

The Auditor-General  
Audit Report No.30 2011–12  
Performance Audit

## **Fighting Terrorism at its Source**

**Australian Federal Police**

Australian National Audit Office

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of Australia 2012

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Canberra ACT  
19 April 2012

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Australian Federal Police in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Fighting Terrorism at its Source*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

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## Abbreviations

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AFP	Australian Federal Police
BDC	Bomb Data Centre
FTAS	Fighting Terrorism at its Source
INP	Indonesian National Police
JCLEC	Jakarta Centre for Law Enforcement Cooperation
JRCT	Jakarta Regional Cooperation Team
MRCT	Manila Regional Cooperation Team
PNP	Philippines National Police
RTP	Royal Thai Police
SEABDCWG	South-East Asia Bomb Data Centre Working Group





## **Summary and Recommendation**



# Summary

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## Introduction

1. The Australian Federal Police (AFP) is the primary law enforcement agency through which the Australian Government enforces Commonwealth law. Established by the *Australian Federal Police Act 1979*, its functions include the provision of policing services in relation to Commonwealth laws and property, and safeguarding of Commonwealth interests. The AFP is Australia's international law enforcement and policing representative and chief source of advice to the Australian Government on policing issues. In addition, the AFP provides community policing services to the Australian Capital Territory and is the Australian Government's specialist protective security provider.

2. From its establishment in 1979 through to mid-2001, the AFP experienced comparative stability in relation to both function and resourcing. However, the terrorist attacks in the United States on September 11 2001 profoundly changed both the international security environment and the Government's expectations of the AFP, and saw a substantial increase in resources directed at enhancing national security<sup>1</sup> and a period of rapid growth in the AFP.<sup>2</sup>

3. The events of 2001 were followed in 2002 by terrorist events much closer to home. The October 2002 attack in the tourist district of Kuta on the Indonesian island of Bali killed 202 people, including 88 Australians, and significantly elevated awareness of the terrorist threat within our region. The AFP support to the Indonesian response to the Bali bombings was one of the most significant operations the AFP has undertaken. At the height of the investigations, approximately 500 AFP members were focused on matters relating to the bombings, including up to 100 personnel in Indonesia.<sup>3</sup> The AFP

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<sup>1</sup> In 2002–03, the Government announced national security spending totalling \$1.3 billion over five years to upgrade Australia's domestic security, concentrating on improved aviation and airport security, the identification of security threats, and an increased capacity to respond to security incidents. Through this initiative, \$330 million was directed at the AFP for measures including, but not limited to, improving aviation and airport security and expanding the AFP's overseas liaison network.

<sup>2</sup> Between 30 June 2001 through to 30 June 2008, the AFP experienced real growth in its annual funding of 170 per cent (nearly 20 per cent a year), with staffing more than doubling.

<sup>3</sup> AFP Annual Report 2002–03, pp. 30–31.

subsequently retained a small detachment of specialist personnel in Indonesia, to support Indonesian counter-terrorism investigations and capacity development. In February 2004, the Indonesian and Australian Governments announced the establishment of the Jakarta Centre for Law Enforcement Cooperation (JCLEC) to provide a regional focus for training to combat transnational crime, with a focus on counter-terrorism.<sup>4</sup>

4. Also in February 2004, terrorists attacked the SuperFerry 14 in the Philippines, killing 116 people. At the request of the Philippines National Police (PNP), the AFP provided specialist counter-terrorism support to local law enforcement officials. Based in the Philippines capital, the AFP's Manila Operations Centre (MOC) worked closely with the PNP to support the investigation, facilitate access to specialist AFP services and support capacity enhancement.

5. On 9 September 2004, ten days after the announcement that Australia would hold a Federal Election on 9 October 2004, a car bomb exploded outside the Australian embassy in Jakarta, killing nine people and wounding over 150 others. The then Prime Minister announced that, if re-elected, the Government would commit to a series of initiatives under the broad policy of *Fighting Terrorism at its Source*. This initiative would provide the AFP and its regional law enforcement partners with enhanced capabilities to investigate and disrupt terrorist activity through the long term operational co-location of AFP multidisciplinary counter-terrorism teams with regional law enforcement partners.

6. Funding for *Fighting Terrorism at its Source* was included in the 2004–05 Mid-Year Economic and Fiscal Outlook. In total, \$97.2 million was provided over five years to support:

- two counter-terrorism regional engagement teams of 10 staff to work closely with regional law enforcement agencies<sup>5</sup>, maximising the exchange of criminal information and specialist law enforcement skills;

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<sup>4</sup> Australia initially committed \$36.8 million over five years to support the establishment and operations of JCLEC and continues to provide funding and personnel to support ongoing operations (the initial commitment to fund the establishment and operation of the centre renewed on an ongoing basis by the Government in the 2009–10 Budget).

<sup>5</sup> The two teams were initially anticipated to be located in Indonesia and the Philippines.

- intensive language training in high priority languages for up to 10 AFP staff per year with medium level language training for up to 20 staff per year, to support the AFP's regional counter-terrorism capacity;
- domestically-based support for regional counter-terrorism deployments and investigations, including intelligence, surveillance and supporting legal, policy and communications functions; and
- counter-terrorism capacity-building projects including training, the establishment of a regional intelligence secretariat, the establishment of an Indonesian bomb data centre and support for such centres in Malaysia and Singapore.

7. In the 2006–07 Budget, the Government decided to further extend regional counter-terrorism engagement through the initiative *National Security – regional law enforcement liaison and capacity building*. This entailed a commitment of \$25.0 million over four years to further enhance the capacity and skills of regional law enforcement officers in investigating and countering terrorism, including an expansion of cooperative counter-terrorism activity with Thailand.

8. The AFP's expanded role in engaging with regional partners to counter terrorism offshore has subsequently been embedded in the AFP's ongoing budget and responsibilities. In the 2009–10 Budget, the Government committed to provide \$82.8 million over four years to continue funding the *Fighting Terrorism at its Source* initiative.<sup>6</sup> Additionally, the 2006–07 *National Security – regional law enforcement liaison and capacity building* initiative was continued in the 2010–11 Budget, with funding of \$21.2 million over the forward estimates period.

9. The suite of activities pursued by the Government to build and support a regional capacity to disrupt terrorism is a critical element of Australia's broader national security arrangements. The AFP activities are significant financially, with nearly \$300 million committed since 2004–05 and ongoing annual costs exceeding \$30 million, and are a key part of the Government's regional law and justice program.

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<sup>6</sup> Although considered in the 2009–10 Budget context as a terminating measure, the Department of Finance and Deregulation has since advised the ANAO that in November 2009 the measure was consolidated into the AFP budget as tied ongoing funding.

## Audit objective, criteria and scope

10. The objective of the audit was to assess the effectiveness of the AFP's administration of the *Fighting Terrorism at its Source* (FTAS) initiative and related measures.

11. The audit examined individual elements of the initiative and the overall program of activity, to determine whether:

- policy and program direction is considered within an established governance framework that promotes alignment with overarching policy and integration of related measures, and that key stakeholders are engaged;
- planning and delivery of individual measures and packages of measures is thorough, with objectives and outcomes agreed to and key risks identified and managed, and implementation was efficient, effective and in accordance with better practice principles; and
- outcomes are monitored and evaluated with appropriate oversight, and feedback to stakeholders informs ongoing administration.

12. The ANAO examined a broad range of measures and activities relating to regional counter-terrorism engagement by the AFP and focused the audit on those programs and activities which are closely aligned or integrated with the key components of the FTAS initiative. The activities examined include both front-line activities (primarily based in regional host countries but including some domestic activities) and enabling activities (generally Australia-based although including some deployable elements). In the course of fieldwork, the ANAO conducted site visits, reviewed documents and held discussions with key stakeholders in Canberra, Indonesia, the Philippines and Thailand.

13. While a modest expansion of the AFP's international counter-terrorism liaison network was funded from the FTAS initiative, the general administration of this network has not been included within the scope of the audit. The administration of the domestic Community Liaison Teams, although funded through the 2009 renewal of the FTAS initiative, were also outside of the scope of this audit as they form an element of the Government's broader policy on countering violent extremism. The Jakarta Centre for Law Enforcement Cooperation (JCLEC), established in 2004, was included within the scope of the audit only to the extent that it supports the identification, delivery and evaluation of training aimed at building regional counter-terrorism capacity.

14. In conducting this audit, the ANAO necessarily held discussions and reviewed documents which reflected matters which are sensitive from a national security, operational or international relations perspective. In line with previous practice, these matters are not discussed in detail in this report.

## Overall conclusion

15. The need to more effectively counter the threat to Australia's national security posed by terrorism was a principal driver for the creation of the AFP in 1979. Nonetheless, the terrorist attacks in the United States on September 11 2001 and the later direct attacks on Australians and Australian interests in the near region have driven a transformation in the nature and scale of AFP operations. Staffing has more than doubled and expenditure has nearly tripled. As the ANAO has previously observed, the AFP now is a significantly larger and more complex agency than it was in 2000, and is required to work in close cooperation with a range of international and transnational organisations, and with law enforcement and emergency authorities throughout Australia and around the globe. The AFP now occupies a central role in advising government and is a major agent in achieving the Government's national security and policing priorities both domestically and abroad.<sup>7</sup>

16. Most areas of AFP operations have been impacted on by the developments in the AFP in response to the changes in the national security environment. However, the rapid expansion of the AFP's national security operations has been at the core of the transformation. Those functions under the control of the AFP's Deputy Commissioner National Security (which include counter-terrorism, protective services, aviation security and international deployments) received more than 80 per cent of the new funding made available to the AFP in the decade following September 2001 (\$4.8 billion out of \$6 billion) and, by 2011–12, comprised more than 55 per cent of AFP expenditure and 55 per cent of all operational staff (excluding ACT policing).

17. Through the FTAS initiative, and related measures, the AFP has successfully deployed multidisciplinary counter-terrorism teams to work closely with regional law enforcement in Indonesia, the Philippines and Thailand and has progressed a number of important capacity development

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<sup>7</sup> The impact of the changes in the national security environment on the functions and resourcing of the AFP is discussed in detail in ANAO Audit Report No.29 2010–11 *Management of the Implementation of New Policy Initiatives*.

initiatives, including the establishment of bomb data centres in each of these countries. The AFP has transformed what were initially short-run responses to specific terrorist incidents into ongoing cooperative arrangements supporting close cooperation with regional neighbours. The relationships encompass not only working cooperatively on counter-terrorism matters of mutual interest and supporting the development of local capacity, but also providing access to operational support where requested. The AFP's increased regional engagement has been an important part of the Government's overall strategy to strengthen national security, and the Government has provided ongoing resourcing to support the AFP's continuing and substantive engagement within the region.

18. The ANAO concluded that the AFP's administration of the FTAS initiative and related measures has been generally effective. The initiative supports, and is well aligned with, whole-of-government priorities and programs, and key stakeholders continue to be effectively engaged. The relationships between the AFP and foreign law enforcement agencies are well developed and broadly based, and significant progress has been made on the key operational outcomes that lay at the heart of the initiative.

19. However, with the initiative now part of ongoing AFP business, it is appropriate that the AFP give greater focus to a more strategic management approach to sustain the initiative. The current framework that supports and guides the AFP's regional counter-terrorism engagement lacks clear accountabilities for the delivery of specific strategies. Clearly articulated high-level indicators of success, supported by a well-developed review and evaluation strategy, would: assist the AFP with the ongoing management of the engagement; provide improved insight into the resource and administrative support needed to secure objectives over time; and increase assurance for key stakeholders. Improvement to elements of the AFP's administration, particularly in regard to the management of capacity development and the preparation of staff for deployment, would also better position the AFP to maximise the benefits obtained through the engagement over time.

20. Working closely with regional neighbours to counter the threat of terrorism carries certain unavoidable risks. The relationships are complex, with numerous participants whose priorities and interests may not always align. In view of the expectations of government, it is not always open to the AFP to avoid risks to either its organisational interests or its personnel. The challenge facing the AFP is how to manage those risks effectively. While there is



considerable executive engagement in key aspects of the actions taken in support of the FTAS initiative, there is scope for the AFP to review its approach to managing the risks associated with the in-country counter-terrorism teams. Particular emphasis should be given to supporting clear executive visibility of the strategies for mitigating the risks that arise in the management of the relationship with the host law enforcement agencies, and in the management of the physical security and / or reputational risks associated with the engagements.

21. Having regard to current plans within the AFP to strengthen the strategic management of offshore regional counter-terrorism cooperation, the ANAO made four recommendations aimed at supporting the more effective management of the FTAS initiative and related measures.

## Key findings

### Governance

22. There is ongoing broad engagement by the AFP in all key elements of Australia's counter-terrorism policy and priority setting frameworks. The AFP is formally represented in key decision-making and recommendatory bodies. Key stakeholders advised that the balance and direction of current activity, and plans for ongoing engagement is broadly consistent with current whole-of-government priorities for counter-terrorism activity and regional engagement. Stakeholders also consider the AFP to be an effective participant in the consultative and coordinating processes.

23. The AFP faces a number of challenges in effectively coordinating and aligning its regional counter-terrorism cooperation activities with the actions and interests of international partners. Management of the bilateral relationship with the host nation and law enforcement and security agencies, to determine priorities and operational arrangements, is generally managed through a well-developed framework of formal agreements and ongoing senior and working level contact. While there is high-level dialogue, both bilateral and multilateral, with other countries with strategic and operational interests in security and stability of the South-East Asia region, day-to-day coordination is generally managed in-country.

24. Internally, the AFP's business and action plans are complemented by several strategic policies in the subject area. However, there is clear scope to improve the articulation of the strategic framework around regional counter-terrorism engagement, improving accountability for key outcomes and

executive visibility of overall progress against priorities, and providing a clear basis for the review of effectiveness over time.

25. While the internal strategies continue to undergo refinement, they provide a generally sound basis for managing the AFP's engagement with key stakeholders domestically and internationally, and for aligning activities undertaken through the FTAS initiative with whole-of-government priorities and integrating those activities with related initiatives. In particular, the AFP strategic and business planning framework is well established and the recent adjustments to planning horizons and post planning arrangements are sound evolutionary measures.

### **Delivery of offshore initiatives**

26. The AFP successfully deployed multidisciplinary regional counter-terrorism teams in priority countries (Indonesia, the Philippines and Thailand) and continues to monitor and develop the balance and composition of teams to reflect overall relationships and priorities. The AFP has also progressed a number of important capacity initiatives (such as JCLEC in Indonesia, forensic facilities in Indonesia and the Philippines and bomb data centres in each country), consistent with government decisions and priorities. The ANAO found considerable positive support from stakeholders for AFP efforts to date, with the view that the AFP's engagement had been an important contributor to the development of overarching bilateral relationships. In particular, the AFP had successfully contributed the development of regional counter-terrorism capacity, while also effectively supporting Australia's national interests. However, the complexity and sensitivity of the operational environment creates significant challenges and ongoing risks.

27. While the AFP has been able to demonstrate a substantial record of cooperative activities on counter-terrorism matters of mutual interest in the region, there remain challenges in securing sustainable benefits from capacity development activities. There is a need for greater executive visibility over the management and mitigation of key risks, including in regard to the provision of financial and material support to foreign law enforcement agencies.

28. It is timely for the AFP to consider the structure and focus of its offshore cooperative counter-terrorism activities in the near region, and, in this context, to implement arrangements that put the AFP engagement on a sustainable basis into the future. Concurrently, the AFP should also consider the adequacy of the organisational visibility of initiatives which are not

meeting primary goals and milestones, and act to assure itself that significant initiatives, such as JCLEC, have a well-articulated and sustainable basis for ongoing operations.

## **Delivery of onshore initiatives**

29. To support offshore activities undertaken under the FTAS initiative, the AFP was provided with funding to develop language and cultural skills to maximise the benefits of operational co-location over the longer term; to further develop supporting domestic counter-terrorism intelligence and surveillance capacity; and to provide Australia-based support to regional counter-terrorism capacity-building projects (including the establishment of, and support for, regional bomb data centres).

30. The 2004 FTAS initiative provided in excess of \$3 million a year to support intensive language training to maximise the benefits to the AFP and Australia of the operational co-location of AFP personnel with foreign law enforcement officers. However, at the time of the audit, the majority of AFP officers deployed to Indonesia, the Philippines and Thailand had received no pre-deployment language training. The AFP has not yet finalised and implemented an effective strategy that: identifies the language requirements of individual offshore positions; selects officers in sufficient time to allow appropriate training to be provided; and enables officers to undertake that training. Consequently, there is considerable scope for the AFP to improve the pre-deployment preparation of its staff to a level more consistent with the expectations established, and funding provided, by the Government in its 2004 decision.

31. The ANAO did not examine the content of the intelligence reports managed through the enhanced domestic counter-terrorism intelligence capacity, but did review the administration of relevant elements of the Intelligence portfolio over the period of the FTAS initiative to date. The ANAO found a generally robust process for planning and reporting against progress with plans, and for capturing and reporting on activity levels and engagement with key members of the Australian intelligence community. There is considerable engagement between the offshore and onshore teams in relation to intelligence production.

32. The AFP has sought to deliver the objectives of enhanced surveillance capacity through improving their organisational ability to provide surveillance support to operations, including counter-terrorism investigations. The AFP's management of this improved capacity has been integrated with broader

surveillance activity, limiting the direct visibility of budgeting and expenditure relating to the initiative in this area. A review of internal reporting did identify a significant number of counter-terrorism investigations which have received surveillance services on a priority basis through the AFP office operations committees and through the National Priority Operations List. However, the limitations on visibility makes an assessment of administration problematic without a broader consideration of the overall administration of surveillance support to operations within the AFP, which was outside of the scope of this audit.

33. The development of the regional network of bomb data centres (BDCs) and other specialist facilities was considered in the context of offshore operations and is discussed in Chapter 3 of this report. In addition to supporting the development of offshore facilities, the AFP also provides ongoing support for the operations of the South-East Asia Bomb Data Centre Working Group (SEABDCWG), formed in late 2006 with the purpose of developing and maintaining relationships between regional BDCs. The SEABDCWG provides an effective means for engaging with regional BDCs and maintaining an awareness of emerging capabilities and issues. However, continued active involvement by the AFP is important to realising the potential benefits offered by the group, and the AFP may wish to give consideration to developing a forward plan for SEABDCWG engagement as a key part of its current review of regional BDCs.

## **Monitoring and evaluation**

34. The AFP's monitoring of the principal operational elements of the FTAS initiative has improved over time and the current arrangements are broadly effective. There is appropriate executive visibility of key elements of the measure delivered by the counter-terrorism teams offshore, and a regular appraisal of progress toward overall goals and the challenges arising in the course of implementation. However, relationship, reputational and physical security risks associated with counter-terrorism cooperation are not clearly identified in strategic documentation. Improved identification of key risks in strategic planning documentation, along with relevant approaches to and accountabilities for risk mitigation, would improve overall executive visibility and assurance.

35. The AFP's approach to project management and associated oversight arrangements has been inconsistent over the life of the initiative, with little evidence of the implementation of effective organisational monitoring and

evaluation strategies prior to 2008. While arrangements are now better developed, there remain challenges in meeting the accountability expectations evident in the government's decisions. The ANAO findings are consistent with a 2009 AFP internal audit report which determined 'maintenance of documentation for the implementation of the [FTAS] initiative was poor; ... and, the financial costs associated have not been captured for the life of the [initiative]'. The FTAS initiative and related measures (including the JCLEC) are required to be reviewed in 2012, and the AFP may have difficulty in effectively addressing the financial aspects of the administration of the measures for the review.

36. Several past reviews of the FTAS initiative and related measures have identified persistent challenges for the AFP in maximising the benefit arising from capacity building projects. Effectively addressing these challenges will require a disciplined organisational response and leveraging of existing corporate capacity, if they are to be effectively addressed.

## Summary of agency response

37. The proposed report was provided to the AFP for formal comment. The AFP provided the following summary response, with the full response included as Appendix 1.

The AFP has welcomed the opportunity to contribute to the ANAO performance audit *Fighting Terrorism at its Source*. The AFP accepts the commentary provided within the report and agrees with the recommendations arising from the audit.

NPI funding for *Fighting Terrorism at its Source* commenced in 2004–2005 and since 2009–2010 has been embedded in the AFP's ongoing budget and responsibilities. The AFP notes that the ANAO has concluded that the AFP's administration of the FTAS initiative and related measures has been generally effective, aligns with whole-of-government priorities and programs and is supported through well-developed relationships with domestic and international stakeholders.

The AFP acknowledges that a more strategic management approach will sustain and grow the valuable work already achieved through the FTAS initiative. Further success will be achieved through implementation of the four recommendations of this Report.

The AFP National Manager, Counter Terrorism has engaged with AFP business areas regarding the recommendations and, through this, has

commenced a renewed program of strategic focus of the FTAS initiative. Action relating to the recommendations will continue to be a priority for the AFP.

