by the Metropolitan Police is nationally/centrally funded. The variation in resources available means that not all SBs are able to provide an optimum level of support to the Security Service although this can be mitigated by co-operation between the SBs in the larger and smaller police forces.

BALI

72. The Committee conducted an inquiry into the intelligence, assessments and advice available to the Government prior to the Bali terrorist bombings. Our work was greatly helped by the fact that the Foreign Secretary made the intelligence from the UK Agencies available to us. The Prime Minister published the Committee's Report on 11 December 2002 and the Foreign Secretary made a statement in the House of Commons, which was repeated in the House of Lords. The Government published its response to the Report on 26 February 2003 and this, together with the Committee's Report, was debated on 3 March 2003.

73. We reported that during the period prior to October 2002 the Agencies received at least 150 separate reports a day relating to terrorist activity in more than twenty different countries, including Indonesia and the UK itself. This intelligence came from a range of sources of varying reliability, and difficult judgements about follow-up action have to be made in each case. We concluded that, on the available intelligence, we did not believe that the attack could have been prevented. We believe that the Security Service had made a serious misjudgement when it did not raise the threat to general UK interests in Indonesia from SIGNIFICANT to HIGH. However, the Committee was encouraged that the review of the threat assessment system was informed by our recommendations and the threat level definitions reworked. The Government also accepted the recommendation to ensure that the assessments are produced in a timely way. The Committee has been briefed on the reworked Threat Assessment System and the role and function of the JTAC.

74. The House of Commons Foreign Affairs Committee has also taken evidence on FCO Travel Advice and the FCO has conducted a review of its Travel Advice. As a result of that review, which we recommended, the advice issued is now clearer and that the advice given to travellers and residents is now consistent. **We welcome these improvements and recommend that the FCO continually reviews its Travel Advice to ensure that it provides travellers and residents with clear and accurate information.**

WEAPONS OF MASS DESTRUCTION

75. As we stated in last year's Annual Report⁷, the Committee returned to the work undertaken by the Agencies to counter the proliferation of Weapons of Mass Destruction (WMD), which we had previously considered in our Annual Report 1998–99⁸. This subject covers the procurement, development and production of chemical, biological and nuclear weapons systems – together with their delivery systems, which include ballistic and cruise missiles and the radiological weapons that could be used by terrorists. The risk of being attacked by these weapons or of an accident occurring depends very much on the countries or groups that have access to them.

76. In an earlier Report⁹, the Committee expressed concern that Ministers were not kept fully informed of breaches to sanctions and control regimes; that UK companies were attempting to break export restrictions; that the current reliance on sanctions and control regimes was only slowing, not preventing, the proliferation of WMD; and that the Agencies were not taking enough disruptive action to prevent proliferation.

77. We took evidence on this subject from the Foreign and Home Secretaries, the DTI, Cabinet Office, HM Customs and Excise, MoD and FCO, as well as the three Agencies. The Agencies devote a significant amount of their effort to this topic and have produced results – disrupting the proliferation of material from the UK and elsewhere. The fortnightly meetings of the Restricted Enforcement Unit (REU), on which all the departments and agencies listed above sit, play a key role in preventing proliferation from the UK and elsewhere. The REU has improved co-operation between interested parties at the operational level.

78. However, the basic situation has not changed significantly from that of four years ago. Most counter-proliferation work is done at official levels. A small number of UK companies are still trying to breach export restrictions but the UK authorities seem to be thwarting these efforts. However, world-wide, sanctions, even when effective, only slow proliferation.

⁷ Cm 5542

⁸ Cm 4532

⁹ Cm 4532

79. In order to improve co-ordination between senior officials, particularly in the development of policy, a new system of committees has been introduced. We were briefed on the newly formed Counter-Proliferation Committee (CPC), which is chaired by the Prime Minister's Foreign Policy Adviser, and the Counter-Proliferation Implementation Committee (CPIC), chaired by the Deputy Head of the Overseas and Defence Secretariat. The Agencies, together with the relevant departments and the JIC Chairman, sit on these committees – but no Ministers. **We are concerned that Ministers are not fully briefed on counter-proliferation work but we have been told that the new official committee structure will ensure the closer involvement of Ministers. We would welcome this. However, we believe that there is a need for greater clarity as to the ministerial responsibility for cross-departmental co-ordination of counter-proliferation policy and work.**

Iraq

80. The Committee is grateful to the JIC Chairman and 'C' for the regular briefings by which we have been kept up to date before and during the military action against Iraq, as it was intelligence that indicated that the Iraqis were continuing to produce WMD and their delivery means. The UN inspectors in Iraq used intelligence which was produced by many countries, including the UK. Intelligence also played a key role in the military action by coalition forces.

81. In September 2002 some intelligence was declassified and used to produce a dossier on the Iraqi WMD programme. The Agencies were fully consulted in the production of the dossier, which was assembled by the Assessments Staff, endorsed by the JIC and issued by the Prime Minister. The Committee supports the responsible use of intelligence and material collected by the Agencies to inform the public on matters such as these.

82. We believe that material produced by the Agencies can be used in publications and attributed appropriately, but it is imperative that the Agencies are consulted before any of their material is published. This process was not followed when a second document was produced in February 2003. Although the document did contain some intelligence-derived material it was not clearly attributed or highlighted amongst the other material, nor was it checked with the Agency providing the intelligence or cleared by the JIC prior to publication. We have been assured that systems have now been put in place to ensure that this cannot happen again, in that the JIC Chairman endorses any material on behalf of the intelligence community prior to publication.

83. It is impossible at the present moment to make any definitive statements about the role of intelligence and the situation in Iraq. Whilst the Committee has been briefed, we intend to examine in more detail the intelligence and assessments available and their use. We will report when our inquiries have been completed.

OTHER MATTERS

Serious Organised Crime

84. The support given by the Agencies to Law Enforcement Agencies (LEAs) in their fight against Serious Organised Crime was reported to us in their annual presentations. We believe that while the Security Service does useful work in support of LEAs, it could do more. This view is shared by the Home Secretary, but we understand that this is unlikely to be possible for some time because of other higher priorities, most notably international Counter-Terrorism work. *** have been devoting additional effort to countering Serious Organised Crime, which has resulted in the breaking up of some people-smuggling networks in Europe and the seizure of significant amounts of class A drugs.

Information Assurance and Communications

85. Information Assurance (IA) is the term used to cover the provision of effective information security capability. Last year the Committee supported Sir Edmund Burton's recommendation that an IA Central Sponsor should be established to set the strategic direction for all stakeholders and for auditing performance, including 'common good' work that would benefit the whole government machine. In its response, the Government announced that a Central Sponsor (the e-Envoy, Andrew Pinder) had been appointed. The Committee took evidence from the e-Envoy and the Head of the Communications, Electronics and Security Group to see what progress had been made since this appointment.

86. The main focus has been in the formulation of an IA strategy, which will be used to guide the future programme. Only a small amount of work in the highly important common good area was possible in 2002–03 since there was extremely limited funding for IA. Some central funding has been allocated for common good work but it is only £*** million for 2003–04. This is only a quarter of the annual funding that Sir Edmund Burton considered appropriate to develop an effective IA programme. When questioned, the Agencies stated that the lack of common good funding was a significant problem and as a result vitally important programmes such as the development of *** had not been funded. **The Agencies are now faced with either funding these programmes from the SIA or delaying the work until other funding is made available. This is unacceptable.**

87. Last year the Committee called for the *** of secure *** communications equipment, which would allow ***. In its response, the Government stated that “a number of steps have already been taken to improve the position”. Some *** were introduced and have provided a *** for secure communications. **However, a long-term solution has not been identified, neither has any funding been allocated for the provision of the next generation of secure communications systems, and we recommend that the Security and Intelligence Co-ordinator takes this matter forward.**

88. The matter of an aircraft fitted with secure communications equipment for the use of the Prime Minister and other key Ministers was raised by the Defence Secretary. ***. During crisis periods decisions are sometimes required with great urgency ***. We are persuaded that this expense can be justified.

Postal Interception

89. The Committee has been concerned about the possible threat to national security posed by the import of firearms, drugs and other dangerous goods into the UK by all forms of post. We are taking evidence on this matter but our work is not yet complete and we will report in due course.