# Recommendations

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## Recommendation No.1

### Para 2.59

The ANAO recommends that the AFP considers options for enhancing the strategic framework supporting regional counter-terrorism engagement, including:

- (a) establishing accountabilities for the delivery of specific strategies and identifying high-level outcomes and performance indicators;
- (b) extending the review frameworks to include consideration of the overall effectiveness of the strategy, with clear accountabilities and timeframes; and
- (c) clearly documenting governance arrangements including identifying the currency and authority of individual plans.

**AFP Response:** *Agreed*

## Recommendation No.2

### Para 3.42

The ANAO recommends that the AFP improves the arrangements for managing capacity development to better identify and target sustainable outcomes and to promote better visibility of implementation issues through:

- (a) improving project planning, including greater focus on issues relating to the long-term sustainability of the new capacity;
- (b) adopting a consistent approach to project management, making appropriate use of in-house project management expertise; and
- (c) increasing the emphasis given to risk identification, mitigation and management.

**AFP Response:** *Agreed*

**Recommendation  
No.3**

**Para 4.29**

To maximise the benefits achieved by operational co-location of counter-terrorism personnel in non-English speaking countries, and to better meet the expectations of government, the ANAO recommends that the AFP introduces formal arrangements to:

- (a) clearly identify the language requirements of each relevant position; and
- (b) select officers for deployment in sufficient time to allow for appropriate pre-deployment training and make officers available to undertake training prior to deployment.

**AFP Response:** *Agreed*

**Recommendation  
No.4**

**Para 5.37**

The ANAO recommends that the AFP reviews the approach to managing the risks associated with the offshore regional counter-terrorism teams, with a particular focus on supporting clear executive visibility of the:

- (a) strategies for mitigating the risks that arise in the management of the relationship with the host law enforcement agencies; and
- (a) management of the physical security and / or reputational risks associated with the engagements.

**AFP Response:** *Agreed*



# 1. Background and Context

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*This chapter sets out the background to the audit. It describes the changes to the scale and nature of operations of the AFP in the period following 2001 and the AFP's increased engagement in counter-terrorism cooperation in the region, including through measures such as the 2004 'Fighting Terrorism at its Source' initiative. It also outlines the audit objective and criteria and provides an overview of the audit methodology.*

## Introduction

**1.1** The Australian Federal Police (AFP) is the primary law enforcement agency through which the Australian Government enforces Commonwealth law. The AFP is an independent statutory authority, established by the *Australian Federal Police Act 1979*, and its functions include the provision of policing services in relation to Commonwealth laws and property, and safeguarding of Commonwealth interests. It also provides community policing services to the Australian Capital Territory and the Jervis Bay Territory.

**1.2** The AFP enforces Commonwealth criminal law and protects Commonwealth and national interests from crime in Australia and overseas. The AFP is also Australia's international law enforcement and policing representative and chief source of advice to the Australian Government on policing issues.

**1.3** The period from its establishment in 1979 through to June 2001 was one of relative stability for the AFP. While there was modest real growth in annual expenditure (around 2.6 per cent each year, for a total of 77 per cent over the period), staffing levels were broadly unchanged (3051 in 2001–02, compared with 3043 in 1979–80).<sup>8</sup> The report from the AFP Commissioner to Parliament on the administration of the AFP for the year 2000–01 suggested an organisation confident in its ability to meet its key challenges, with the Commissioner noting that 'the AFP is in a sound corporate and operational position and is well able to continue meeting the current and future law enforcement challenges such as transnational crime, electronic crime and the

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<sup>8</sup> AFP, *Annual Report 1979–80* pp. 5 & 32; *Annual Report 2001–02* pp. 129 & 137.

increasing globalisation of organised crime’.<sup>9</sup> In this report, neither terrorism nor counter-terrorism were mentioned.

## Changes to the national security environment

**1.4** The events of September 11 2001 profoundly changed both the international security environment and the Government’s expectations of the AFP, and saw a substantial increase in resources directed to enhancing national security. In the 2002–03 Budget, the Government announced that, in response to these attacks, funding of \$1.3 billion would be provided over five years to upgrade Australia’s domestic security, concentrating on improved aviation and airport security, the identification of security threats, and an increased capacity to respond to security incidents.<sup>10</sup>

**1.5** More the \$330 million of new policy funding was directed to the AFP to enhance national security, including to improve aviation and airport security (\$128.5 million); strengthen protective security services (\$110.1 million); improve rapid response and strike team capability (\$48.5 million); and expand the AFP’s overseas liaison network (\$43.0 million).

**1.6** This initial round of funding injection signalled the onset of a period of rapid growth in the AFP (see Figure 1.1). From 30 June 2001 through to 20 June 2008, the AFP would experience real growth in its annual funding of 170 per cent (nearly 20 per cent a year) with staffing more than doubling. While most areas of AFP operations were affected by this transformation, growth was most rapid in funding directed toward the AFP’s national security responsibilities. Those functions now under the control of the AFP’s Deputy Commissioner National Security (which include counter-terrorism, protective services, aviation security and international deployments) received more than 80 per cent of the new funding in the decade following September 2001 (\$4.8 billion out of \$6 billion) and, by 2011–12, comprised more than 55 per cent of AFP expenditure and 55 per cent of all operational staff (excluding ACT policing).

**1.7** As addressing national security concerns became a matter of government priority, the AFP moved closer to the centre of government and

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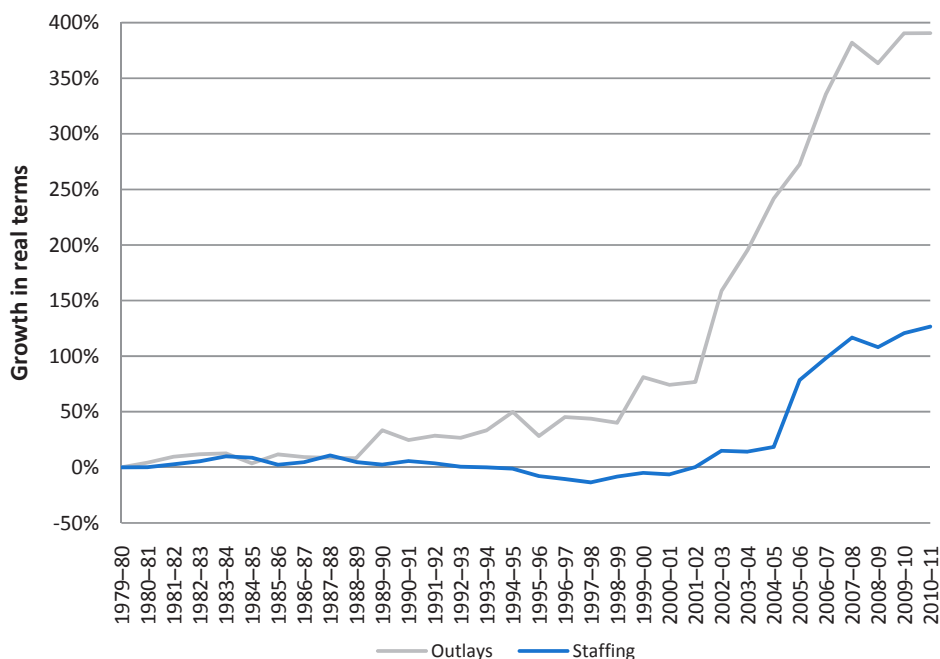
<sup>9</sup> AFP *Annual Report 2000–2001* p. iii.

<sup>10</sup> Budget Paper Number 2, 2002–03, p. 57.

faced the challenge of making the transition to an organisation redefined by its increased role in all aspects of counter-terrorism.<sup>11</sup>

**Figure 1.1**

**Growth in AFP outlays and staffing from 1979–80 to 2010–11, real terms**



Source: Financial and staffing information 1979–80 to 2010–11 from AFP Annual Reports, consumer price index data from ABS 6401.01. Expenditure and staffing data for 1981–1982 was not published and is an ANAO estimate only.

## Increasing regional engagement to promote national security – *Fighting Terrorism at its Source*

**1.8** The attacks in the United States in late 2001 were followed in 2002 by terrorist events much closer to home. The 12 October 2002 attack in the tourist district of Kuta on the Indonesian island of Bali killed 202 people including 88 Australians, and significantly elevated awareness of the threats to Australians within our region.

<sup>11</sup> See also ANAO Audit Report No.29 2010–11 *Management of the Implementation of New Policy Initiatives*.

**1.9** On 18 October 2001, a joint investigations agreement was signed between the AFP and the Indonesian National Police (INP). The agreement underpinned a Memorandum of Understanding between Indonesia and Australia on combating transnational crime and developing police cooperation, which was signed in June 2002.

**1.10** The response to the Bali bombings was one of the most significant operations ever undertaken by Australian law enforcement agencies.<sup>12</sup> This response required the involvement and coordination of several key policing disciplines including investigations, intelligence, disaster victim identification and speciality identification, forensic investigations, and bomb data and family liaison functions. At the height of the investigations, approximately 500 AFP members were focused on matters relating to the bombings, with approximately 100 of those located offshore.<sup>13</sup>

**1.11** While the engagement with Indonesia remained the AFP's primary regional partnership, engagement on policing and security in other parts of the region increased in 2003 and 2004, including:

- the Regional Assistance Mission to the Solomon Islands<sup>14</sup>;
- the commencement of a package of practical counter-terrorism assistance to the Philippines Government (July 2003)<sup>15</sup>;
- the extension of operational and capacity building assistance to East Timor<sup>16</sup>; and
- a recommitment to ongoing engagement in Melanesia.<sup>17</sup>

**1.12** In February 2004, the Indonesian and Australian Governments announced the establishment of the Jakarta Centre for Law Enforcement Cooperation (JCLEC) as a resource for the South East Asia region in the fight

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<sup>12</sup> The Government provided \$12.7 million in 2003–04 to supplement the AFP for the costs incurred in the investigation (Budget Paper Number 2, 2004–05, p. 106).

<sup>13</sup> *AFP Annual Report 2002–03*, pp. 30–31.

<sup>14</sup> *Mid-Year Economic and Fiscal Outlook 2003–04* p. 96.

<sup>15</sup> Announced in July 2003, the package of assistance to the Philippines Government built on the bilateral counter-terrorism memorandum of understanding signed in March 2003 and assistance provided by the Australian Federal Police to their Philippine counterparts following the Davao terrorist bombings earlier that year. It also sought to complement existing bilateral counter-terrorism cooperation undertaken by defence and intelligence agencies. *Mid-Year Economic and Fiscal Outlook 2003–04* p. 95.

<sup>16</sup> Budget Paper Number 2 2004–05, p. 120.

<sup>17</sup> Budget Paper Number 2 2004–05, p. 105.

against transnational crime, with a focus on counter-terrorism. Australia initially committed \$36.8 million over five years to support its establishment and operations.<sup>18</sup>

**1.13** On 9 September 2004, ten days after the announcement that Australia would hold a Federal Election on 9 October 2004, a car bomb exploded outside the Australian embassy in Jakarta, killing nine people including the suicide bomber, and wounding over 150 others. Against this background, the then Prime Minister announced that, if re-elected, the Government would commit to a series of initiatives under the broad policy of *Fighting Terrorism at its Source*, the overall objectives of which were to:

- provide the AFP and its regional law enforcement partners with enhanced capabilities to investigate and disrupt terrorist activity, building on the AFP's strong international cooperative relationships; and
- supplement the AFP's regional counter-terrorism capacity by providing for long-term operational co-location with regional law enforcement partners.

**1.14** Following the election and the return of the then Government, funding for five measures for *Fighting Terrorism at its Source* was included in the 2004–05 Mid-Year Economic and Fiscal Outlook. In total, \$97.2 million was provided over five years to support:

- two counter-terrorism regional engagement teams of 10 staff to work closely with regional law enforcement agencies, maximising the exchange of criminal information and specialist law enforcement skills<sup>19</sup>;
- intensive language training in high priority languages for up to 10 AFP staff a year with medium level language training for up to 20 staff a year, to support AFP's regional counter-terrorism capacity;

<sup>18</sup> Australia continues to provide funding and personnel to support the operations of the JCLEC, with the initial commitment to fund the establishment and operation of the centre renewed on an ongoing basis by the Government in the 2009–10 Budget (Budget Paper No. 2, p. 107).

<sup>19</sup> While noting that the deployment of the regional engagement teams would be established on a case-by-case basis and negotiated by the AFP under the MOUs already in place between the AFP and its counterpart agencies in the region, it was anticipated the teams would be initially deployed to Indonesia and the Philippines.

- domestically-based support for regional counter-terrorism deployments and investigations, including intelligence, surveillance and supporting legal, policy and communications functions; and
- counter-terrorism capacity-building projects including training, the establishment of a regional intelligence secretariat, the establishment of an Indonesian bomb data centre and support for such centres in Malaysia and Singapore.

**1.15** A breakdown of the costs of the component measures is included at Table 1.1. The 2005–06 Budget included \$20.6 million to continue the initiatives in 2008–09.<sup>20</sup>

**Table 1.1**

**Fighting terrorism at its source – measures and initial funding**

		04–05	05–06	06–07	07–08	08–09	Total
		\$m	\$m	\$m	\$m	\$m	\$m
Counter-terrorism teams	Expense	3.6	5.6	5.7	5.7		20.6
	Capital	5.1					5.1
Intelligence officers and other specialists	Expense	2.6	4.7	4.7	4.8		16.8
	Capital	0.2					0.2
Counter-terrorism surveillance	Expense	2.2	3.4	3.5	3.5	20.6	33.2
	Capital	1.0					1.0
Capacity building	Expense		3.0	3.0	3.1		9.1
Language training	Expense	1.5	3.2	3.2	3.3		11.2
<b>Total</b>	<b>Expense</b>	<b>9.9</b>	<b>19.9</b>	<b>20.1</b>	<b>20.4</b>	<b>20.6</b>	<b>90.9</b>
	<b>Capital</b>	<b>6.3</b>					<b>6.3</b>

Source: 2004–05 Mid-Year Economic and Fiscal Outlook (December 2004), pp. 49, 57. Budget Paper 2 2005–06, p. 58.

**1.16** In the following budget, the Government decided to further extend regional counter-terrorism engagement through the 2006–07 Budget initiative *National Security — regional law enforcement liaison and capacity building*. This commitment of \$25.0 million over four years was to further enhance the capacity and skills of regional law enforcement officers in investigating and

<sup>20</sup> Budget Paper Number 2, 2005–06 p. 58 shows \$20.6 million against the counter-terrorism surveillance element of the measure. Later government decisions to extend the measure beyond 2008–09 confirm this was an administrative convenience and did not reflect any change in the balance of the initiatives in that year.

countering terrorism, including an expansion of cooperative counter-terrorism activity with Thailand.<sup>21</sup>

**1.17** The AFP's expanded role in engaging with regional partners to counter terrorism offshore has subsequently been embedded in the AFP's ongoing budget and responsibilities. In the 2009–10 Budget, the Government announced that funding for JCLEC would be ongoing, with \$28.2 million provided over the forward estimates period. Also in the 2009–10 Budget, the Government committed to provide \$88.2 million over four years to continue funding the *Fighting Terrorism at its Source* initiative<sup>22</sup>, while in the 2010–11 Budget, the Government committed to continue the 2006–07 *National Security – regional law enforcement liaison and capacity building* initiative, with funding of \$21.2 million over the forward estimates period.

**Table 1.2**

**Combined financial impact of regional counter-terrorism measures**

	Initial Approval	Secondary Approval	Annual Ongoing
Fighting Terrorism at its Source	\$97.2 m	\$82.8 m	\$22.3 m
Jakarta Centre for Law Enforcement Cooperation	\$36.8 m	\$28.2 m	\$7.1 m
Regional law enforcement liaison and capacity building initiative	\$25.0 m	\$21.2 m	\$5.3 m
<b>Total</b>	<b>\$159.0 m</b>	<b>\$132.2 m</b>	<b>\$34.7 m</b>

Source: ANAO analysis of Budget papers and departmental records.

**1.18** The suite of activities pursued by the Government to build and support a regional capacity to disrupt terrorism is a critical element of Australia's broader national security arrangements. The activities are significant financially, with nearly \$300 million committed since 2004–05 and ongoing annual costs exceeding \$30 million, and are a key part of the Government's regional law and justice program. Each of the measures is required to be reviewed by the AFP in 2012.

<sup>21</sup> Budget Paper Number 2, 2006–07, p. 108.

<sup>22</sup> Although considered in the 2009–10 Budget context as a terminating measure, the Department of Finance and Deregulation has since advised the ANAO that in November 2009 the measure was consolidated into the AFP budget as ongoing funding.

## Audit objective, criteria and methodology

**1.19** The objective of the audit was to assess the effectiveness of the AFP's administration of the *Fighting Terrorism at its Source* (FTAS) initiative and related measures. The audit examined individual elements of the initiative and the overall program of activity, to determine whether:

- policy and program direction is considered within an established governance framework that promotes alignment with overarching policy and integration of related measures and that key stakeholders are engaged;
- planning and delivery of individual measures and packages of measures is thorough, with objectives and outcomes agreed to and key risks identified and managed, and implementation is efficient, effective and in accordance with better practice principles; and
- outcomes are monitored and evaluated under appropriate oversight, and feedback to stakeholders informs ongoing administration.

**1.20** The ANAO examined a broad range of measures and activities relating to regional counter-terrorism engagement by the AFP and focused the audit on those programs and activities which are closely aligned or integrated with the key components of the FTAS initiative. The activities examined include both front-line activities (primarily based in regional host countries but including some domestic activities) and enabling activities (generally Australia-based although including some deployable elements).

**1.21** While a modest expansion of the AFP's international counter-terrorism liaison network was funded from the FTAS initiative, the general administration of this network has not been included within the scope of the audit. The administration of the domestic Community Liaison Teams, although funded through the 2009 renewal of the FTAS initiative, were also outside of the scope of this audit as they form an element of the Government's broader policy on countering violent extremism. The Jakarta Centre for Law Enforcement Cooperation (JCLEC), established in 2004, was included within the scope of the audit only to the extent that it supports the identification, delivery and evaluation of training aimed at building regional counter-terrorism capacity.

**1.22** In conducting this audit, the ANAO necessarily held discussions and reviewed documents which reflected matters which are sensitive from a



national security, operational or international relations perspective. In line with previous practice, these matters are not discussed in detail in this report.

## **Audit methodology**

**1.23** The audit methodology included interviews with AFP staff and external stakeholders, file and document reviews, and quantitative and qualitative analysis, as well as a review of the implementation and administration of the initiatives. The frameworks for assessing performance and outcomes, including relevant performance reports and reviews, were also examined.

**1.24** The audit was informed by an examination of previous audits of the AFP undertaken by the ANAO, as well as relevant reviews by international audit agencies.

## **Audit fieldwork**

**1.25** Audit fieldwork was conducted primarily at AFP headquarters in Canberra and in key locations in Southeast Asia.

**1.26** The audit team visited Indonesia, the Philippines and Thailand, to facilitate a better understanding of the:

- nature of the AFP's activities and engagement with regional law enforcement agencies, and the relations with key institutional partners in each of the host countries;
- impact of the environment on operations;
- complexity of the relationship management tasks (including between Australian agencies in the post, between Australian agencies and the host country, and between Australia and other foreign nationals operating in the host country); and
- value being delivered by the AFP assistance, including from the view of key institutional parties in the host country.

**1.27** In-country fieldwork entailed discussions with: AFP officers both in the mission and working directly with the host country law enforcement agencies; heads of Australia's missions in Indonesia, Thailand and the Philippines; Australian Agency for International Development (AusAID) and Department of Foreign Affairs and Trade (DFAT) policy and administrative staff in each of the missions; and the various members of the Defence, intelligence and security teams operating within Australian missions.

**1.28** The audit team also visited facilities and received briefings from various members of the law enforcement agencies within Indonesia, Thailand and the Philippines. In addition to visiting Jakarta, Bangkok and Manila, the team travelled to Davao City in the southern Philippines and Semarang in Indonesia.

**1.29** The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of \$462 835.

## Report structure

**1.30** In addition to this introductory chapter, the report includes four chapters as outlined in Figure 1.2.

**Figure 1.2**

### Report structure

<b>Chapter One</b> <b>Background and context</b>	Introduction
	Changes to the national security environment
	Increasing regional engagement to promote national security – <i>Fighting Terrorism at its Source</i>
	Audit objective, criteria and methodology
<b>Chapter Two</b> <b>Governance and Alignment</b>	Introduction
	The policy framework
	Engagement and alignment
	Establishing AFP priorities and managing delivery
<b>Chapter Three</b> <b>Delivery of offshore initiatives</b>	Introduction
	Regional cooperation – AFP in-country teams
	Capacity building
<b>Chapter Four</b> <b>Delivery of onshore initiatives</b>	Introduction
	Pre-deployment language and cultural training
	Intelligence and surveillance
	Australia-based support for capacity building
<b>Chapter Five</b> <b>Monitoring and evaluation</b>	Introduction
	Implementation planning and monitoring
	Evaluation
	Risk management

Source: ANAO.

## 2. Governance and Alignment

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*This chapter examines the arrangements in place to promote effective governance and the alignment of AFP policy and practice within whole-of-government strategy. It also reviews arrangements within the AFP and at Australian missions overseas for promoting the alignment of AFP counter-terrorism efforts with other AFP operations and broader government priorities.*

### Introduction

**2.1** As noted in Chapter 1, counter-terrorism and protective security challenges were catapulted into prominence with the September 11 2001 attacks in the United States. They remain key features of the Australian national security environment, with the Government noting in February 2010 that:

The threat of terrorism is real and enduring. It has become a persistent and permanent feature of Australia's security environment.<sup>23</sup>

**2.2** Australia's overarching national security policy, including its approach to dealing with the challenges of terrorism, provides the framework for the development, implementation and ongoing delivery of the AFP's regional counter-terrorism initiatives, including *Fighting Terrorism at its Source* (FTAS). However, while the threat of terrorism is seen by government as persistent and permanent, the nature of the threat and the environment in which it arises is complex and dynamic, and the response required must continue to evolve to remain relevant. As such, the ANAO has considered both the environment prevailing at the establishment of the initial policy settings as well as the current and ongoing arrangements for securing an effective alignment between AFP policy and operational direction and the whole-of-government policy. Maintaining such alignment into the future will require continuing engagement between the AFP and key stakeholders, both at a strategic and an operational level.

**2.3** AFP internal governance has also continued to evolve over the life of the initiative, and a number of key factors influencing the initial governance arrangements within the AFP have changed markedly since 2004. Upon establishment, the FTAS initiative represented a significant new business

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<sup>23</sup> Australian Government *Counter-Terrorism White Paper* 23 February 2010, p. ii.

responsibility for the AFP. Funding was agreed only until 2008–09, with a whole-of-government review required prior to the conclusion of the initial commitment. Following a broad review of the effectiveness of regional counter-terrorism initiatives conducted in 2007, in 2009 the Government decided to make the FTAS initiative part of the AFP's ongoing and core business. Accordingly, the ANAO assessed the:

- consultative processes that informed the development of the FTAS initiative and the establishment of the initial operational arrangements and directions;
- arrangements currently in place to ensure AFP operations are kept in alignment with broader government policy; and
- arrangements in place to promote the effective coordination and integration of the delivery of the measures with other AFP activities and with broader Government action.

## The policy framework

### Background

**2.4** At its highest level, the Government's structure for addressing national security has remained consistent over the period since September 2001.

**2.5** Some work of the Cabinet is dealt with by its committees, including dealing with highly sensitive matters, for example, revenue or national security.<sup>24</sup> In this context, the National Security Committee of Cabinet (NSC) was established to provide an appropriate forum for decision-making on national security matters and the majority of decisions relating to the operations and funding of the AFP are taken by the NSC. The Secretaries' Committee on National Security (SCNS) is the senior inter-departmental committee supporting the NSC. It considers all matters put before the NSC and has an important role in ensuring Australia maintains a coordinated policy approach on all national security issues.<sup>25</sup>

**2.6** However, below the Cabinet level, the governance arrangements have changed considerably over the last decade. In particular, in the wake of the

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<sup>24</sup> PM&C *Cabinet Handbook* Sixth Edition, July 2009, p. 1.

<sup>25</sup> The NSC and the SCNS are long standing and were in place at the time that the FTAS initiative was progressed.

terrorist events in the United States in 2001 and other attacks affecting Australia's allies and interests around the globe, including in Indonesia, the then Government had, by September 2004, acted to more clearly articulate its counter-terrorism policy. The changes in the strategic environment saw ongoing refinement of the detailed framework for identifying national security priorities and the processes for coordination within government.

## Fighting Terrorism at its Source

2.7 The FTAS initiative, announced in September 2004, provided \$98.7 million over five years to strengthen the AFP's regional counter-terrorism capacity.<sup>26</sup> The measure was developed against the background of a comprehensive, albeit newly established, whole-of-government framework for determining counter-terrorism priorities and activities.<sup>27</sup> Announced as a 2004 Federal Election commitment and subsequently agreed to by the returned Government, the measure's emphasis on combining operational cooperation with capacity building, and on giving priority to expanding engagement with Australia's closest South-East Asian neighbours (including Indonesia and the Philippines), clearly reflected established government policy priorities.

2.8 The AFP's delivery of the FTAS initiative, and related measures, has been undertaken in the context of a policy framework that has continued to evolve, with significant whole-of-government activity to evaluate and reform national security arrangements. While the specific measures adopted by the AFP to promote effective ongoing oversight and coordination are discussed later in this report, relevant developments in the cross-government framework for promoting effective policy coordination and alignment have included the:

- 2007 *Regional Counter-Terrorism Effectiveness Review*, which provided an evaluation of the effectiveness of regional counter-terrorism assistance cross-portfolio packages including, but not limited to, those approved by government in the 2004–05, 2005–06 and 2006–07 Budgets, and

<sup>26</sup> *A Stronger Economy A Stronger Australia – The Howard Government Election 2004 Policy – Fighting Terrorism at its Source*, September 2004.

<sup>27</sup> In October 2005, the ANAO, *inter alia*, considered the effectiveness of national counter-terrorism coordination arrangements and concluded that 'there are well defined frameworks in place for the coordination of both the Australian Government response and the national response to countering terrorism' Audit Report No 12 2005–06 *Review of the Evaluation Methods and Continuous Improvement Process for Australia's National Counter-Terrorism Coordination Arrangements* p. 50.

provided a foundation for Cabinet consideration of counter-terrorism measures in the 2008–09 and later budgets<sup>28</sup>;

- Prime Minister’s National Security Statement of 4 December 2008, and the Government’s announcement of reforms flowing from the 2008 Smith Review of Homeland and Border Security. This review led to the appointment of a National Security Adviser to provide ‘leadership, direction and coordination to ... national security agencies’<sup>29</sup> and the establishment of the National Intelligence Coordination Committee (NICC)<sup>30</sup> to improve the integration of national intelligence efforts, and their alignment with Australia’s national security priorities<sup>31</sup>; and
- 2010 *Counter-Terrorism White Paper*, which set out national counter-terrorism objectives and the Government’s strategy for countering terrorism.<sup>32</sup>

**2.9** As foreshadowed in the 2010 *Counter-Terrorism White Paper*, the Counter Terrorism Control Centre (CTCC) commenced operations in June 2010.<sup>33</sup> The CTCC is a multi-agency unit, led by ASIO, with responsibilities including:

- the setting and management of counter-terrorism priorities for Australia’s counter-terrorism community;
- the evaluation of agency performance against those requirements; and
- ensuring the process of collecting and distributing counter-terrorism information is fully harmonised and effective.<sup>34</sup>

**2.10** The unit includes Senior Executive Service and/or senior officers from ASIO, the Australian Secret Intelligence Service, the Defence Signals Directorate, the Defence Imagery and Geospatial Organisation and the AFP.

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<sup>28</sup> Department of the Prime Minister and Cabinet, August 2007, unpublished.

<sup>29</sup> <<http://pmrudd.archive.dpmc.gov.au/node/5423>> [accessed 7 November 2011].

<sup>30</sup> The NICC replaced earlier foreign intelligence coordination arrangements established by Government following the July 2004 Inquiry into Australian Intelligence Agencies.

<sup>31</sup> <[www.asio.gov.au/ASIO](http://www.asio.gov.au/ASIO)> [accessed 18 November 2011].

<sup>32</sup> <[www.dpmc.gov.au/publications/counter\\_terrorism/](http://www.dpmc.gov.au/publications/counter_terrorism/)> [accessed 7 November 2011].

<sup>33</sup> <[www.ag.gov.au/www/ministers/mcclelland.nsf/Page/Speeches\\_2010\\_21October2010-LaunchoftheCounterTerrorismControlCentre-AustralianSecurityIntelligenceOrganisation](http://www.ag.gov.au/www/ministers/mcclelland.nsf/Page/Speeches_2010_21October2010-LaunchoftheCounterTerrorismControlCentre-AustralianSecurityIntelligenceOrganisation)> [accessed 8 November 2011].

<sup>34</sup> *ASIO Report to Parliament 2010–11*, p. 39.

## Engagement and alignment

### National

**2.11** For the FTAS initiative to effectively achieve the objectives set by the Government, it is critical that the AFP be appropriately engaged with the key frameworks and institutional components of the Government's counter-terrorism policy infrastructure. Furthermore, it is important that the AFP manages the initiative with regard to the evolution of both whole-of-government processes and priorities.

**2.12** The AFP is represented in the key arrangements for maintaining effective coordination of national policy on counter-terrorism, including the:

- National Counter Terrorism Committee (NCTC), which was established in 2002 to coordinate a nation-wide cooperative framework to counter terrorism and its consequences. The NCTC met for the first time on 13–15 November 2002<sup>35</sup> and continues to be an important element of Australia's national security infrastructure, meeting twice yearly<sup>36</sup>;
- CTCC (discussed earlier in paragraph 2.9);
- National Threat Assessment Centre (NTAC), which was established in 2004 to bring together Australian government agencies with a role in collecting, monitoring, collating and analysing all threat intelligence available to the Australian Government. The NTAC is situated within ASIO and includes attached officers from the AFP, the Australian Secret Intelligence Service, the Defence Signals Directorate, the Defence Intelligence Organisation, DFAT, the New South Wales Police, the Department of Infrastructure and Transport and the Office of National Assessments; and
- International Counter-Terrorism Coordination Group (ICTCG), established March 2003 and chaired by the Ambassador for

<sup>35</sup> <[www.ag.gov.au/www/agd.agd.nsf/Page/Nationalsecurity\\_Counter-terrorism\\_Counter-terrorismcommittees](http://www.ag.gov.au/www/agd.agd.nsf/Page/Nationalsecurity_Counter-terrorism_Counter-terrorismcommittees)> [accessed 24 October 2011].

<sup>36</sup> The Australian Government is represented by the Department of the Prime Minister and Cabinet, the Attorney-General's Department, the Department of Infrastructure and Transport, the AFP, ASIO, the Department of Defence, the Department of Finance and Deregulation, Emergency Management Australia and the Department of Foreign Affairs and Trade. State and territory representation includes senior bureaucrats and police, and senior New Zealand representatives attend meetings as observers.

Counter-Terrorism.<sup>37, 38</sup> The ICTCG provides a focal point for promoting and coordinating the Australian Government's international counter-terrorism efforts, including through international advocacy and representation. The ICTCG seeks to meet quarterly to update Group members on counter-terrorism response and capacity-building activities and has a role in policy development and identifying and prioritising opportunities for strengthening Australia's international counter-terrorism engagement.

**2.13** At the same time, AFP new policy is advanced through a coordinated National Security Budget, led by the Attorney-General's Department and overseen by the National Security Adviser.<sup>39</sup>

**2.14** The ANAO consulted widely with stakeholders, including DFAT (and the Counter-Terrorism Ambassador), AusAID, the Department of the Prime Minister and Cabinet (PM&C), Defence and the intelligence agencies (including representatives of the CTCC) to seek advice on the AFP's engagement with the institutional framework and the current balance of priorities embodied in the FTAS initiative. The ANAO also consulted with key staff in Australian missions in Indonesia, Thailand and the Philippines, including the Ambassador at each post, and representatives of DFAT, Defence, AusAID and the intelligence agencies located in-country.

**2.15** Stakeholders advised that the AFP is an active and effective participant in key institutional arrangements, and that the priorities reflected in the commitment regional engagement are consistent with broader government counter-terrorism priorities. The ANAO was also advised that the AFP maintains an active program of consultation with other members of the security community to support its formal participation in over-arching coordinating bodies.

**2.16** During the course of audit fieldwork, the ANAO observed a variety of consultative arrangements at Australian missions to promote the effective

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<sup>37</sup> <[www.foreignminister.gov.au/releases/2003/fa020\\_03.html](http://www.foreignminister.gov.au/releases/2003/fa020_03.html)> [accessed 24 October 2011].

<sup>38</sup> The ICTCG includes representation from the AFP; the Departments of the Attorney-General, Defence, Foreign Affairs and Trade, Immigration and Citizenship, Infrastructure and Transport, Health and Ageing and the Prime Minister and Cabinet; the Australian Nuclear Science and Technology Organisation; the Australian Radiation Protection and Nuclear Safety Agency; AusAID; the Australian Transaction Reports and Analysis Centre; Customs and Border Protection; the Office of National Assessments; and the intelligence agencies.

<sup>39</sup> ANAO Audit Report No.29 2010–11 *Management of the Implementation of New Policy Initiatives*, p. 67.



coordination of counter-terrorism activities among Australian agencies working in-country. The arrangements were generally consistent with the size and composition of the mission, and appropriately reflected the balance of issues and interests arising in each country. Importantly, stakeholders were generally satisfied with the level of cooperation and interaction between the intelligence and security agencies, including the AFP, on counter-terrorism matters.

**2.17** A key element to the Australian coordination of activities offshore is the use by all agencies of DFAT's SATIN (Secure Australian Telecommunications and Information Network) communications network, and if needed, SATIN High (which provides greater security for classified information). This system provides a reliable means of securing timely engagement with key stakeholders across government. However, the ANAO found the AFP generally used its own communication systems for reporting and intelligence, including in regard to classified matters. As a consequence, additional action is required on the part of the AFP to ensure information reaches key stakeholders in a timely fashion. This matter will require ongoing management by the AFP so that the timely provision of information to relevant external stakeholders is maintained.

**2.18** Overall, the ANAO found ongoing broad engagement by the AFP in all key elements of Australia's counter-terrorism policy and priority setting frameworks. The AFP is formally represented in key decision-making and recommendatory bodies, and the balance and direction of current activity, and plans for ongoing engagement, were broadly endorsed by key stakeholders as being consistent with current whole-of-government priorities for counter-terrorism activity and regional engagement. The AFP was considered to be an effective participant in the consultative and coordinating processes.

## **International**

**2.19** The AFP faces a number of challenges in effectively coordinating and aligning its regional counter-terrorism cooperation activities with the actions and interests of international partners. Management of the bilateral relationship with regional partners, and their law enforcement and security agencies, is generally pursued through a well developed framework of formal agreements and ongoing senior and working level contact. While there is high-level dialogue, both bilateral and multilateral, with other countries with strategic and operational interests in the South-East Asia region, much of the

day-to-day coordination of cooperative activities is managed by Australian personnel in-country.

### *Bilateral arrangements with host countries*

**2.20** Australia has well-established high-level arrangements for security cooperation with Indonesia, the Philippines and Thailand.

**2.21** The arrangements for consultation and cooperation with Indonesia are extensive, reflecting the priority attached to the relationship by both countries. The framework for security cooperation is provided by the *Agreement between Australia and the Republic of Indonesia on the Framework for Security Cooperation (Lombok Treaty)* signed by Foreign Ministers in 2006. The Lombok Treaty provides the framework for deepening and expanding bilateral cooperation and exchanges on matters affecting the security of both countries and was Australia's first treaty with a regional country to cover comprehensively traditional and non-traditional security threats.<sup>40</sup> A bilateral *Counter-Terrorism Memorandum of Understanding (MOU)* was signed in February 2002 and extended in 2008 and 2011. In 2010, during a visit by the Indonesia President to Australia, agreement to annual Heads of Government and joint Foreign and Defence Minister meetings were announced.<sup>41</sup> High-level consultation is underpinned by close engagement by officials on a broad range of security issues, including a program of annual Senior Officer meetings between the AFP and Indonesian National Police.<sup>42</sup>

**2.22** Australia and the Philippines signed a bilateral MOU on *Cooperation to Combat International Terrorism* and a MOU on *Combating Transnational Crime* in 2003.<sup>43</sup> Bilateral counter-terrorism consultations include biennial Senior Official's Talks (most recently in November 2010) and regular Ministerial Meetings involving the Foreign and Trade Ministers (in 2005, 2008 and most recently in June 2011).<sup>44</sup> A Joint Ministerial Statement was issued following the Philippines-Australia Ministerial Meeting held in Canberra in June 2011

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<sup>40</sup> <[www.aph.gov.au/house/committee/jsct/6december2006/treaties/indonesia\\_nia.pdf](http://www.aph.gov.au/house/committee/jsct/6december2006/treaties/indonesia_nia.pdf)> [accessed 21 November 2011].

<sup>41</sup> <[www.dfat.gov.au/geo/indonesia/indonesia\\_brief.html](http://www.dfat.gov.au/geo/indonesia/indonesia_brief.html)> [accessed 21 November 2011].

<sup>42</sup> AFP advised on 13 February 2012 that the fourth annual Senior Officer meeting occurred in Manado, Indonesia, on 11 May 2011. The next meeting will be held in Australia on 9 May 2012.

<sup>43</sup> <[www.dfat.gov.au/geo/philippines/philippines\\_brief.html](http://www.dfat.gov.au/geo/philippines/philippines_brief.html)> [accessed 21 November 2011].

<sup>44</sup> <[www.foreignminister.gov.au/releases/2011/kr\\_mr\\_110616a.html](http://www.foreignminister.gov.au/releases/2011/kr_mr_110616a.html)> [accessed 21 November 2011].  
<[www.foreignminister.gov.au/releases/2005/joint\\_philippines\\_120805.html](http://www.foreignminister.gov.au/releases/2005/joint_philippines_120805.html)> [accessed 21 November 2011].

detailing cooperation on a range of matters including counter-terrorism, defence and security, and the peace process in the southern Philippines. The commitment of the two countries to work together through bilateral and regional cooperation in the fight against terrorism was also reaffirmed.<sup>45</sup>

**2.23** Thailand and Australia have a treaty level *Agreement on Bilateral Cooperation*, signed in July 2004, which provides a broad framework for cooperation and consultation on a range of political, social, security and economic matters.<sup>46</sup> Within this framework, the countries participate in a Joint Commission on Bilateral Cooperation, which met for the first time in 2009. Counter-terrorism engagement with Thailand is wide-ranging. Thailand was one of the first countries with which Australia concluded a bilateral MOU on counter-terrorism in October 2002. This was followed by MOUs on police cooperation (June 2003), mutual assistance in customs matters (December 2003), money-laundering (June 2004) and a Mutual Legal Assistance Treaty (July 2006). The structural arrangements are underpinned by regular engagement by officials on security matters, including an annual bilateral dialogue on regional security issues.<sup>47</sup>

**2.24** The current framework of international consultation provides considerable opportunity for dialogue on national security matters and to establish and clarify the strategic and operational aspects of cooperative activities, including in the area of counter-terrorism. Within the framework established by the high-level dialogue, establishing operational priorities for cooperation, and appropriately balancing and coordinating activities is a key responsibility of the AFP team in-country, particularly the team leaders of the three in-country counter-terrorism cooperation teams.

**2.25** Priorities for operational cooperation and capacity building are determined on an ongoing basis, while training bids are usually discussed on an annual basis. However, training and capacity building priorities are not established through a single regular and structured consultative process with the leadership of the host law enforcement agency but rather bilaterally with

<sup>45</sup> <[www.foreignminister.gov.au/releases/2011/kr\\_mr\\_110616a.html](http://www.foreignminister.gov.au/releases/2011/kr_mr_110616a.html)> [accessed 21 November 2011].

<sup>46</sup> <[www.aph.gov.au/house/committee/jsct/7dec2004/treaties/thailand\\_nia.pdf](http://www.aph.gov.au/house/committee/jsct/7dec2004/treaties/thailand_nia.pdf)> [accessed 21 November 2011].

<sup>47</sup> <[www.thailand/embassy.gov.au/bkok/Defence\\_ThaiAus\\_Relationship.html](http://www.thailand/embassy.gov.au/bkok/Defence_ThaiAus_Relationship.html)> [accessed 21 November 2011].

key interlocutors (either at an operational level or flowing from senior officer consultation).

#### Challenges in establishing priorities for training and capacity development

**2.26** The ANAO examined the arrangements that support decisions on training and capacity development activities and the extent to which mechanisms were in place to enable such decisions to reflect:

- a shared understanding of the key capacity gaps in regional law enforcement agencies; and
- an assessment of the capacity of regional law enforcement agencies to benefit from, and sustain, new capabilities.

**2.27** ANAO consultation with AFP officers in Canberra and at overseas posts, as well as consultation with stakeholders in other agencies and foreign host law enforcement agencies, suggested complex but informal assessment of relative interests is undertaken. In particular, several key stakeholders observed that the fact that training and capacity development occurs within a framework where effective operational cooperation and partnership is of particular importance and is a legitimate consideration in the decision-making process. Accordingly, as part of the decision-making process, the AFP takes into account the following matters (in addition to the matters discussed in paragraph 2.26):

- whether the project or training assists with establishing or sustaining relationships which are important to support effective operational cooperation; and
- whether the project or training assists with establishing a capacity that will enhance operational cooperation.