Statutory Functions/Acts of Parliament

Use of Intercepted Material

90. There has been some discussion within Parliament and the Home Office on the use of intercepted communications material in prosecutions. In our Report last year¹⁰ we stated that we would examine the use of intercepted material and communications data. Whilst the Committee has not fully explored these matters, we have discussed with the National Prosecutors in the Netherlands their experience of using intercepted material in courts and we will examine the findings of the recent Home Office review of the use of intercepted material.

91. In our Annual Report last year¹⁰ we set out the policy, known as the Wilson Doctrine, which covered the tapping of telephones of Members of either House of Parliament. The full text of the Prime Minister’s answer¹¹ was:

“As I informed the House on 30 October 1997, Official Report, column 861, Government policy remains as stated in 1966 by the then Prime Minister, the Lord Wilson of Rievaulx. In answer to questions on 17 November 1966, Lord Wilson said that he had given instructions that there was to be no tapping of the telephones of Members of the House of Commons and that if there were

¹⁰ Cm 5542

¹¹ Hansard 19 December 2001: Column 367W

a development which required a change of policy, he would at such moment as seemed compatible with the security of the country, on his own initiative, make a statement in the House about it. The then Parliamentary Under-Secretary of State for the Home Department, Lord Bassam, confirmed on 27 September 2000 that this policy extended to Members of the House of Lords.”

The Prime Minister has not informed us of any alteration or amendment to the stated policy.

Official Secrets Acts

92. The Committee has not yet taken formal evidence on the Official Secrets Acts and their usefulness. However, we believe that the legislation could benefit from a review, as it does not seem to produce a balanced regime. We will return to this subject in due course.

COMMITTEE MATTERS

93. In June 2002 we published a booklet *Intelligence Oversight* on the oversight mechanisms in the UK for the Intelligence and Security Agencies. It was sent to all Members of Parliament prior to the debate on the Committee’s Annual Report and it was written to inform the public about the work and role of the Committee.

94. To further public awareness of the intelligence oversight process, we have set up a website, hosted by the Cabinet Office, which contains information about the Committee, the booklet and links to all the Committee’s Reports and the Government’s Responses. There is also a link to the Committee’s website from the House of Commons website. The website’s address is:

www.cabinet-office.gov.uk/intelligence/

95. We would also like to record our thanks to our Investigator, John Morrison, and to the secretariat, under the Clerk Alistair Corbett, which supports our work. They are based in the Cabinet Office for security reasons.

CONCLUSIONS AND RECOMMENDATIONS

96. On the basis of the evidence we have taken this year, our conclusions are as follows:

A. We believe that if the Agencies are to have PSAs and SDAs then further work needs to be undertaken in their development to ensure that they present realistic targets rather than arbitrary constraints or limits. We are also concerned that the Agencies will be over-controlled by agreements with different bodies. We will continue to monitor the situation and will report again next year.

B. The Committee wishes to record the significant contribution that *** makes to intelligence collection.

C. The Committee is concerned about the size of the planned write-off of between £***-*** million that GCHQ is having to make in the next year for a developmental SIGINT system that has only partly delivered the intended capability. We recognise that developmental work is not always successful and that the Resource Accounting system requires GCHQ to highlight the cost of capital equipment that cannot be used again, but we believe that GCHQ must learn the lessons from this experience.

D. We are concerned that the GCHQ Resource Account for 2002–03 will be qualified owing to the historical problems in the asset register. We understand that GCHQ is taking steps to address the remaining problems but whether or not the “momentum” described by the C&AG will be maintained is unclear. It would be a significant failure of management if the Resource Account were to be qualified yet again.

E. We will continue to monitor the Agencies’ investment in IT systems.

F. The Committee is reassured that the three Agencies are ensuring that all staff are fully aware of the law in relation to their work. We are aware that there is a risk that in-house lawyers could be over-stretched, but we emphasise that the staff need to be fully trained in this important area.

G. We believe that CSI Ministers are not sufficiently engaged in the setting of requirements and priorities for secret intelligence, nor do they all see the full capability of intelligence collection. We hope that the new system will require Ministers to be engaged collectively and fully in setting the requirements and priorities.