**2.28** Taking into account these additional matters may result in the AFP giving priority to a particular capacity development or training initiative notwithstanding that the foreign law enforcement agency may have more pressing overall capacity gaps, or may have difficulty in sustaining the new capacity over time. While recognising that it may be appropriate to pursue such initiatives, it is important that the AFP has a clear appreciation of the development needs of the host organisation and its ability to sustain any new capacity. A thorough assessment of these matters in each case would support more effective planning and delivery, and would allow the AFP to accommodate the requirement for longer term sustainment if required.

### *Other coordination challenges*

**2.29** At a strategic level, Australian government central agencies manage a dialogue with key partner countries actively engaged in the South-East Asia region, including the United States of America, Japan and members of the European Union. Through this process, the top-level framework for cooperation on regional security matters is established.

**2.30** However, much of the balancing of the day-to-day engagement occurs through informal consultative arrangements driven by in-country international agency representatives. ANAO discussions with Australian agency representatives at missions in Indonesia, Thailand and the Philippines suggest that the nature of the informal consultative arrangements vary from post to post, but generally reflect the balance of interests and representation of other governments.

**2.31** The ANAO examined evidence concerning the possibility of a more formal approach to in-country coordination between countries with a security interest at those posts visited in the course of audit fieldwork. While scope to improve coordination was noted, there was no clear consensus that a more structured or formal approach to coordination with other countries would be more effective than the current arrangements, or that it would provide more timely insights into emerging issues or changing priorities. In the view of most stakeholders, current local consultative arrangements have been generally effective in maintaining the flow of relevant operational information and providing opportunities for coordination and, where necessary, de-confliction.

## **Establishing AFP priorities and managing delivery**

**2.32** The administration of new policy initiatives is most effective where it is well integrated with other organisational strategies and operations and where it remains, over time, aligned with broader agency and whole-of-government priorities and strategies. For this to be achieved, agencies need to establish appropriate planning and oversight arrangements. Accordingly, the ANAO examined arrangements in place within the AFP to establish accountabilities and to guide strategic and operational planning generally as well as specifically in regard to the FTAS initiative.

## Background

2.33 Responsibility for the general administration and control of AFP operations, within the framework of priorities determined by Government, rests with the AFP Commissioner.<sup>48</sup> The Government indicates its priorities for the AFP through ministerial directions (as provided in ss.37(2) of the Act), the outcomes and programs framework agreed to by Government, and individual budget measures, such as FTAS, which provided funding for specific activities. AFP delivery against these priorities is managed through a strategic and business planning process supplemented by targeted functional policy strategies.

2.34 The Commissioner's control of the AFP is exercised within the framework of broader government policy and is also subject to written directions that the Minister may give to the Commissioner (s.37 of the Act).

2.35 Fifteen ministerial directions have been given since the first in 1979.<sup>49</sup> The most recent direction, issued by the Minister for Home Affairs to the Commissioner on 1 July 2010, is reproduced on the AFP website<sup>50</sup> and notes that the Government expects the AFP to address a number of key priorities, including countering the threat of terrorism; preventing, deterring, disrupting and investigating serious and organised criminal activities; and safeguarding the economic interests of the nation from criminal activities.

## The Outcomes and Programs Structure and AFP Business Planning

2.36 The AFP's current outcomes and programs structure was agreed by government following the *Federal Audit of Police Capabilities*, undertaken by Mr Roger Beale AO in 2009. The structure, described at Figure 2.1, retained the established two outcome structure but consolidated seven programs within Outcome 1 into four programs. The sole Outcome 2 program, ACT Community Policing, remained unchanged. Through the new structure, and the concurrent agreement to consolidate a range of lapsing and non-ongoing funding into the AFP's base budget, the Government sought to deliver greater

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<sup>48</sup> As provided in ss.37(1) of the AFP Act.

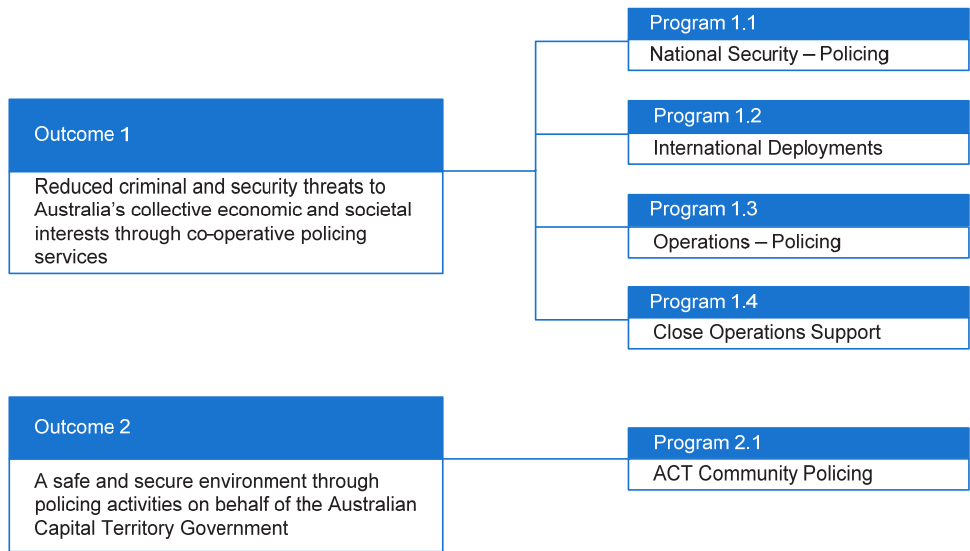
<sup>49</sup> See ANAO Audit Report No.29 of 2010–11 *Management of the Implementation of New Policy Initiatives* for a complete list.

<sup>50</sup> <[www.afp.gov.au/about-the-afp/governance/ministerial-direction.aspx](http://www.afp.gov.au/about-the-afp/governance/ministerial-direction.aspx)> [accessed 26 October 2011].

certainty for AFP core operations and to enable more flexible resource allocation to meet directed and emerging priorities.<sup>51</sup>

Figure 2.1

AFP Outcomes and Programs Structure 2011–12



Source: Attorney-General's Portfolio Budget Statement 2011–12.

**2.37** Counter-terrorism generally, and the FTAS initiative in particular, fall within Program 1.1 and are the responsibility of the National Manager Counter-Terrorism, who reports to the Commissioner through the Deputy Commissioner National Security. The International Network falls within Program 1.3 and is the responsibility of the National Manager Serious and Organised Crime, who reports to the Commissioner through the Deputy Commissioner Operations.

**2.38** To support the delivery of AFP programs, the AFP employs a structured business planning framework as well as developing targeted plans dealing with specific strategic challenges. While important aspects of the business planning process have continued to evolve over the life of the FTAS initiative, many core elements of the framework have been consistent. Since 2003–04, the AFP has used an overall strategic plan to set the AFP's strategic

<sup>51</sup> Attorney-General's Portfolio Budget Statement 2011–12, page 150.



direction over a three-year period.<sup>52</sup> The Strategic Plan is the principal reference document for planning at all levels in the AFP. Business plans are developed at the business unit level (for example, the Counter-Terrorism function has a business plan) and seek to promote consistency between agency activities and the overall agency strategic direction. Within business units, functional groups develop action plans to support the delivery of objectives outlined in the business plan.<sup>53</sup> There is regular reporting to the AFP executive of progress in achieving the performance targets set in action and business plans.

**2.39** The Senior Leadership Group, and its precursor bodies, and other internal committees, provide direction and oversight in respect of planning and performance. Developments in these arrangements were discussed in Audit Report No. 29 of 2010–11 *Management of the Implementation of New Policy Initiatives*.

**2.40** The AFP business and action planning process was revised in 2011. Up to the 2010–11 business planning cycle, the AFP prepared business and action plans with a one-year time horizon (for example, for the 2010–11 year). From 2011, the AFP is moving toward a three-year planning horizon for both business and action plans, and also seeking to rationalise action plans for closely related functional groups (for example, the AFP is developing a single action plan for the AFP mission in Indonesia, rather than having separate action plans for different functional units within the AFP mission).

## **International Engagement Strategy**

**2.41** The AFP planning framework provided for Business and Action plans to be developed having regard to targeted internal policy documents developed to define and progress key strategic interests. Of particular relevance to the administration of the FTAS initiative, and of importance in securing its effective alignment with overarching AFP strategy and related measures, are the 2004–2009 *Regional Strategy for Counter-Terrorism in Asia and the Pacific* (RSCT), and the 2010 *AFP International Engagement Strategy* (IES) and supporting annexes. At the time of the audit, the AFP had progressed drafting a *South East Asia Regional Strategy* (SEARS) although the document had yet to

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<sup>52</sup> In 2003–04, the AFP's strategic and business planning framework was revised, introducing an overall AFP Strategic Plan and Strategic Plans for each function stream in addition to the existing annual Business Plans (AFP Annual Report 2003–04 p. 21).

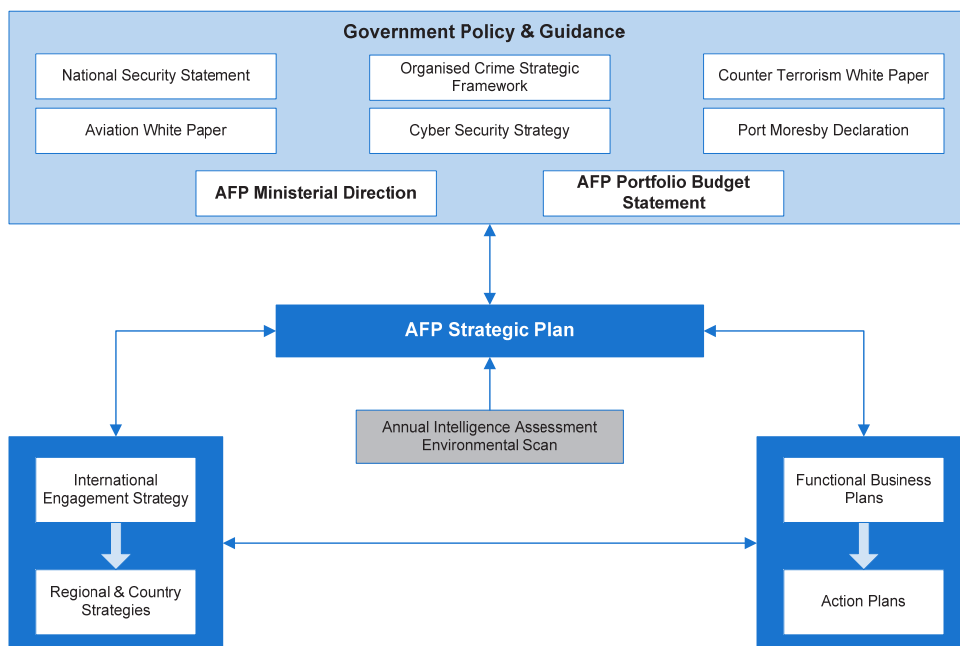
<sup>53</sup> <[www.afp.gov.au/about-the-afp/governance/business-planning.aspx](http://www.afp.gov.au/about-the-afp/governance/business-planning.aspx)> [accessed 26 October 2011].



receive endorsement by the AFP executive. The relationship between these documents and the broader business planning and policy process is described in Figure 2.2.

**Figure 2.2**

### AFP Policy Framework



Source: ANAO, based on the AFP International Engagement Strategy 2010 p. 2.

**2.42** According to its preamble, the 2004 RSCT sought to provide a comprehensive statement of organisational policy and strategy which outlined:

the context and reasoning behind all AFP activities and initiatives in Asia and the Pacific aimed at – or associated with – combating terrorism and other criminal activities associated with terrorism.

**2.43** The RSCT set four objectives, that:

- AFP regional offshore counter-terrorism activities are managed so as to remain fully complementary, with priorities established and regularly reviewed for each program;
- the AFP network of working relationships with regional law enforcement and intelligence agencies is strengthened and maintained to support the delivery of regional counter-terrorism objectives;

- AFP regional counter-terrorism strategies are managed to both inform, and be informed by, how domestic counter-terrorism responsibilities are delivered; and
- expertise and resources, both within and beyond the AFP, are effectively leveraged to support the Government's regional counter-terrorism objectives.

**2.44** The RSCT envisaged three phases of activity, to be measured by achievable milestones, over the period 2004 to 2009. They were:

- Phase 1 (October 2004 to December 2005) — Assessment and Transformation;
- Phase 2 (January 2006 to December 2007) — Consolidation; and
- Phase 3 (January 2008 and beyond) — Maturity.

**2.45** The RSCT established clear accountabilities for the delivery of defined practical strategies for Phase 1, including setting timeframes and possible performance measures. While not establishing a precise timeframe for its own review, the RSCT noted it was designed to be subject to review and adjustment (as required but at least every 12 months) and that it would also be informed and modified (as necessary) by a planned review of the AFP's international activities and a review of the AFP's broader engagement with the Asia-Pacific region.

**2.46** While the RSCT provided a strong foundation for progressing strategic management of the regional counter-terrorism engagement, its influence is unclear. Although updated in 2006 to include strategies for Phase 2, the ANAO found no evidence that the strategy continued to be maintained beyond that time. During the audit, the AFP confirmed that the RSCT had not been further developed to include strategies for Phase 3.

**2.47** The IES was developed and endorsed by the AFP Commissioner in November 2010. The IES seeks to:

- facilitate whole of organisation decision making about international engagement;
- contribute to the strategic and efficient use of AFP resources;
- enable clear and consistent communication with external stakeholders about the AFP's international engagement priorities; and,

- enhance the AFP's ability to participate in and influence whole-of-government policy making.<sup>54</sup>

**2.48** The IES effectively positions the AFP's international engagements processes and priorities within the whole-of-government policy context, articulates objectives consistent with the stated policy context and outlines strategies for achieving those objectives. Importantly, the IES established clear internal accountability for relevant governance matters<sup>55</sup> and a framework for review and maintenance of the strategy.

**2.49** Unlike the earlier RCTS, the IES does not identify a date of commencement, nor a time period for which the strategy has effect. As a framework document, it does not include specific deliverables but instead seeks to inform the planning process, while also noting that 'where regions include countries of significant interest to Australia or the AFP, specific country strategies may be developed'. In common with the RCTS, while the IES identifies a framework for review and maintenance, it does not include reference to the most recent review, nor the target date for future review. The AFP advised in February 2012 that a review of the IES was in progress, and it would subsequently be reviewed annually. Explicit inclusion of information regarding the review status of the strategy in future versions would more clearly indicate its currency and demonstrate the organisation's maintenance of the plan.

**2.50** As indicated in Figure 2.2, the IES is supported by targeted regional and country strategies. As noted above, at the time of the audit the AFP had prepared a draft SEARS, which encompassed Indonesia, Timor Leste, Singapore, Malaysia, Philippines, Thailand, Cambodia, Vietnam and Myanmar. The AFP intend that the SEARS:

articulate the rationale behind Australian Federal Police engagement in the region, to highlight key objectives, and outline strategies through which these objectives will be pursued. The primary purpose of the strategy is to guide the way in which AFP members working in the region, from across all functional areas, will work collaboratively in pursuit of shared objectives so as to maximize efficiency and increase the impact of the AFP's footprint.

<sup>54</sup> AFP International Engagement Strategy 2010 p. 2.

<sup>55</sup> The IES is owned by the International Policy Coordination Group, which is chaired by the Deputy Commissioner Operations and includes a number of key National Managers including the National Manager Counter Terrorism.

**2.51** In moving to finalise the SEARS, the ANAO suggests the AFP consider opportunities to further develop the strategy to improve its usefulness as a guide to AFP operations and planning and as a tool to support accountability and transparency. In particular:

- noting that counter-terrorism is the second largest functional engagement in the region (accounting for 22 per cent of AFP staff (see Table 2.1)), the SEARS could include specific strategies relating to counter-terrorism engagement, including addressing the role of the in-country counter-terrorism cooperation teams;
- the SEARS would more effectively support internal accountability if it were to assign clear responsibilities for the delivery of individual strategies, along with timeframes for delivery and indicators of success; and
- the AFP would be better placed to assess the impact of the SEARS if the strategy were to incorporate an assurance framework for establishing the extent to which specific strategies were incorporated in functional area plans, and for evaluating its overall success at a designated future date.

**2.52** Overall, the AFP's articulation of the policy and strategic basis for its regional engagement provides a useful insight into the current arrangements. Further development would provide a more substantial support to planners in the counter-terrorism field and more useful assurance to the AFP executive regarding progress toward the achievement of government priorities. In particular, clearer linkages between the long-term objectives of counter-terrorism engagement and specific strategies and an explicit articulation of desired future states would provide planners with an enhanced framework for long-range planning.

**Table 2.1****AFP staffing in South East Asia as at 11 January 2012**

	Serious and Organised Crime	Counter Terrorism	Protection	Security	HR	IDG	Total
Indonesia	12	7	7	1	3		30
Thailand	4	2					6
Philippines	1	3		1			5
Vietnam	4						4
Cambodia	3						3
Malaysia	3						3
Myanmar	1						1
Singapore	1						1
Timor Leste						82	82
<b>Total Staff</b>	<b>29</b>	<b>12</b>	<b>7</b>	<b>2</b>	<b>3</b>	<b>82</b>	<b>135</b>

Source: AFP advice 2 February 2012. The Serious and Organised Crime Portfolio includes the AFP's International Network. HR (Human Resources) includes JCLEC personnel.

Note: IDG (International Deployment Group) figures are correct as of 20 February 2012, and were advised to the ANAO on 2 April 2012.

## Internal administration of the FTAS initiative

**2.53** Since its inception, the FTAS initiative has been subject to a range of internal management arrangements. The AFP has sought to secure the operational and accountability outcomes specified by Government, and to provide for ongoing evaluation and program refinement. At the same time, the AFP has sought to promote effective coordination and alignment with other AFP and broader whole-of-government strategies.

**2.54** The internal management arrangements adopted by the AFP for the FTAS initiative and related measures, both within the Counter-Terrorism Portfolio as well as within the broader AFP, are discussed in Chapter 5.

## Conclusion

**2.55** There is ongoing broad engagement by the AFP in all key elements of Australia's counter-terrorism policy and priority setting frameworks. The AFP is formally represented in key decision-making and recommendatory bodies. Key stakeholders advised that the balance and direction of current activity,

and plans for ongoing engagement is broadly consistent with current whole-of-government priorities for counter-terrorism activity and regional engagement. Stakeholders also consider the AFP to be an effective participant in the consultative and coordinating processes.

**2.56** The AFP faces a number of challenges in effectively coordinating and aligning its regional counter-terrorism cooperation activities with the actions and interests of international partners. Management of the bilateral relationship with the host nation and law enforcement and security agencies, to determine priorities and operational arrangements, is generally managed through a well-developed framework of formal agreements and ongoing senior and working level contact. While there is high-level dialogue, both bilateral and multilateral, with other countries with strategic and operational interests in security and stability of the South-East Asia region, day-to-day coordination is generally managed in-country.

**2.57** Internally, the AFP's business and action plans are complemented by several strategic policies in the subject area. However, there is clear scope to improve the articulation of the strategic framework around regional counter-terrorism engagement, improving accountability for key outcomes and executive visibility of overall progress against priorities, and providing a clear basis for the review of effectiveness over time.

**2.58** While the internal strategies continue to undergo refinement, they provide a generally sound basis for managing the AFP's engagement with key stakeholders domestically and internationally, and for aligning activities undertaken through the FTAS initiative with whole-of-government priorities and integrating those activities with related initiatives. In particular, the AFP strategic and business planning framework is well established and the recent adjustments to planning horizons and post planning arrangements are sound evolutionary measures.

## Recommendation No.1

**2.59** The ANAO recommends that the AFP considers options for enhancing the strategic framework supporting regional counter-terrorism engagement, including:

- (a) establishing accountabilities for the delivery of specific strategies and identifying high-level outcomes and performance indicators;
- (b) extending the review frameworks to include consideration of the overall effectiveness of the strategy, with clear accountabilities and timeframes; and
- (c) clearly documenting governance arrangements including identifying the currency and authority of individual plans.

**AFP Response:** Agreed.

### 3. Delivery of Offshore Initiatives

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*This chapter considers the effectiveness of the AFP's administration of key elements of the FTAS initiative delivered offshore, including the AFP teams in Jakarta, Manila and Bangkok. It also considers the AFP's administration of other key elements of counter-terrorism cooperation, including capacity development initiatives, such as the Bomb Data Centres in Jakarta, Manila and Bangkok, and the Jakarta Centre for Law Enforcement Cooperation.*

#### Introduction

**3.1** The primary focus of the 2004 *Fighting Terrorism at its Source* (FTAS) initiative was to prepare and deploy two multidisciplinary counter-terrorism teams<sup>56</sup> to work with regional law enforcement partners in priority countries (initially identified as Indonesia and the Philippines) to counter terrorism and to build in-country counter-terrorism capacity. The teams were to be established under existing cooperation agreements, and co-located with local law enforcement counter-terrorism teams, allowing effective integration with day-to-day counter-terrorism operations and maximising the exchange of criminal intelligence and specialist law enforcement skills. The teams would be supported by enhanced Australia-based intelligence and technical capacity.

**3.2** Consistent with the initiative, from early 2005 the temporary AFP presence in Jakarta, which had been working with the Indonesian National Police (INP) since the 2002 Bali bombings, was placed on a longer-term, more sustainable footing, and supplemented by Australian participation in a small multinational team (based in Semarang, Indonesia) aimed at improving the integration of regional counter-terrorism investigations. In addition, the temporary AFP presence in Manila, which had been providing support to a major Philippines National Police (PNP) counter-terrorism investigation, moved to a longer-term and more sustainable footing, providing for broader ongoing engagement on counter-terrorism matters. In 2006, the AFP commenced discussions with the Thai government regarding the possibility of enhanced counter-terrorism cooperation, including the deployment of a team to work cooperatively with local law enforcement on counter-terrorism priorities. This team was deployed in early 2009.

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<sup>56</sup> The teams were initially designated Counter-Terrorism Regional Engagement Teams, or CTRETs.



**3.3** In this audit, the ANAO gave priority to examining the extent to which the key goals of the FTAS initiative had been met. In particular, the ANAO examined the establishment and activities of the AFP teams in Jakarta, Manila and Bangkok and the extent to which they had provided the AFP and its regional law enforcement partners with enhanced capabilities to investigate and disrupt terrorist organisations in the Asia-Pacific region. In doing so, the ANAO conducted inspections in-country, reviewed operational and administrative documentation and consulted with key stakeholders in Australia and overseas, including AFP officers and staff, members of other Australian Government agencies, and representatives of host law enforcement agencies in Indonesia, the Philippines and Thailand.

**3.4** This chapter briefly discusses the AFP's administration of key elements of the FTAS initiative and related measures delivered offshore. Matters which are sensitive for operational, national security or international relationship reasons, while examined by the ANAO, are not discussed in detail in this chapter.<sup>57</sup>

## Regional cooperation – AFP in-country teams

**3.5** The Government's 2004 decision to enhance regional counter-terrorism cooperation through the deployment of multidisciplinary AFP teams to work co-located with regional law enforcement was proposed to occur within the framework provided by existing cooperative agreements.<sup>58</sup> The AFP was given flexibility to determine the appropriate pattern of deployment on a case-by-case basis, reflecting current priorities and relationships.

**3.6** Appropriate resources and priorities for each team is considered in the context of the AFP's internal budgeting and planning, and teams operate within the command and control structure generally applicable to operational teams within the AFP. The identification and advancement of opportunities for cooperation, training and general support is managed on a day-to-day basis by the team in-country, through direct consultation with key interlocutors, within

<sup>57</sup> The AFP's administration of domestically based support functions, including the provision of language and cultural skills training and enhanced intelligence and specialist technical support, is discussed in Chapter 4.

<sup>58</sup> This approach has generally been employed by the AFP, although in some instances specific agreements have been initiated to cover particular operational or administrative matters associated with cooperation projects. These are discussed later in this chapter.

the broad framework established by ongoing high-level dialogue between the AFP and foreign law enforcement agencies.

## Indonesia

3.7 Indonesia has experienced a range of terrorism incidents in the past decade, with some directly targeting Western and, in particular, Australian interests and citizens, including the:

- 12 October 2002 Bali bombing;
- 5 August 2003 bombing of the JW Marriot Hotel in Jakarta;
- 9 September 2004 bombing outside the Australian Embassy in Jakarta;
- second Bali bombing, on 1 October 2005; and
- bombings of the JW Marriot and Ritz Carlton hotels on 17 July 2009.

3.8 Australia has a broad and deep relationship with Indonesia on matters of mutual interest, including extensive cooperation on policing and security matters. Current memoranda of understanding in relation to police cooperation, including in respect of transnational crime and terrorism, have been in place since at least 2002 and were most recently renewed in 2011. In addition, an agreement between Australia and the Republic of Indonesia on the framework for security cooperation (the 'Lombok Treaty') was concluded in 2006. The AFP's mission in Indonesia, with 30 personnel (see Table 2.1) and headed by a Commander (a senior executive position), is the largest in the AFP's international network.<sup>59</sup>

3.9 Counter-terrorism in Indonesia is primarily a police matter. The AFP's engagement with Indonesia on counter-terrorism matters expanded rapidly in the wake of the 2002 Bali bombing. The AFP's temporary deployment to assist the INP's investigation into this attack formed the basis of the Jakarta Operations Centre (JOC), later known as the Jakarta Regional Cooperation Team (JRCT). In addition, as part of the FTAS initiative, an AFP-led group of six regional law enforcement agencies known as the Multinational Operations Support Team (MNST) was established in early 2005 in Semarang, Indonesia to support greater integration of counter-terrorism investigations in the region. While the AFP sought to progress a separate agreement governing the

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<sup>59</sup> Only certain operational deployments conducted by the AFP's international deployment group, such as to the Solomon Islands and Timor Leste, are larger.

establishment and operations of this group, no agreement had been finalised at the time the group ceased operations in 2010.<sup>60</sup> The AFP representative to MNST remained in Indonesia in a continuing counter-terrorism liaison officer role.

## Philippines

**3.10** The Australian Government's 2004 assessment of the threat posed to Australia by transnational terrorism noted that the Philippines had been targeted by international terrorism, including Al Qaida, for funding, networking, recruiting and planning since at least the early 1990s. The assessment also noted the growing concern about the long-standing Muslim insurgency in the south, as well as the archipelagic-wide communist insurgency, and the links between insurgent groups such as the Moro Islamic Liberation Front (MILF) and the Abu Sayyaf Group (ASG), with Jemmah Islamiyah (JI).<sup>61</sup>

**3.11** The complex nature of the terrorist and insurgency threats in the Philippines is reflected in the institutional arrangements for responding to domestic security threats, with the Philippines National Police (PNP)<sup>62</sup>, the Armed Forces of the Philippines, and the National Bureau of Investigation (NBI)<sup>63</sup> having significant responsibilities in the area.

**3.12** Following the decision by the Philippines Government to accept the AFP's offer of support to the PNP investigation into the February 2004 terrorist bombing of the Superferry 14, the AFP deployed a team to the Philippines in October 2004 to provide technical, forensic and investigative assistance to the PNP. The FTAS initiative allowed the AFP to move this temporary deployment onto a longer term and more sustainable footing from 1 January 2005. The team, initially known as the Manila Operations Centre (MOC), was subsequently renamed as the Manila Regional Cooperation Team (MRCT).

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<sup>60</sup> The discontinuation of MNST was agreed by the MNST Oversight Committee at their 30 November 2009 meeting in Jakarta.

<sup>61</sup> Department of Foreign Affairs, *Transnational Terrorism: The Threat to Australia* 2004.

<sup>62</sup> The Philippine National Police (PNP) was established as a civilian national police service in 1991. It replaced the Philippine Constabulary (a unit of the Armed Forces of the Philippines) and the Integrated National Police, which provided municipal policing services.

<sup>63</sup> The NBI has a Counter-Terrorism Division which includes a post-blast investigation unit and a crisis response unit <[www.nbi.gov.ph](http://www.nbi.gov.ph)> [accessed 23 September 2011].

**3.13** Current memoranda of understanding in relation to police cooperation, including in respect of transnational crime and terrorism, have been in place since 2003.

## **Thailand**

**3.14** While counter-terrorism is a significant priority for both Indonesia and the Philippines, Thailand's domestic security efforts are focused primarily on the insurgency in Thailand's southern provinces. Addressing the insurgency is primarily a military matter, although with a significant police role in the investigation of security incidents.

**3.15** The AFP's engagement with the Royal Thai Police (RTP) is long standing, with an AFP presence at the Australian Embassy in Bangkok since at least 1980.<sup>64</sup> Discussions to expand counter-terrorism cooperation to include a specialist in-country AFP presence commenced in 2006 and the AFP's Bangkok Training and Development Centre commenced operations in 2009. AFP cooperation with the RTP is undertaken within the broad framework created by a memorandum of understanding on combating transnational crime and developing police cooperation, which was originally signed in 2003 and most recently extended in 2011.

## **AFP in-country teams — conclusion**

**3.16** The AFP has an extensive record of cooperation with, and support to, foreign law enforcement through the regional counter-terrorism cooperation teams. This support includes the provision of intelligence and analytical assistance and facilitating the short-term deployment of AFP experts in disaster victim identification, computer forensics, fingerprint analysis, computer facial identification, and post-bomb blast analysis. While the nature of cooperative activity differs from location to location, the pattern of variation is consistent with the extent of the engagement and the opportunity to engage on matters of mutual interest.

**3.17** The effective management of key risks associated with the engagement is an important element of the AFP's overall management of international deployments. The audit team observed a generally measured and thorough approach to physical and operational security, including documented risk assessments undertaken by appropriate security personnel. However, there is

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<sup>64</sup> AFP Annual Report 1980, p. 7.

scope to improve aspects of the management of particular risks that have arisen in the provision of financial and material support to regional law enforcement partners.

**3.18** The framework for financially contributing to the costs incurred by regional law enforcement agencies in responding to AFP requests is generally robust and well administered. However, the AFP should consider enhancing the control and executive visibility of the management of particular expenses that are non-routine in nature or have a greater risk of attracting external adverse comment or consequence. The ANAO notes that the AFP has in place enhanced governance arrangements for the administration of some sensitive expenses both domestically and internationally, and could usefully consider applying similar arrangements to other sensitive offshore expenses, to enhance both accountability and visibility.

**3.19** The provision of material support to regional law enforcement partners occurs within a complex regulatory framework, creating obligations on the AFP and its equipment providers under domestic Australian law, laws applying in the home country of equipment providers, and international agreements and conventions. Additional complexities may arise where material is loaned rather than gifted, or where the final disposition of material may differ from that originally envisaged by the AFP in planning. As such, it is important for the AFP, in providing material support to regional law enforcement partners:

- to seek advice in a timely manner from relevant domestic authorities on the possible application of international agreements to proposed actions and ensure that AFP actions are consistent with that advice;
- to ensure external providers have been sufficiently well informed to allow them to comply with any requirements they may face within their own jurisdictions; and
- where Commonwealth assets are placed in the control and custody of a third party, put in place arrangements that allow the Commissioner to demonstrate reasonable control over agency assets, consistent with the requirements of s.44 of the *Financial Management and Accountability Act* (FMA Act).

**3.20** The AFP has a generally well-developed framework for the provision of material support. However, one example reviewed by the ANAO illustrated a number of difficulties in the application of this framework. In this instance, equipment had been loaned, rather than gifted, to the foreign law enforcement

agency. The action of the AFP in observing relevant domestic and international export controls, and in putting in place appropriate control arrangements given the Commissioner's obligations under the FMA Act was examined. The AFP considered the matters raised by the ANAO and advised that:

- it had undertaken an appropriate internal technical review prior to equipment handover, and had concluded that no approval from, or consultation with, domestic export control authorities was needed before the loan of the equipment was made;
- as the equipment was loaned rather than gifted, the AFP saw no requirement for the vendor to seek approvals under its own national export control arrangements. Nonetheless, the AFP would undertake a full audit of procurement activities in this area to ensure all relevant requirements were being met on an ongoing basis; and
- while the AFP considered it had visibility over how the equipment was being deployed, the equipment was presently in the custody of the AFP in Australia and would not be further deployed until governance arrangements that address the FMA Act requirements are implemented.

**3.21** The ANAO suggests that the requirements for maintaining effective oversight of the risks associated with providing financial and material support to foreign law enforcement agencies be further considered by the AFP in adopting a more considered approach to assessing and managing the higher level risks associated with the engagements. This issue is discussed further in Chapter 5.

## Capacity building

**3.22** Initial funding for the FTAS initiative supported a number of counter-terrorism capacity-building projects including the establishment of a bomb data centre (BDC) in Indonesia and support for such centres in Malaysia and Singapore. Further funding for regional law enforcement capacity building, including to enhance cooperation with Thailand, was included in the 2006 *Regional Law Enforcement Liaison and Capacity Building* initiative.<sup>65</sup> The decision to extend the FTAS initiative in 2009 included a commitment to

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<sup>65</sup> Budget Paper No. 2, *Budget Measures 2006–07*, p. 107.

ongoing support for the capacity-building initiatives in regional countries, including in regard to criminal intelligence and forensic science.<sup>66</sup>

**3.23** In examining the effectiveness of the AFP's administration of counter-terrorism capacity building in South-East Asia, the ANAO considered progress in the development of the bomb data centres in Indonesia, the Philippines and Thailand. The ANAO also examined a number of projects which, while not directly funded by the FTAS initiative, including significant engagement by in-country AFP personnel funded through the FTAS initiative. For operational reasons, the performance of individual initiatives is not discussed in this chapter, although matters arising in their administration are reflected in the overall conclusion and recommendation.

### **Bomb Data Centres**

**3.24** The AFP has provided funding for the establishment of the Republic of Indonesia Bomb Data Centre (RIBDC) in Jakarta; the Philippine Bomb Data Centre (PBDC) in Manila; and the Royal Thai Police Bomb Data Centre (RTPBDC) in Bangkok. The establishment of these centres was overseen by the AFP's Australian Bomb Data Centre (ABDC) in Canberra and supported by in-country AFP counter-terrorism personnel.

**3.25** The ANAO's examination of the establishment of the BDCs identified many challenges and complexities associated with pursuing capacity development projects in the region. Such environments place a premium on the need for clear and effective planning and oversight, and effective monitoring of progress to maintain a consistent corporate understanding of progress and issues, and arrangements so stakeholders are appropriately informed and engaged. However, reporting to the AFP Executive on FTAS implementation as part of broader reporting on new policy implementation between 2008 and 2010 did not adequately identify specific delays or implementation issues that were apparent from an examination of AFP operational documentation.

**3.26** The AFP's engagement with regional partners to establish the BDCs also highlighted the importance of effective engagement with the relevant foreign law enforcement agency during the development, initiation and ongoing operations of the BDC. As with other capacity development initiatives observed during the audit, it is critical that the AFP has an appreciation of the

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<sup>66</sup> Budget Paper No. 2, *Budget Measures 2009–10*, p. 105.



extent to which the new capacity is being effectively accommodated within the organisational, operational and financial structures of the host agency, and that the AFP maintains its engagement over time to ensure a clear organisational appreciation of the ongoing environmental factors impacting on the effective adoption of the capacity by the host agency.

**3.27** The nature of AFP engagement with regional BDCs is presently under examination as part of a broader AFP review aimed at developing a more strategic approach of the AFP's support for the developing BDC capacity in the region. The AFP advised the ANAO that it was pursuing the development of new agreements with Indonesia, the Philippines and Thailand which would focus on ongoing cooperation and information exchange, and anticipated these would be concluded in 2012. The regional BDCs have been cited by the Government as an element of its strategy to strengthen the counter-terrorism capabilities of regional law enforcement agencies.<sup>67</sup> A contemporary strategic plan, including clear accountabilities, indicators of success and oversight arrangements, would allow the AFP to maximise the benefits of the investment undertaken to date.

### **Jakarta Centre for Law Enforcement Cooperation (JCLEC)**

**3.28** The establishment of a joint regional law enforcement cooperation centre in Indonesia, to support the development of enhanced counter-terrorism capabilities, was advanced at the Regional Ministerial Meeting on Counter-Terrorism held in Bali, Indonesia on 4–5 February 2004<sup>68</sup> where the AFP Commissioner and the Chief of the INP signed a Joint Declaration on the establishment of the Jakarta Centre for Law Enforcement Cooperation (JCLEC). In the 2004–05 Budget, the Government announced that it would provide \$36.8 million (including capital funding of \$3.8 million) over five years to support the JCLEC, stating that:

The Jakarta Centre for Law Enforcement Cooperation is a key component of the Government's Regional Counter-Terrorism Strategy and will offer support and capacity building to Indonesian and other regional law enforcement

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<sup>67</sup> *Securing Australia – Counter-Terrorism White Paper 2010* p. 49.

<sup>68</sup> The initiative was acknowledged in the Bali Regional Ministerial Meeting on Counter-Terrorism Co-Chairs' Statement at paragraph 26 <[www.dfat.gov.au/icat/2004\\_conference/cochair\\_statement.html](http://www.dfat.gov.au/icat/2004_conference/cochair_statement.html)> [accessed 24 November 2011].



agencies in dealing with aspects of transnational crime, and particularly terrorism.<sup>69</sup>

**3.29** The AFP and INP signed a Protocol for the establishment of the JCLEC on 29 April 2004, which stipulated the expectations of both parties. The AFP agreed to provide funding for five years, and to supply and refurbish JCLEC buildings to an international standard. The JCLEC, which is located within the Indonesian Police Academy in Semarang, Indonesia (400km east of Jakarta), was officially opened on 1 July 2005. In 2009, the Australian Government agreed to provide ongoing funding to support the operations of JCLEC, including \$26.7 million over the forward estimates period. The decision required the AFP to undertake a review of the measure, in consultation with the Department of Finance and Deregulation, in 2012.

**3.30** This audit has considered the operations of the JCLEC, to the extent that it contributes to the ongoing cooperation between Australia and Indonesia on counter-terrorism operations and capacity development. An examination of the general establishment and administration of the JCLEC has been included in the AFP's internal audit program and, consequently, was not included in the scope of this audit. In examining the JCLEC's role in broader counter-terrorism cooperation and capacity development, the audit team visited the centre, examined records and held discussions with a range of parties, including AFP and INP officers, Australian embassy officials and representatives of other countries engaged with the JCLEC.

**3.31** Since its establishment, the JCLEC has provided training to nearly 10 000 personnel. While the majority of students have been, and continue to be, from the INP, nearly 50 countries have sent students to train at the centre. The international support for the JCLEC has been substantial. At the time of the audit, full-time trainers from Germany, Canada and the United Kingdom were working at the JCLEC, with many more countries providing visiting instructors from time to time. There has also been a significant contribution by the Netherlands to the development of infrastructure.

**3.32** The JCLEC is highly regarded by key stakeholders for the quality of its facilities and services. It is considered to be a key component of Australia's regional counter-terrorism engagement and cooperation, and an important element of the broader Australia-Indonesia relationship. The 2010 Counter-Terrorism White Paper highlighted the JCLEC as a successful example

<sup>69</sup> Budget Paper No. 2, *Budget Measures 2004–05* p. 102.

of Australia's cooperation with a regional counterpart to enhance regional law enforcement capabilities, share information and develop personnel and institutional networks.

**3.33** In light of the importance of the JCLEC to cooperation with Indonesia on counter-terrorism matters, and to the Australia-Indonesia relationship more generally, it would be appropriate for the AFP to consider whether it is satisfied that the JCLEC is best placed strategically and operationally to continue its mission. At present, the Centre lacks a formal long-term strategy or business plan, which would provide a clear direction for future development and appropriate assurance to key stakeholders and potential partners. While the ANAO did not examine the detailed administration of the Centre, it considers that an examination of the financial underpinnings of the Centre, suggested by the AFP in the course of consultations, would assist the AFP in managing its risk exposure in this area. It has been a substantial achievement to bring the JCLEC to its current level of operations, and it would be timely for the AFP to consider the most appropriate framework for ensuring its ongoing sustainability.

## **Capacity building — conclusion**

**3.34** The AFP's approach to the management of counter-terrorism capacity development projects and the extent to which original project objectives and benefits had been effectively realised varies considerably. While the ANAO did not attempt to draw general conclusions regarding the overall success of the capacity-building program, it was apparent that local law enforcement agencies welcomed the AFP's contribution and ongoing engagement. Where the establishment of capacity was effectively administered and the capacity appropriately integrated into local organisational and operational arrangements, the Australian investment yielded significant benefits to local law enforcement.

**3.35** It is important that the AFP's ongoing engagement in capacity development emphasises effective initial planning and ongoing oversight. Engagement with key host country stakeholders, prior to commencement, during development and in subsequent operations, is necessary to support the effective incorporation of the developing capacity within the local law enforcement agency's operational and planning structure (particularly where ongoing staffing and funding are required) and its longer term sustainability. It is also important that planning and oversight recognises that seeking to support accelerated capacity development may require a long-term

commitment beyond initial establishment and transfer, if the higher level of capacity is to be sustained in the long run.

**3.36** ANAO Performance Audit Report No.29 2010–2011 *Management of the Implementation of New Policy Initiatives* observed that the AFP had moved to establish a new Portfolio Management Office (PMO), replacing earlier centralised project management support arrangements, to reinvigorate corporate project, program and portfolio management within the AFP. It would be appropriate for the AFP to consider opportunities to more effectively leverage this corporate capacity, to improve the administration of offshore capacity development projects.

## Conclusion

**3.37** Stakeholders consulted by the ANAO view the AFP's engagement as successfully supporting and responding to the development of regional domestic counter-terrorism capacity, while supporting Australia's interests. The AFP is also seen as an important contributor to the development of overarching bilateral relationships.