H. We remain concerned that not all CSI Ministers see all the JIC papers as a matter of routine and therefore they do not necessarily see all the assessments that they ought to see. We believe that they should and that this would then encourage their further participation in the requirements and priority setting processes.

I. We recommend again that more funds are made available to maximise UK involvement in the *** programme. As we have previously stated, we believe that the IMINT programme needs to be funded and tasked as a national asset through the SIA and JIC, rather than by the MoD.

J. We welcome the formation of the Joint Terrorism Analysis Centre and will monitor the role and outputs of the JTAC and report in due course.

K. Now that the SCOPE programme has both agreed requirements and sufficient funding, it needs to start delivering working systems that improve interdepartmental and Agency communications. We will continue to monitor the programme and its impact on the intelligence community.

L. The Committee believes that, with the focus on current crises, the Agencies' long-term capacity to provide warnings is being eroded. This situation needs to be addressed and managed by Ministers and the JIC.

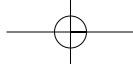
M. We welcome the improvements to FCO Travel Advice and recommend that the FCO continually reviews it to ensure that the advice provides travellers and residents with clear and accurate information.

N. We are concerned that Ministers are not fully briefed on counter-proliferation work but we have been told that the new official committee structure will ensure the closer involvement of Ministers. We would welcome this. However, we believe that there is a need for greater clarity as to the ministerial responsibility for cross-departmental co-ordination of counter-proliferation policy and work.

O. It is impossible at the present moment to make any definitive statements about the role of intelligence and the situation in Iraq. Whilst the Committee has been briefed, we intend to examine in more detail the intelligence and assessments available and their use. We will report when our inquiries have been completed.

P. The Agencies are now faced with either funding important Information Assurance programmes from the SIA or delaying the work until other funding is made available. This is unacceptable.

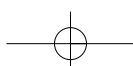
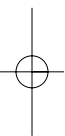
Q. A long-term solution has not been identified, neither has any funding been allocated for the provision of the next generation of secure communications systems, and we recommend that the Security and Intelligence Co-ordinator takes this matter forward.



FUTURE PROGRAMME OF WORK

97. Over the course of the next year, we shall continue to pursue the issues identified elsewhere in this Report, including:

- Iraq;
- the Joint Terrorism Analysis Centre;
- Counter-Espionage;
- GCHQ's New Accommodation Programme; and
- the new JIC Requirements and Priorities system and Ministerial involvement.



ANNEX A

THOSE WHO HAVE GIVEN ORAL EVIDENCE

MINISTERS

Rt. Hon. Jack Straw, MP – Foreign Secretary
Rt. Hon. David Blunkett, MP – Home Secretary
Rt. Hon. Geoff Hoon, MP – Defence Secretary
Rt. Hon. Clare Short, MP – Secretary of State for International Development

OFFICIALS

CABINET OFFICE

Sir Andrew Turnbull, KCB CVO
Sir David Omand, KCB
John Scarlett, CMG OBE
Andrew Pinder
Other officials

SECRET INTELLIGENCE SERVICE

Sir Richard Dearlove, KCMG OBE
Other officials

GOVERNMENT COMMUNICATIONS HEADQUARTERS

Sir Francis Richards, KCMG CVO
David Pepper
Other officials

SECURITY SERVICE

Eliza Manningham-Buller
Other officials

FOREIGN AND COMMONWEALTH OFFICE

William Ehrman
Other officials

HOME OFFICE

Stephen Boys Smith
John Warne
Other officials

MINISTRY OF DEFENCE

Simon Webb
Other officials

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

Richard Teuten
Other officials

DEPARTMENT OF TRADE AND INDUSTRY

Mike O'Shea
Other officials

NATIONAL AUDIT OFFICE

Martin Daynes
Bob Burwood

HM CUSTOMS AND EXCISE

Paul Evans

POLICE

Chief Constable Michael Hedges, QPM
Assistant Commissioner David Veness, CBE QPM

OTHERS

REPRESENTATIVES OF THE TRAVEL INDUSTRY

Keith Betton
Alan Flook

Bar Code



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