**3.38** The nature of the engagement between the AFP and regional partners on counter-terrorism is both complex and inherently risky. As the relationship becomes more substantive and cooperative arrangements gain depth, the risks to the AFP (and more broadly to Australian interests) arising from the engagement may become more pronounced, and require a greater management focus. It is also apparent that the security priorities of regional partners, and the extent to which Australia's interests are affected by regional threats, are factors in both assessing risk and considering appropriate strategies for mitigation.

**3.39** The AFP is acting to deliver on a clear expectation by Government of enhanced regional cooperation on counter-terrorism matters, including in some instances working side-by-side with regional law enforcement agencies to counter threats offshore. The challenge facing the AFP is not to avoid the risks inherent in the engagement but rather how best to manage the risks inherent in its mission.

**3.40** The benefits to the AFP of better articulating its high-level strategy for regional engagement were discussed in Chapter 2. The ANAO's review of the outcomes of the AFP's engagement on counter-terrorism matters in the region highlighted a strong record of achievement in countries of high priority, consistent with the policy direction set by government. The 2009 decision by

government to roll funding for the engagement into ongoing AFP base funding presents the AFP with the opportunity to take stock of the progress to date and clearly articulate its strategy for the future. This should include the most appropriate management and resourcing structure to support the proposed directions. While the management of strategic risks is further discussed in Chapter 5, at an operational level the ANAO observed a culture of risk assessment aligned with individual decision-making, supported by executive engagement for key and sensitive matters, including the management of important relationships.

**3.41** The ongoing challenges of counter-terrorism capacity development and the observed variability in approach and outcomes, suggests that it would also be appropriate for the AFP to consider ongoing arrangements for the management and oversight of capacity development activities in the region. In particular, the AFP should consider the adequacy of the organisational visibility of initiatives which are not meeting primary goals and milestones, or which may entail particular risks to either AFP or broader national interests and opportunities to better leverage existing corporate project management capacity to support improvements in this area. It would also be timely for the AFP to assure itself that significant initiatives such as the JCLEC have a well-articulated and sustainable basis for ongoing operations.

## **Recommendation No.2**

**3.42** The ANAO recommends that the AFP improves the arrangements for managing capacity development to better identify and target sustainable outcomes and to promote better visibility of implementation issues through:

- (a) improving project planning, including greater focus on issues relating to the long-term sustainability of the new capacity;
- (b) adopting a consistent approach to project management, making appropriate use of in-house project management expertise; and
- (c) increasing the emphasis given to risk identification, mitigation and management.

**AFP Response:** Agreed.

## 4. Delivery of Onshore Initiatives

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*This chapter examines the effectiveness of the AFP's administration of key elements of the FTAS initiatives delivered onshore, and other elements of domestic administration, to support the offshore activities of the AFP.*

### Introduction

**4.1** The 2004 Fighting Terrorism at its Source (FTAS) initiative built on earlier initiatives to strengthen the AFP's capacity to conduct counter-terrorism operations domestically and within the region. The AFP was provided with the capacity to have multidisciplinary counter-terrorism teams undertake medium-term deployments in priority regional countries, working alongside regional law enforcement partners. To effectively support these deployments and maximise the opportunity for enhanced regional counter-terrorism cooperation and capacity development, through the FTAS initiative and related measures the AFP was also provided with funding to:

- equip appropriate staff with the language and cultural skills to maximise the benefits of co-location over the longer term;
- boost domestic counter-terrorism intelligence and surveillance capacity; and
- undertake counter-terrorism capacity-building projects, including intelligence operations training, the establishment of a bomb data centre in Indonesia and support for such centres in Malaysia and Singapore.

**4.2** The 2009 decision by government to extend the FTAS initiative and the subsequent decision to incorporate it in ongoing AFP business reinforced the key directions established by the original measure. Although the 2009 decision also included an additional stream of activity to support efforts to counter violent extremism within Australia, this aspect of the initiative is closely related to other government initiatives to counter domestic extremism (see [www.ag.gov.au/cve](http://www.ag.gov.au/cve)) and has not been included within the scope of this audit.

**4.3** In this context, the ANAO examined the AFP's administration of the enabling activities and considered the extent to which they had contributed to the key goals of the FTAS initiative. In particular, the ANAO examined the:

- arrangements for, and performance in, providing language training and other preparatory support to AFP officers deployed as part of the FTAS initiative;
- overall administration of the enhanced intelligence and surveillance capacity funded through the FTAS initiative; and
- Australia-based support for regional capacity-building projects.

**4.4** To inform this assessment, the ANAO conducted inspections in-country, reviewed documents and consulted with key stakeholders within the AFP in Canberra and internationally, and consulted with members of other Australian agencies both in Australia and overseas.

## **Pre-deployment language and cultural training**

### **Background**

**4.5** Since its creation in 1979, the AFP has maintained an international presence in order to effectively meet its responsibilities. Presently, the AFP has more than 400 staff in overseas posts, including around 100 deployed to more than 30 posts as part of its International Network, and over 300 deployed as members of the International Deployment Group.<sup>70</sup>

**4.6** While functional responsibility for the in-country teams, discussed in Chapter 3, rests with the Counter-Terrorism portfolio, the deployments are administered from within the AFP International Network. Located within the Serious and Organised Crime Portfolio, the Manager International has primary responsibility for oversight and administration of the AFP International Network, and in consultation with the National Manager Counter-Terrorism and Manager Counter-Terrorism International, manages processes for selecting, preparing and deploying officers to the in-country counter-terrorism cooperation teams.

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<sup>70</sup> The International Deployment Group provides law enforcement and peacekeeping activities to Overseas (UN) peacekeeping missions and current regional assistance missions and is responsible for the management and delivery of Law Enforcement Cooperation Program Capacity initiatives globally <[www.afp.gov.au](http://www.afp.gov.au)> [accessed 5 December 2011].

**4.7** Functional tasking and reporting arrangements for the counter-terrorism in-country teams are complex. The senior AFP member in-country is responsible for all AFP activities conducted within that country. However, responsibility for functional outcomes (such as in relation to counter-terrorism cooperation) lies with the functional management in AFP Headquarters (HQ) in Canberra, and the team leaders for each of the multidisciplinary in-country teams receives tasking directly from functional managers in AFP HQ. Responsibility rests with the teams to report on outcomes both to the senior AFP officer in-country and to the Manager Counter-Terrorism International in AFP HQ. This arrangement is consistent with the functional model employed generally within the AFP, where functional managers in AFP HQ have accountability for matters relating to their functional responsibility that may be pursued within the AFP's state or territory offices. The arrangement was considered and reaffirmed by an AFP International Policy Coordination Group (IPCG) in May 2011.

### Selecting and preparing staff

**4.8** Maintaining an overseas presence is a significant commitment for a government agency. It requires the agency to adopt policies and procedures that allow not only for the selection of appropriate personnel, but also for the provision of appropriate preparatory training consistent with the requirement of the posting.

**4.9** AFP policy on the selection, preparation and deployment of staff overseas is set out in the *AFP National Guideline on deployment to overseas AFP offices*, which has been in place since 2002 and was last reviewed by the AFP in 2010. The AFP undertook an internal audit of the international post staffing and selection procedures in 2009, and concluded that the process was robust and effective at identifying the best candidates from any given pool of applicants. While the audit examined pre-deployment training, this was limited to the AFP's general pre-deployment training program, rather than training that may be required to meet the specific requirements of an individual posting.

**4.10** During the course of international fieldwork, key stakeholders raised concerns with the ANAO regarding the level of preparation provided to AFP personnel prior to deployment. Particular concerns were raised in regard to the language skills of AFP officers deployed into environments where there was a requirement to regularly conduct business in languages other than English. At all the posts visited, the ANAO was advised that AFP personnel were

generally considered the least well prepared of Australian personnel deployed offshore to undertake work of this nature.

**4.11** Intensive language training in support of the offshore counter-terrorism deployments was a key element of the 2004 FTAS initiative, with more than \$11 million provided over five years for language and cultural training. Accordingly, the ANAO examined the level of pre-deployment language training provided to AFP officers working in Indonesia, Thailand and the Philippines at the time of the audit. The ANAO also looked at the timing of the selection processes, and whether adequate time was allowed for appropriate training to be provided to personnel prior to deployment. The ANAO consulted with other Australian agencies who routinely deploy staff to Indonesia, Thailand and the Philippines<sup>71</sup>, to gain an insight into the different approaches taken to the preparation of personnel for deployment to these countries.

#### *Language and general pre-deployment training*

**4.12** Of the 44 AFP personnel deployed to Indonesia, the Philippines and Thailand at the time of the audit, more than two thirds (30 officers) had received no language training from the AFP prior to deployment (Table 4.1). The ANAO observed that of the:

- five AFP personnel deployed to the Philippines, only one had relevant language training prior to deployment (the AFP advised that while beneficial socially and for establishment and developing working relationships, language training was not considered an operational requirement in the Philippines as English is the official language and is widely used in government);
- 32 AFP personnel deployed to Indonesia, 22 (68 per cent) had received no language training prior to deployment; and
- seven AFP personnel deployed to Thailand, four (57 per cent) had received no language training prior to deployment.

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<sup>71</sup> The ANAO consulted with the Department of Foreign Affairs and Trade (DFAT), the Australian Agency for International Development (AusAID), the Department of Defence (Defence), and the Australian Security Intelligence Organisation (ASIO).



**4.13** Of the staff deployed to Indonesia, the Philippines and Thailand on counter-terrorism matters (including the Counter-Terrorism Liaison Officer in Indonesia):

- neither officer deployed to Thailand received pre-deployment language training;
- three of the six deployed to Indonesia received no pre-deployment language training (although one officer had earlier received extensive training by the AFP in Indonesian, several years before the officer was identified for posting to Indonesia). Of those provided with pre-deployment language training, only two received face-to-face training, one for three weeks and another for seven weeks. The third officer received four months online training<sup>72</sup>; and
- one of the four staff deployed to the Philippines had received pre-deployment language training, totalling around seven months of face-to-face training in both Indonesian and Tagalog.

**Table 4.1**

**Language training provided to current AFP personnel overseas**

Country of Posting	Some Language Training	No Language Training
Indonesia	10	22
Philippines	1	4
Thailand	3	4
<b>TOTAL</b>	<b>14</b>	<b>30</b>

Source: AFP advice on 7 September 2011 of the pre- and post- deployment language training provided to current personnel to Indonesia, the Philippines and Thailand.

**4.14** Relevant language skills can be important for both operational and broader relationship management. During the course of audit fieldwork in Thailand and Indonesia, it was apparent that AFP personnel regularly interacted with, and sought to maintain ongoing relationships of influence, with foreign law enforcement personnel who did not comfortably converse in English. It was also apparent that the ability to speak the local language was highly regarded even by local law enforcement personnel who were able to speak conversational English. The value of language training was recognised

<sup>72</sup> DFAT advised the ANAO that it generally allows 10 months for Bahasa Indonesia language training, and 13 months for Thai language training.

in a 2011 internal AFP assessment of lessons learnt in administering the FTAS initiative in Indonesia, which noted:

One glaring deficiency ... is the limited number of personnel attached to the JRCT who can speak Indonesian. It is highly recommended that personnel selected for posting to the JRCT either have an existing Indonesian language capability or be selected with sufficient lead time to enable them to be taken off line and undertake an extensive language training program.

**4.15** Adequate pre-deployment preparation requires forward planning to identify the requirements of particular positions and to initiate selection processes with sufficient lead-time to allow for relevant training to occur. The policies on the timing of selection decisions in place for selected agencies with officers posted to Thailand, Indonesia and the Philippines are described in Table 4.2.<sup>73</sup> In those agencies, the policy is for staff being posted overseas to be advised of their upcoming deployment generally six to nine months before they are to begin their new role, with up to an additional 12 months notice if the posting requires language training.

**Table 4.2**

**Selected agencies — months from staff selection to deployment (target)**

Agency	Where English is sufficient	Where additional language skills are required
ASIO	09–10 months	21–22 months
AusAID	06–09 months	06–09 months
Defence	06–12 months	18–24 months
DFAT	03–06 months	Up to 22 months

Source: Advice to the ANAO from ASIO, AusAID, Defence and DFAT.

**4.16** One third of the AFP staff currently deployed to Indonesia, Thailand and the Philippines at the time of audit fieldwork had less than three months notice of the decision to deploy them to those countries. Only a quarter had more than nine months notice (see Table 4.3)

<sup>73</sup> The advice provided by agencies reflects performance targets (rather than necessarily describing actual performance) in those agencies.

**Table 4.3****Notice provided to AFP staff selected for overseas posting**

	Number of staff receiving:				Total Staff
	less than 3 months	3 to 6 months	6 to 9 months	more than 9 months	
2008	0	3	1	1	5
2009	3	1	8	0	12
2010	2	3	0	1	6
2011	8	0	0	8	16
<b>TOTAL</b>	<b>13</b>	<b>7</b>	<b>9</b>	<b>10</b>	<b>39</b>
<b>% of TOTAL</b>	<b>33%</b>	<b>18%</b>	<b>23%</b>	<b>26%</b>	<b>100%</b>

Source: ANAO analysis of surveyed AFP officers currently deployed to Indonesia, the Philippines and Thailand.

**4.17** At the time of the audit, the AFP policy concerning international selection processes did not provide a framework for identifying the training requirements for individual postings, and for promoting timely selection decisions and the provision of appropriate pre-deployment training. The AFP advised the ANAO in August 2011 that an informal review of the requirements of individual postings had been undertaken to support a more structured approach to identifying language training needs and to support the taking of selection decisions in a timely manner, and of the need to progress this matter. Advice from the AFP in February 2012 indicates that the AFP does not yet have a clear process in place or timetable for finalising a formal policy in relation to this matter.

**4.18** While the AFP, in common with other agencies, does not formally remove officers from their current roles until deployment is imminent, DFAT, AusAID, Defence and ASIO officers were generally released for extensive full-time pre-deployment preparation prior to posting. Current AFP policy is for personnel to be released to undertake a general two to three week International Liaison Office Pre-embarkation Program (ILOPP) and for additional placements and briefings to be arranged as required. AFP officers are generally not taken off-line to undertake language training, rather it is undertaken in addition to ongoing duties.

**4.19** The ANAO reviewed whether the AFP officers deployed in Indonesia, the Philippines and Thailand at the time of the audit had participated in the ILOPP training program and found that more than a quarter had not. This in

part reflects the decision by the AFP to cancel the May 2011 ILOPP training program for budgetary reasons. For officers who would otherwise have participated in the May 2011 ILOPP program, the International Network arranged shorter individual familiarisation and preparation programs. The ILOPP program was resumed in November 2011.

**Table 4.4**

**Number of staff participation in ILOPP training — personnel deployed to Indonesia, the Philippines and Thailand as at 31 December 2011**

	Number of staff who received:		Total Staff
	ILOPP training	No ILOPP training	
2008	5	0	<b>5</b>
2009	16	0	<b>16</b>
2010	7	2	<b>9</b>
2011	5	10	<b>15</b>
<b>% Total</b>	<b>73%</b>	<b>27%</b>	

Source: ANAO analysis of AFP data provided September 2011 (for 2008 and 2009) and February 2012 (for 2010 and 2011). Does not include officers transferring from an existing international posting.

*Language training and the Culture and Language Centre*

**4.20** The AFP established a Culture and Language Centre (CLC) in 2005 to deliver the focused training envisaged by the 2004 FTAS initiative. As previously noted, the 2004 decision by government identified \$11.2 million for language training over the first five years of the initiative (see Table 1.1). While the subsequent decision in 2009 to provide ongoing funding to support FTAS did not identify a specific level of funding for language training, it did explicitly provide for ongoing development of the CLC, including to provide investigators with an understanding of ideologies, communities at risk and individuals disposed to radicalised behaviour.

**4.21** Responsibility for the ongoing administration and policy in relation to the CLC rests with the National Manager Human Resources. Since 2008, the CLC has been directed by a Consultative Committee consisting of the National Manager Counter-Terrorism, National Manager Human Resources and the (former) National Manager Border and International, although an internal AFP briefing from early 2011 notes that ‘this group has not met for over a year and there seems little interest in continuing the direction’.

**4.22** In May 2011, the ANAO was advised that Counter-Terrorism and International postings were the primary drivers for language training in the

early stages of the CLC, but the Centre was now focused on supporting broader AFP requirements, including ACT policing. Activity was managed through an annual planning process, but no longer-term business or strategic plan had been developed for the CLC.

**4.23** At the time of the audit, the AFP had no documented policy regarding the role of the CLC in the provision of language training, or the provision of language training generally. Although the delivery of language training was included in the original 2005 FTAS implementation plan, no targeted policy on language training was developed, and training was pursued on a case-by-case basis. A draft *AFP Practical Guide on the CLC Language Training Program* was prepared in 2009 but was not finalised. Internal AFP briefings suggest the CLC had developed a broad focus, providing cultural training through a variety of external providers, providing access to training in priority languages for staff across the AFP, and maintaining an internal linguistic database.

**4.24** While acknowledging the broader role played by the CLC, it is clear that effectively coordinating the provision of appropriate language training, and securing an appropriate return on this investment, has been an ongoing challenge for the AFP:

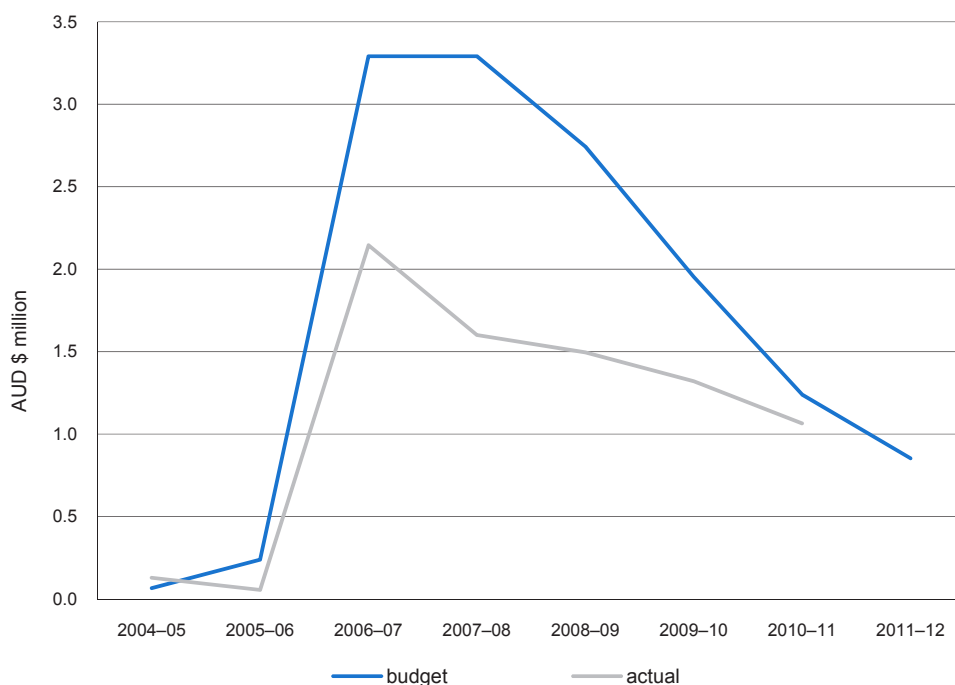
- A 2008 review of the CLC expressed concern regarding limited processes in place to identify the critical languages to support its objectives from a strategic and operational perspective and a lack of strategic oversight, noting the existing consultative committee was primarily concerned with lower level operational matters. This review also noted some operational areas had been unable to release staff for training and that once trained, staff were not always placed in roles using their language skills.
- In 2009, the Manager Counter-Terrorism International wrote to the CLC noting that 'language training has been an area that has presented various challenges associated with governance, consistency and organisational support that we need to do our best to rectify'.
- Progress reporting on the FTAS initiative for the period ending 2010 noted difficulties in identifying officers in a timely fashion to undertake intensive language training, and that consultation between Counter-Terrorism and the CLC was needed to address the issue.

- A 2011 internal AFP assessment of language training noted that ‘since 2008, more than \$1.8 million has been expended on language training for which there is minimal quality assurance or ongoing return on investment for the AFP’.
- During a briefing in August 2011, the CLC advised the ANAO that one of the biggest challenges in providing effective language training remained the availability of staff to undertake training.

**4.25** While the provision of language training has presented ongoing challenges for the AFP, expenditure by the CLC has regularly fallen short of internal targets. The ANAO observed continuing underspends in the CLC over the life of the FTAS initiative (see Figure 4.1), which have persisted notwithstanding a significant reduction in the level of funding made available to the CLC. Over the period of the initiative, funding available to the CLC has been reduced, from \$3.29 million a year in 2006–07 down to less than \$1 million in 2011–12.

**Figure 4.1**

**CLC budget and expenditure (\$million), 2004–05 to 2011–12**



Source: ANAO analysis of AFP documentation.

**4.26** The ANAO was advised in October 2011 that the AFP was considering options for increasing the availability of immersive in-country language training, particularly in Indonesia. To limit costs, it was proposed to locate language students at the AFP-funded Jakarta Centre for Law Enforcement Cooperation (JCLEC). This approach would also provide networking opportunities and allow AFP members to familiarise themselves with police vocabulary. The possibility of extending this initiative to other countries in the region was also being considered. The AFP advised in February 2012 that a proposal to commence in-country immersion training in Indonesia was under consideration.

## Conclusion

**4.27** The 2004 FTAS initiative provided in excess of \$3 million a year to support intensive language training to maximise the benefits to the AFP and Australia of the operational co-location of AFP personnel with foreign law enforcement officers. At the time of the audit, the majority of AFP officers deployed for offshore counter-terrorism cooperation had received no pre-deployment language training and the AFP was still to finalise and implement an effective strategy that would:

- set agreed standards for the language proficiency required for individual offshore positions;
- select officers in sufficient time to allow appropriate language training to be provided; and
- provide for the release of officers to allow them to undertake appropriate language training.

**4.28** There is considerable scope for the AFP to provide language training support to a level more consistent with the expectations established, and funding provided, by the Government in its 2004 decision.

## Recommendation No.3

4.29 To maximise the benefits achieved by operational co-location of counter-terrorism personnel in non-English speaking countries, and to better meet the expectations of government, the ANAO recommends that the AFP introduces formal arrangements to:

- (a) clearly identify the language requirements of each relevant position; and
- (b) select officers for deployment in sufficient time to allow for appropriate pre-deployment training and make officers available to undertake training prior to deployment.

**AFP Response:** Agreed.

## Intelligence and surveillance

4.30 The 2004 FTAS initiative provided \$22 million over five years to enhance the AFP's counter-terrorism intelligence capacity<sup>74</sup> and \$17.4 million over the same period to fund additional counter-terrorism surveillance teams. Continued support for an enhanced intelligence capacity was included in the Government's decision to extend funding for the FTAS initiative in 2009, and the maintenance of the enhanced intelligence and surveillance capabilities was incorporated in subsequent AFP planning.

4.31 In considering the AFP administration of these elements of the FTAS initiative, the ANAO was conscious that much of the growth in core AFP capacity over the decade following September 2001 was achieved through a complex array of new policy initiatives, which created new capabilities and expanded existing ones. Many initiatives, like FTAS, combined both of these dimensions. The Government's decision in late 2009 to consolidate many of the new policy initiatives into ongoing funding reflected in part a reappraisal of the base resourcing needed for the AFP to meet ongoing government priorities.

4.32 In this context, the ANAO examined the manner in which the AFP had oversight of the expanded intelligence and surveillance capabilities, including through regular executive reporting. The ANAO considered a range of

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<sup>74</sup> In addition to funding the creation of two additional counter-terrorism intelligence teams, this element of the initiative funded a small number of specialist positions elsewhere within the AFP (in the areas of media, policy and legal) required to support the higher level of operational activity arising from the measure. The ANAO has not examined the roles and performance of these additional staff.



electronic reporting and related documentation, and held discussions with key AFP personnel.

### **Enhanced intelligence capacity**

**4.33** The FTAS initiative supported an ongoing expansion to the AFP's counter-terrorism intelligence capacity, including the creation of a dedicated Counter-Terrorism Intelligence – International (CTII) team within AFP HQ<sup>75</sup> and the provision of support for intelligence training and cooperation (including within the region).

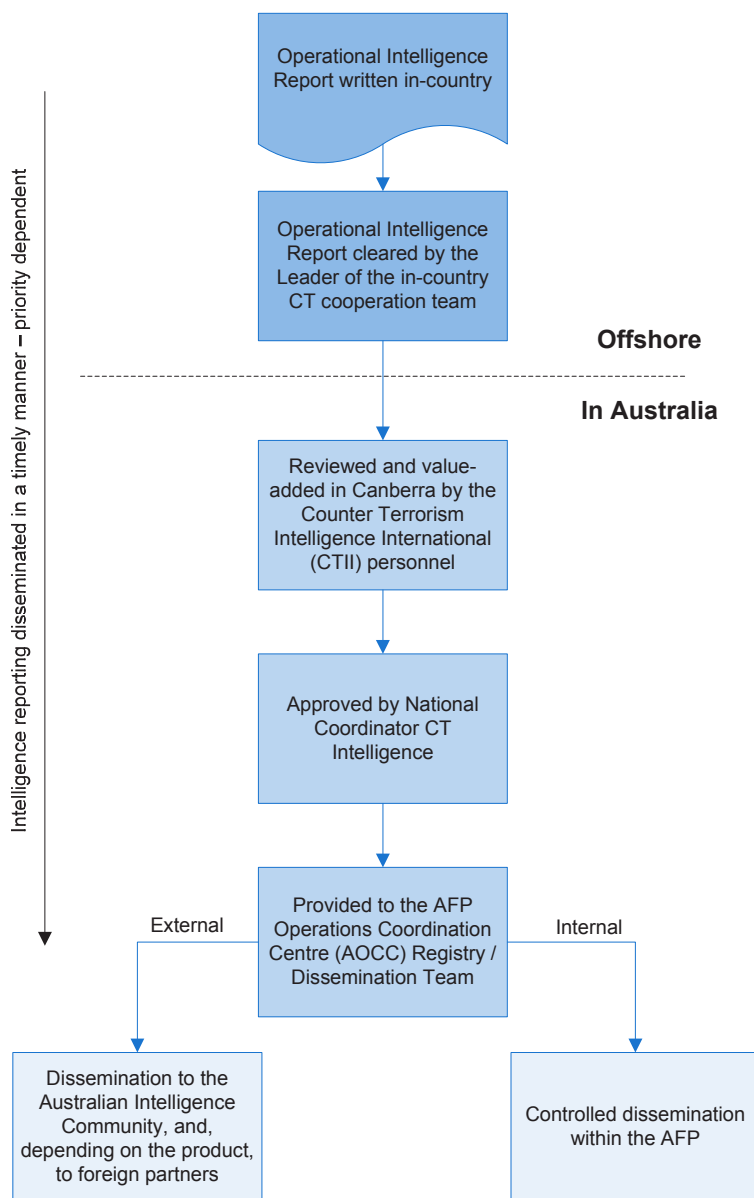
**4.34** The CTII team plays an important role in supporting the flow of intelligence between AFP staff operating internationally, including in South East Asia, and both AFP HQ and the broader Australian intelligence community. This role is described in Figure 4.2.

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<sup>75</sup> While the size of the team may vary over time depending on operational priorities, the revised 2010 FTAS implementation plan provided for a team of 19 personnel, consistent with the Government's original decision in 2004.

**Figure 4.2**

**AFP dissemination process for intelligence gathered offshore**



Source: ANAO analysis of AFP documentation.

**4.35** The ANAO did not examine the content of the intelligence reports channelled through the CTII team, but did review a selection of planning and reporting documents generated by the Intelligence portfolio over the period of

the FTAS initiative, including reports relating to the flow of intelligence reports by location. The ANAO found a generally robust process for planning and reporting against progress with plans, and for capturing and reporting on activity levels and engagement with key members of the Australian intelligence community. The ANAO also found evidence of considerable engagement between the CTII team and the offshore cooperation teams.

## Enhanced surveillance capacity

**4.36** The AFP has employed the funding provided under the FTAS initiative for improved counter-terrorism surveillance capacity to provide enhanced surveillance support to operations generally, including counter-terrorism operations. Internal reporting notes that counter-terrorism has been a significant user of the enhanced physical surveillance capacity, and that counter-terrorism investigators have provided positive feedback regarding the enhanced surveillance capacity. However, there is limited visibility over the extent to which additional funding from the FTAS initiative has been applied to counter-terrorism investigations. Advice prepared by the relevant AFP manager in 2009 noted:

Allocated funds were smeared across the geographical office budgets due to surveillance forming part of the office / operations flexible pool. These funds were not ... manage(d) centrally and therefore did not allow for direct visibility of the budget and expenditure.

**4.37** Nonetheless, internal reporting identified a significant number of counter-terrorism investigations which have received surveillance services on a priority basis. Performance in this area was regularly reported to the AFP executive as part of coordinated quarterly reporting on the FTAS initiative during 2008 and 2009, although the inability to advise accurately on expenditure against this element of the initiative was noted. The limitations on visibility means it is difficult to make an assessment of the administration of this initiative.

## Australia-based support for capacity building

**4.38** The AFP has a long history of engagement with regional law enforcement agencies to support the development of forensic and technical capabilities in respect of a broad range of transnational crime types, including terrorism. This has included activities conducted under the 2003 *Philippines - counter-terrorism assistance* initiative, the 2004 FTAS initiative and the 2006 *National Security—Regional Law Enforcement Liaison and Capacity Building*

initiative, as well as activities funded through the AFP's ongoing *Law Enforcement Cooperation Program (LECP)*.<sup>76</sup>

**4.39** The Forensic and Data Centres (FDC) portfolio has supported a range of initiatives aimed at enhancing the forensic science and technical capacity of regional law enforcement agencies in the Asia-Pacific region. The AFP advised the ANAO that between 2004 and 2009, more than \$9 million of FTAS funding was directed to the FDC portfolio to support capacity development through the regional network of BDCs and other specialist facilities and groups, and through the maintenance of a domestic capacity to effectively respond to incidents within the region.

**4.40** While the establishment and support of BDCs and other facilities in Indonesia, Thailand and the Philippines has been discussed in Chapter 3, the FDC also provides ongoing support for the operations of the South-East Asia Bomb Data Centre Working Group (SEABDCWG).<sup>77</sup>

**4.41** The SEABDCWG was formed in late 2006 with the purpose of developing and maintaining relationships between regional BDCs. The SEABDCWG currently comprises BDCs from Indonesia, Malaysia, Philippines, Singapore, Thailand and Australia, and is currently chaired by the Australian BDC (ABDC). The ABDC provides continuing financial and operational support for biannual SEABDCWG meetings, which are hosted by SEABDCWG member countries on a rotational basis. The meetings provide the opportunity for member countries to provide information on the current situation in their immediate region, allowing comparisons to be made across the region which are documented in collaborative bulletins and disseminated throughout the wider counter-terrorism intelligence community. The first SEABDCWG meeting was held in Malaysia in September 2006, with representatives from

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<sup>76</sup> The LECP is administered by the AFP's Serious and Organised Crime Portfolio. The LECP was established in 1997 with funding drawn from the *National Illicit Drugs Strategy*. With an initial focus on cooperative law enforcement initiatives within the Asia Pacific region, the program grew over time with funding drawn from a range of new policy initiatives, including measures aimed at preventing people smuggling. While new policy funding for the LECP ceased in 2008–09, the AFP has elected to maintain the LECP from within its funding base, with \$4.6 million allocated in 2010–11 to support 24 capacity building measures.

<sup>77</sup> The SEABDCWG is a sub-group of the International Bomb Data Centre Working Group (IBDCWG), which was formed in 2005 as a collaborative body of bomb data centres and recognised government agencies, focused on the efficient and effective sharing of technical intelligence on explosives as well as other information related to the unlawful use of explosives. More than 30 countries, including Australia, participate in the IBDCWG. <[www.afp.gov.au/~media/afp/pdf/3/3-6-quiet-times-are-a-blast.ashx](http://www.afp.gov.au/~media/afp/pdf/3/3-6-quiet-times-are-a-blast.ashx)> [accessed 7 December 2011].

Indonesia, Thailand, Malaysia, the Philippines, Singapore and the AFP, and the most recent meeting was held in Sydney in late 2011.

**4.42** A 2011 assessment by the ABDC noted that SEABDCWG meetings have resulted in standardised products being adopted and used by all the member BDCs, allowing for timely dissemination of information, and that this information is shared with the AFP counter-terrorism intelligence community and other agencies as appropriate. The ANAO attended several sessions of the July 2011 SEABDCWG meeting held in Jakarta and noted the ongoing challenges presented by the differing levels of organisational maturity and the variance in approaches to organisation and operations. The ANAO observed opportunities to improve the extent and timeliness of information sharing between participating agencies and the potential to continue to refine the operations of the SEABDCWG to improve the participation of member countries.

**4.43** Based on observations at the July 2011 SEABDCWG meeting, discussions with ABDC personnel and a review of SEABDCWG documentation, the ANAO formed the view that the working group provides an effective means for engaging with regional BDCs and maintaining an awareness of emerging capabilities and issues. However, continued active engagement by the AFP is important to realising the potential benefits offered by the group, and the AFP may wish to give consideration to developing a forward plan for SEABDCWG engagement as a key part of its current review of regional BDCs.

## Conclusion

**4.44** To support offshore activities undertaken under the FTAS initiative, the AFP was provided with funding to develop language and cultural skills to maximise the benefits of operational co-location over the longer term; to further develop supporting domestic counter-terrorism intelligence and surveillance capacity; and to provide Australia-based support to regional counter-terrorism capacity-building projects (including the establishment of, and support for, regional bomb data centres).

**4.45** The 2004 FTAS initiative provided funding to support intensive language training that would allow the AFP to maximise the benefits of operational co-location with foreign law enforcement officers. However, at the time of the audit, the majority of AFP officers deployed to Indonesia, the Philippines and Thailand had received no pre-deployment language training. Furthermore, the AFP had not yet formally implemented an effective policy

that: identified the language requirements of individual offshore positions; selected officers in sufficient time to allow appropriate training to be provided; and made officers available to undertake that training. Accordingly, the ANAO has recommended (paragraph 4.29) that the AFP improve the pre-deployment preparation to a level more consistent with the expectations established, and funding provided, by the Government in its 2004 decision.

**4.46** The ANAO reviewed the administration of the enhanced intelligence and surveillance capacity supported by the FTAS initiative. The enhanced intelligence capacity is governed by generally robust processes for planning and reporting, in regard to both activity levels and engagement with key members of the Australian intelligence community. There is considerable engagement between the offshore and onshore teams in relation to intelligence production. There was less direct visibility of the budgeting and expenditure of this enhanced counter-terrorism surveillance capacity, as it was being delivered through a more general expansion of AFP surveillance activity. A review of internal reporting did identify a significant number of counter-terrorism investigations that have received surveillance services on a priority basis. However, to make an assessment of the administration of this initiative would require a broader consideration of the overall administration of surveillance support to operations within the AFP, which was outside the scope of this audit.

**4.47** The development of the regional network of bomb data centres (BDCs) and other specialist facilities was considered in the context of offshore operations and is discussed in Chapter 3 of this report. In addition to supporting the development of offshore facilities, the AFP also provides ongoing support for the operations of the SEABDCWG, which provides an effective means for engaging with regional BDCs and maintaining an awareness of emerging capabilities and issues. However, to realise the potential benefits offered by the group, the AFP may wish to consider developing a forward plan for SEABDCWG engagement as a key part of its current review of regional BDCs.

## 5. Monitoring and Evaluation

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*This chapter examines the AFP's arrangements for promoting effective organisational oversight of the implementation of, and outcomes arising from, the FTAS initiative. It considers the arrangements put in place by the AFP to monitor progress toward achieving agreed outcomes and subsequent steps taken by the AFP to evaluate whether the initiative has achieved the overall objectives set by government. It also reviews measures taken by the AFP to identify and effectively manage key risks.*

### Introduction

**5.1** Implementation of policy is most effective where relevant objectives and priorities have been established, and progress against objectives and priorities is regularly assessed. The Government decision on 30 November 2004 to commit more than \$97 million over five years to support AFP efforts to fight terrorism in the region included five key deliverables and articulated a number of success measures for the NPI, including:

- that resources are expended in the way they are intended (spend resources against identified priorities);
- that measures of effectiveness are in place (e.g. deterrence, arrest and prosecutions, client satisfaction);
- improved regional inter-policing network through strong collaboration and cooperation; and
- skills transfer.

**5.2** Accordingly, the ANAO examined arrangements put in place by the AFP for promoting effective organisational oversight of the initiative, including the extent to which individual elements of the initiative met the objectives articulated by government and provided a sound basis for feedback to key stakeholders (including government) and for ongoing decision-making within the AFP. This included consideration of initial planning by the AFP and monitoring of progress against those plans, as well as the AFP's identification of key risks to the initiative and the strategy for managing those risks.

## Implementation planning and monitoring

### Government expectations

5.3 The Government's 2004 decision included five key deliverables:

- the establishment of two counter-terrorism regional engagement teams;
- the provision of intensive language training in high priority regional languages to bolster the AFP's regional counter-terrorism capacity;
- the creation of additional counter-terrorism intelligence and surveillance teams, with supporting staff and tools; and
- counter-terrorism capacity-building projects, including intelligence operations training and the establishment of a bomb data centre in Indonesia.

5.4 The decision included the requirement to establish an appropriate implementation team and to review the initiative late in its life to inform government decision-making in relation to future directions. Implementation was expected to be undertaken expeditiously. Terms of engagement in key foreign countries were to be agreed, in-country teams established and language training commenced by 1 January 2005. Capacity-building projects were to be commenced by 1 July 2005.

5.5 The Government's 2009 decision provided ongoing support for many of the key elements of the original FTAS initiative. It included continued support for offshore counter-terrorism cooperation teams in Manila and Jakarta, for enhancing regional forensic capacity and for providing ongoing specialist support to regional law enforcement. It also provided ongoing support for enhanced AFP intelligence capacity (including related support for regional law enforcement agencies) and for further development of the AFP's Culture and Language Centre (CLC) to improve AFP understanding of ideologies, communities at risk and individuals predisposed to radicalised behaviour.

5.6 The Government's 2009 decision did not identify specific measures of success or key milestones but noted that there would be quarterly assessments of operational outcomes, in line with AFP internal business reporting requirements, and a review of the program in 2012.



## Implementation planning

5.7 An initial implementation plan for the FTAS initiative was agreed in May 2005 and revised in July 2008 for the final financial year of the NPI. It was further revised in 2010 to reflect the requirements of the Government's 2009 decision to extend the initiative.<sup>78</sup> A separate implementation plan for the establishment of an in-country counter-terrorism team in Bangkok was developed in June 2006.

5.8 Initial implementation planning appropriately included a comprehensive implementation strategy with outputs and milestones closely aligned with the parameters agreed by government. Overall functional responsibility was clearly established, with the National Manager Counter-Terrorism having executive oversight of implementation and strategy, although accountability for individual elements of the implementation strategy was not specified. Success criteria and benefits were identified, risk and stakeholder analysis was undertaken, and financial and procurement issues were considered.

5.9 Additionally, in line with the aspects of the government decision regarding arrangements for monitoring and evaluation, a performance review framework was established, comprising:

- by 1 January 2005, establishing an AFP implementation team with representatives from each key AFP business area, convening and reporting at least quarterly;
- between 1 January 2005 and 30 June 2009, conducting regular inter-agency and intra-agency meetings to report on outcomes, agency and regional needs and expectations;
- between 1 January 2005 and 30 June 2009, measuring performance against validated performance measures;
- between 1 April 2005 and 30 June 2009, reporting quarterly to the Department of the Prime Minister & Cabinet (PM&C) on progress;

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<sup>78</sup> The August 2010 revision to the FTAS implementation plan was finalised by the AFP notwithstanding advice to the National Manager Counter-Terrorism from the project manager on 29 July 2010 that it was 'no longer a requirement' as the initiative was now 'business as usual'. However, the project manager recommended finalising the plan to 'ensure proper management in line with financial reporting requirement, expected deliverables and government expectations'.

- by 31 May 2005, finalising the implementation plan; and
- by 1 January 2006, fully integrating the initiative into functional outcomes and performance measures.

**5.10** A July 2008 update to the FTAS implementation plan that was, distributed to (among others) the Cabinet Implementation Unit within PM&C, advised stakeholders that it had been updated to 'address further deliverables for final financial year of NPI'. A comparison by the ANAO of the 2005 and 2008 implementation plans reveals no change to the implementation strategy with the outputs, delivery model, milestones, exclusions, assumptions, success criteria and benefits unchanged from the 2005 plan. Of the nearly forty specific milestones included in the May 2005 plan for delivery prior to 23 July 2008, the 2008 revised plan did not identify any as complete and was not otherwise updated to reflect actual delivery. The revised plan did include some useful reordering of the constituent elements of the risk assessment, including identifying the most significant risks and those responsible for the management of associated mitigation strategies.<sup>79</sup>

**5.11** The 2010 update effectively revised the deliverables to reflect both the expectations inherent in the Government's 2009 decision and the current status of various elements of the initiative. The update maintained the focus on the provision of offshore support, including through teams in Jakarta, Manila and Bangkok, mentoring to already established explosive laboratories (including bomb data centres) in Jakarta and Manila, and ongoing support for language and cultural training through the CLC. Maintenance of an enhanced domestic capacity and ongoing support for regional capacity initiatives were also identified (including support for the SEABDCWG and the rollout of the Case Management Intelligence System (CMIS)<sup>80</sup> to South-East Asia).

## Monitoring implementation

**5.12** The implementation planning undertaken by the AFP provided a generally sound basis for administration and oversight. It identified clear

<sup>79</sup> Documents reviewed by the ANAO suggest the original 2005 implementation plan was not relied upon as an active support to project management in the early years of the initiative. A file note from July 2008 describing the work associated with preparing a bid for renewed budget funding and preparation for quarterly reporting notes that 'Implementation plan was located and the 2005 version updated'.

<sup>80</sup> CMIS is a case management application, similar to the AFP's Police Real-time Online Management Information System (PROMIS), which is highly configurable and can be translated into many languages. The use of CMIS by regional police forces is significant for improving information exchange and departing from traditional paper-based files.

accountabilities, resource implications and overarching time frames, and established an assurance framework consistent with government expectations. However, the ANAO found that the AFP's delivery of its implementation strategy, particularly in regard to establishing appropriate organisational oversight, fell well short of the strategy outlined in its implementation planning.

**5.13** In particular, there was little documentation describing the establishment and operation of project management arrangements within the AFP from the time of the FTAS inception in 2004, through to 2007. The ANAO found no evidence of the establishment of an implementation working group or team to oversee progress with the implementation of the initiative, no explicit assessments of the extent to which the milestones established in the implementation strategy were achieved, nor evidence of measurement of performance against validated performance measures. Similarly, evidence suggests reporting to PM&C was more limited than envisioned by the implementation strategy, which proposed quarterly reporting over the life of the initiative: two reports were provided during 2006, at which time all elements of the initiative reported on received a 'green light', and a further report in 2008.

**5.14** The ANAO's findings are consistent with the findings of a 2009 AFP internal audit of the implementation of the MRCT and JRCT, which concluded that the key policy objectives of the measure had been met but that:

- maintenance of documentation for the implementation of the initiative was poor;
- no steering committee or internal taskforce was used to monitor the progress of the NPI; and
- the financial costs associated have not been captured for the life of the NPI.

**5.15** The lack of executive visibility regarding progress with specific new policy initiatives was a broader organisational difficulty acknowledged by the AFP in 2008, reflecting the profound growth and change within the organisation at that time. In acknowledging these difficulties, the AFP moved to:

- strengthen support, training and guidance to project managers in the AFP;

- provide coordinated reporting to the AFP executive on progress in implementing new policy initiatives, against agreed time, cost and quality indicators; and
- establish an 'organisational knowledge repository' on program and project management.<sup>81</sup>

**5.16** The new arrangements significantly improved the overall executive visibility of progress with the initiative, although reporting focused on current activities (that is, outputs, outcomes and benefits arising in the quarter, and the outlook for the next quarter) rather than a progressive assessment against the base line program established by the implementation strategy. Four of the six quarterly reports provided to the AFP executive from late 2008 gave implementation an 'amber' rating<sup>82</sup>, primarily due to an inability to accurately report the financial status of significant project elements. While some elements of the initiative provided clear advice on progress of expenditure against allocations, the approach to the management of the initiative across a number of portfolios, combined with the structure of financial systems within the AFP, has made it difficult for the AFP to provide assurance that resources were expended in the way they were intended.

**5.17** At the same time as being engaged in the broader organisational initiatives to improve the monitoring of new policy implementation, in 2008 the National Manager Counter-Terrorism moved to also establish a quarterly counter-terrorism new policy coordination meeting. The meeting was chaired by the National Manager Counter-Terrorism and involved key stakeholders with responsibilities for delivery on elements of counter-terrorism new policy initiatives. While intended to further enhance internal visibility of project management, a review of the meeting minutes from 2009 and 2010 indicates a strong focus on current activity, rather than a more considered assessment of progress against the core deliverables agreed by government. Furthermore, the AFP advised in February 2012 that this group had not met since June 2010, although it planned to recommence meetings in early 2012 to ensure

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<sup>81</sup> The AFP's identification of, and response to, this matter is discussed in ANAO Audit Report No.29 2010–11 *Management of the Implementation of New Policy Initiatives*.

<sup>82</sup> The AFP Executive Quarterly Report on New Policy Initiatives and Major Projects employed a three level rating system. Projects rated as 'green' were considered to be on track or only requiring minor refinement, projects rated as 'amber' faced real or potential implementation risks which should be brought to the Senior Executive's attention but may still be successfully implemented if risks were effectively managed, while projects rated as 'red' had either experienced implementation failure or were likely to do so.

appropriate deliverables were reflected in relevant business and action plans for 2012–2013.

**5.18** As noted previously, the AFP was aware of ongoing difficulty in accurately measuring overall expenditure on the initiative.<sup>83</sup> Notwithstanding initiatives aimed at improving financial transparency<sup>84</sup>, problems in identifying and reporting the overall costs remain. In particular, the AFP has advised that its financial management systems have an operational and functional focus, making it possible to quickly ascertain expenditure on specific cases and operations but more difficult, and sometimes not possible, to identify the total expenditure on a specific initiative managed and delivered across portfolios with elements integrated into ongoing business. This creates specific difficulties for those parts of the FTAS initiative being managed in an integral fashion with other business, such as counter-terrorism surveillance and intelligence, and many of the corporate support elements of the initiative. Changes to functional arrangements over time also made estimates of the overall cost more difficult.

**5.19** The AFP's moves to strengthen its oversight of the implementation of new policy initiatives and major projects were given added impetus in 2010, when the Commissioner agreed to the creation of a new Portfolio Management Office (PMO), with increased funding, to revitalise the portfolio, program and project management environment in the AFP.<sup>85</sup> While this enhancement does not directly impact on the administration of the FTAS initiative, it does provide a source of expertise to support specific projects that may be conducted within the FTAS umbrella, and represents a significant organisational commitment to improved practice.

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<sup>83</sup> In 2007, the AFP Senior Executive, National Managers Group when asked to consider the AFP input to the Regional Counter Terrorism Effectiveness Review, were advised that:

'Advice from Budgets & Reporting notes that the extent to which the AFP can provide explicit, defensible figures in terms of spending to date remains a concern given the structures of the financial systems used by the AFP... As such, the proposed qualitative approach <of the PM&C review> will prove beneficial for the AFP in terms of our preference to report on contextual successes, reputation and attitudinal trends and the establishment of networks and relationships with international counterparts. This approach may alleviate at least some of the difficulties associated with providing purely quantitative data.'

In its final review submission, the AFP noted that 'it is not possible to quantify employee expenditure'.

<sup>84</sup> For example, in 2009 (following the government decision to extend the FTAS initiative), National Manager Counter-Terrorism requested that National Managers responsible for the delivery of elements of the FTAS initiative ensure that all related expenditure (including supplier, staffing and capital) be attributed to a nominated internal order code. To be effective, the internal order code needed to be consistently applied, including for salary expenses. This did not occur.

<sup>85</sup> ANAO Audit Report No.29 2010–11 *Management of the Implementation of New Policy Initiatives* p. 93.

## Conclusion

**5.20** AFP records reveal limited evidence of effective implementation of the performance review framework described in the implementation plan. However, reports on operational performance (such as reports against action plans, situation reports and internal intelligence product reports) and information provided in other contexts (including the AFP submission to the 2007 Regional Effectiveness Review and the 2009 AFP internal audit of the JRCT and MRCT) make it clear that significant operational activity was in train and subject to oversight by line management. It is apparent that core elements of management accountability were in place and functioning effectively, with significant progress being made toward the achievement of the goals of the FTAS initiative.

**5.21** However, the level of visibility and assurance suggested by the implementation plan was not effectively secured and there was scope to improve the focus on whether the specific objectives or milestones articulated in the project implementation plan were being delivered. While the level of visibility of overall progress with the FTAS initiative was substantially improved from 2008, there remain ongoing difficulties in clearly accounting for the use of resources dedicated to the project. Furthermore, implementation management and reporting have given priority to addressing current and emerging priorities and activities but have not generally considered progress against the high level objectives and the baseline for delivery established through the organisationally endorsed implementation strategy. Although it is not critical that these matters be at the forefront of the day-to-day management of an initiative, to maintain adequate accountability over time, it is important that they be addressed formally and periodically, either as part of the ongoing management framework or as part of a regular program of review. Such assessments also provide insight into the ongoing adequacy of the strategic management framework and provide important assurance to stakeholders, including government.

## Evaluation

**5.22** The extent to which the FTAS initiative and related measures (or elements thereof) have achieved the overall policy goals has been evaluated by the AFP on several occasions since 2006 (see Table 5.1).

**Table 5.1****AFP initiated evaluation activity**

Year	Review
2006	The AFP undertook an internal audit of the administration of the JCLEC. The AFP ABDC reviewed the progress of the Philippines BDC.
2007	The AFP prepared a project closure report for the Philippines Counter-Terrorism Capacity Building Project. In formulating the AFP contribution to the PM&C led Counter-Terrorism Regional Effectiveness Review the AFP reviewed the performance of a number of counter-terrorism regional programs, including FTAS.
2008	The Counter-Terrorism portfolio, in advance of the preparation of a proposal to continue funding for the FTAS initiative beyond the original (2004) approval, undertook a structured review of the overall performance of the FTAS initiative (there was no documented overall assessment of progress flowing from this report). The AFP commissioned an external review of the CLC, focused on positioning the CLC in the future.
2009	The AFP prepared draft NPI Transition Reports for the JRCT, the MRCT and the CLC, although they were not finalised. The AFP undertook internal audits of the JRCT and MRCT, and of International Posts Staffing and Selection. The Counter-Terrorism portfolio again initiated a structured review of the overall performance of the FTAS initiative to support planning and implementation following the government decision to extend the initiative for a further four years (there was no documented overall assessment of progress flowing from this report). The AFP commissioned an external review of Border & International Business Capability and Support functions.
2011	In February, the AFP prepared an New Policy Initiative Transition Report for the FTAS initiative overall. In May, the AFP undertook a review of International Network coordination.

Source: ANAO analysis of AFP records.

**5.23** In addition, the following reviews were in train but, at the time of preparing this report, had yet to finalised:

- a review of counter-terrorism international engagement and effectiveness; and
- a review of progress with the establishment of regional bomb data centres.

**5.24** The program of evaluation has provided coverage of both the achievement of key policy goals for the FTAS initiative, and related measures, as well as identifying opportunities to improve their administration. The reviews have included canvassing key stakeholders and staff engaged in



implementation, as well as consideration of the operational outcomes relevant to the policy objectives set by government. Importantly, the reviews have highlighted some areas that provide an ongoing challenge for the AFP executive, including the high-risk and volatile nature of the mission and the importance of relationships and effective relationship management to the achievement of operational objectives. The evaluations have also highlighted the importance of appropriate language skills (and the consistent difficulty in meeting that requirement over time) and the need to give high priority to considering issues relating to sustainability in capacity building.

**5.25** The key themes emerging from these reviews are consistent with the ANAO's assessment of the challenges that have faced the AFP in the administration of the initiative since its inception. Some of the challenges, which have been identified and reported over a number of years, were still evident at the time of audit fieldwork, highlighting the need for a sustained and consistent approach to their management. The challenge for the AFP is not so much the identification of areas for improvement but the development and sustainment of effective approaches to dealing with the issues which have been identified. In this respect, it is important that the AFP take steps to effectively leverage corporate capacity to build and disseminate organisational knowledge regarding the implementation of complex initiatives. For example, such capacity could be strengthened through more regular engagement with the AFP PMO in evaluating or transitioning significant projects (the PMO was not engaged with the preparation of the new policy initiative transition report for FTAS). It is also important that the responses to issues arising, for example in relation to the provision of language training, are sustainable responses engaging all key stakeholders.

**5.26** During fieldwork in Indonesia, Thailand and the Philippines, the ANAO examined a number of capacity development projects where either funding or manpower had been made available through the FTAS initiative, or where the project outcomes were closely related to the objectives of the FTAS initiative. The ANAO examined evidence of the planning associated with the projects and the transition and evaluation arrangements employed in each case. Overall, the ANAO identified no consistent practice in regard to planning and evaluation, including a lack of effective organisational arrangements for collecting and sharing the learning derived from individual projects. The ANAO also observed considerable variation in the achieved sustainability of capacity projects, and in the requirement for ongoing AFP engagement to support capacity.



**5.27** The scope for improving the administration of capacity-building initiatives, including more effectively using in-house project management expertise, was discussed in Chapter 2. The AFP advised in February 2012 that the International Deployment Group (IDG) had outsourced the development of a performance measurement framework for international police operations, including police stabilisation and capacity development, to the University of Queensland. In addition to examining opportunities to more effectively engage the AFP PMO in planning and evaluation of capacity development projects, the AFP may wish to examine the applicability of this framework to the activities conducted through the FTAS initiative and related measures.

## Risk management

**5.28** Effective implementation planning generally includes the early identification of key risks to project outcomes, and the development of strategies to manage those risks so that the organisation can take considered judgements about the acceptability of residual risk. The AFP's initial implementation planning included a risk analysis and assigned responsibility for mitigation strategies. The risk analysis provided a generally sound assessment of those risks arising from internal human and financial resource constraints and the possibility of technical failure, but did not address:

- the risks arising in the management of relationships with regional law enforcement agencies, which could impact on the continued effectiveness of the offshore counter-terrorism deployments and their supporting operations; and
- the physical security and / or reputational risks associated with AFP engagement with specific agencies or activities.

**5.29** The effective management of relationships with foreign government and law enforcement partners is challenging but critical to secure ongoing support for both individual initiatives and for the engagement more generally. Relationships with key persons are particularly important for the success of both operational and capacity-building initiatives. However, the long-term institutional relationship must also be broadly-based and appropriately balanced if the relationship is to be sustainable over time, and to maintain momentum in the face of the regular movement of personnel within the foreign law enforcement agencies, as well as within the AFP.

**5.30** It would be appropriate for the AFP to consider formalising its approach to identifying and mitigating the risks associated with managing its

relationships with foreign law enforcement agencies as part of its overarching regional counter-terrorism strategy. This would assist in maintaining appropriate high-level oversight of, and engagement with, the management of issues arising in these relationships. It would also provide enhanced assurance to the AFP executive regarding the sustainability of relationships with foreign law enforcement agencies, and the AFP's ability to realise the benefits arising from cooperative activities.

**5.31** Personal security risks are inherent in the nature of the engagement with regional law enforcement agencies engaged in counter-terrorism actions. During the course of audit fieldwork, it was apparent that the AFP had in place robust arrangements for conducting security assessments relevant to the operating environment and physical movement of personnel deployed in accordance with the initiative. This included the provision of a dedicated security officer in Jakarta, providing services to the AFP within South-East Asia. However, while day-to-day practice effectively acknowledged the risks, the AFP's approach to managing these risks was not reflected in current strategy.

**5.32** Close engagement with foreign law enforcement agencies engaged in domestic counter-terrorism and / or insurgency operations, including the provision of operational, technical and equipment support, may also pose significant reputational risks to the AFP, beyond those normally associated with cooperation on conventional criminal matters. The ANAO recognises the extensive consultation, both formal and informal, undertaken by the AFP to underpin decisions to offer assistance of a particular kind or in regard to a particular matter or class of matters (for example in regard to matters where an offence may attract a capital penalty). However, formalising a comprehensive assessment of risks and associated mitigations strategies would assist the AFP in maintaining clear visibility of those risks and provide assurance to the AFP executive and other key stakeholders regarding their effective management.

**5.33** The AFP advised in February 2012 that the treatment of relationship, personal and reputational risks would be reflected in a comprehensive risk management strategy being prepared as part of a proposed Counter-Terrorism International Engagement Strategy. Development of the strategy was ongoing, however it was yet to be considered by the AFP executive.

## Conclusion

**5.34** The AFP's approach to project management and associated oversight arrangements has been inconsistent over the life of the initiative, with little

evidence of the implementation of effective organisational monitoring and evaluation strategies prior to 2008. While arrangements are now better developed, there remain challenges in meeting the accountability expectations evident in the Government's decisions. The ANAO findings are consistent with a 2009 AFP internal audit report which determined 'maintenance of documentation for the implementation of the [FTAS] initiative was poor; ... and, the financial costs associated have not been captured for the life of the [initiative]'. The FTAS initiative and related measures (including the JCLEC) are required to be reviewed in 2012 and the AFP may have difficulty in effectively addressing the financial aspects of the administration of the measures for the review.

**5.35** As noted, the AFP's monitoring of the principal operational elements of the FTAS initiative has improved over time and the current arrangements are broadly effective. There is appropriate executive visibility of key elements of the measure delivered by the counter-terrorism teams offshore, and a regular appraisal of progress toward overall goals and the challenges arising in the course of implementation. However, the relationship, reputational and physical risks associated with counter-terrorism cooperation are not clearly identified in strategic documentation. Improved identification of key risks in strategic planning documentation, along with relevant approaches to and accountabilities for risk mitigation, would improve overall executive visibility and assurance.

**5.36** Several past reviews of the FTAS initiative and related measures have identified persistent challenges for the AFP in maximising the benefit arising from capacity-building projects. Effectively addressing these challenges will require a disciplined organisational response and leveraging of existing corporate capacity.

## Recommendation No.4

5.37 The ANAO recommends that the AFP reviews the approach to managing the risks associated with the offshore regional counter-terrorism teams, with a particular focus on supporting clear executive visibility of the:

- (a) strategies for mitigating the risks that arise in the management of the relationship with the host law enforcement agencies; and
- (b) management of the physical security and / or reputational risks associated with the engagements.

**AFP Response:** Agreed.

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Ian McPhee

Auditor-General

Canberra ACT

19 April 2012

# Appendices



## Appendix 1: Agency response



# AFP

AUSTRALIAN FEDERAL POLICE

**AUDIT IN CONFIDENCE**

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30 March 2012

Mr Ian McPhee PSM  
Auditor-General  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601

Dear Ian

I refer to correspondence from the Australian National Audit Office (ANAO) of 6 March 2012, under the signature of Mr Tom Clarke, which provided the Australian Federal Police (AFP) with the proposed audit report on *Fighting Terrorism at its Source*. The proposed audit report has been provided to the AFP pursuant to sub-section 19(1) of the *Auditor-General Act 1997*.

Attached are the AFP comments on the proposed audit report. The comments are consistent with the ANAO request that they be provided in three parts (Attachment A).

The AFP has welcomed the opportunity to contribute to the ANAO performance audit, *Fighting Terrorism at its Source*. The AFP commends the professional engagement of the ANAO team with the AFP during the audit process. The commentary provided within the report, and the recommendations, are accepted by the AFP.

Should your office require any further assistance in relation to this matter, the AFP contacts best placed to assist you are either Commander David Stewart, Manager Counter Terrorism International (6131 5758) or Ms Deborah Todd, Manager Internal Audit and Business Analysis (6131 5731).

Yours sincerely,

T.W. Negus APM  
Commissioner

**AUDIT IN CONFIDENCE**

**AFP Response** - The AFP has welcomed the opportunity to contribute to the ANAO performance audit *Fighting Terrorism at its Source*. The AFP accepts the commentary provided within the report and agrees with the recommendations arising from the audit.

As noted by the ANAO, international terrorist events (notably in the USA, Indonesia, and the Philippines) was one contributing factor in the AFP realising, over a period of six years from 2001 to 2008, real growth in annual funding of 170 per cent and a doubling of staff numbers. This increase occurred not only in the AFP's Counter Terrorism function, but more broadly across operational areas including Protection, Aviation, the International Deployment Group, the High Tech Crime Office and the Forensic and Data Centre.

NPI funding for *Fighting Terrorism at its Source* commenced in 2004-2005 and since 2009-2010 has been embedded in the AFP's ongoing budget and responsibilities. The AFP notes that the ANAO has concluded that the AFP's administration of the FTAS initiative and related measures has been generally effective, aligns with whole-of-government priorities and programs and is supported through well developed relationships with domestic and international stakeholders.

The AFP acknowledges that a more strategic management approach will sustain and grow the valuable work already achieved through the FTAS initiative. Further success will be achieved through implementation of the four recommendations in this Report.

The AFP advises that it has commenced a significant body of work to progress components of the recommendations. This work includes, for example:

- The AFP annual review of the International Engagement Strategy which articulates the international priorities of the AFP.
- The AFP International Policy Coordination Group has oversight of international deployment.
- AFP Counter Terrorism will undertake a comprehensive risk assessment of offshore regional counter terrorism activity and the resultant Risk Matrix will be incorporated into the International Engagement Strategy.
- The ongoing development of Regional Engagement Strategies which articulate to AFP officers on deployment, their objectives and priorities specific to the region in which they are deployed.
- A focus on organisational efficiencies and governance arrangements.
- Through the AFP Project Management Office the AFP will deliver improvements in business processes associated with the implementation, management and oversight of new policy initiatives.

The AFP National Manager, Counter Terrorism has engaged with AFP business areas regarding the recommendations and, through this, has commenced a renewed program of strategic focus of the FTAS initiative. Action related to the recommendations will continue to be a priority for the AFP.



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