

The Auditor-General
Audit Report No.28 2004-05
Performance Audit

Protecting Australian Missions and Staff Overseas

**Department of Foreign Affairs and Trade
Australian Trade Commission**

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of Australia 2005

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Canberra ACT
21 February 2005

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Foreign Affairs and Trade and the Australian Trade Commission 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. The report is titled *Protecting Australian Missions and Staff Overseas*.

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 'P. J. Barrett'.

P. J. Barrett
Auditor-General

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

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Overview

Background

1. The Department of Foreign Affairs and Trade (DFAT) is responsible for implementing the Government's foreign and trade policy agenda. This largely occurs through a network of more than 80 overseas missions.¹ These missions contribute to the protection and advancement of Australia's national interests, provide consular services to Australians overseas, and undertake public diplomacy.
2. DFAT has overall carriage of Australia's external relations but other agencies have official interests that require their presence abroad. Agencies that are so represented at DFAT overseas missions are known as 'attached agencies'. Staff of these agencies operate under the overall supervision and control of the Head of Mission (HOM), who is the senior representative of the Australian Government.
3. About 1700 Australia-based² staff work in the overseas missions. In addition, about 3100 locally engaged staff (LES) are employed by DFAT and the attached agencies.
4. Missions range from large, complex office structures with 75 or more A-based staff and 150 or more LES employed by a range of agencies, to one or two person operations representing the entire Commonwealth.
5. Some embassies are freestanding 'standalone' structures within a walled compound, while others occupy space in high-rise buildings. Similarly, residential accommodation for staff ranges from freestanding houses and apartments, to secure compounds.
6. Responsibility for all aspects of security at overseas missions rests with the HOM. HOMs are required to appoint an experienced officer—normally the Deputy HOM—to the position of Post Security Officer to assist with day-to-day security tasks.
7. The Australian Trade Commission (Austrade) maintains a presence in 101 locations in 57 countries overseas. Of these, 43 offices are co-located with DFAT, with DFAT responsible for security while 36 physical offices are managed independently of DFAT, with Austrade responsible for security.³

¹ These include embassies, high commissions, consulates and multilateral missions.

² Australia or A-based staff are appointed to the mission from the departmental head office in Canberra.

³ Of the 36 physical offices managed independently of DFAT, 17 are consulate posts, which provide a range of consular and immigration services, in addition to providing export services. The remaining points of presence comprise a network of locally based Trade Consultants.

Overseas security environment

8. Mission staff may be exposed to a variety of threats such as politically motivated violence, crime and civil disorder, both in the chancery building and in their residences. The level of the threat varies from country to country, depending on a range of factors such as the capacity of the host government security force to provide a secure environment.

9. On a global scale, the threat environment in which Australian missions operate has deteriorated significantly in the last few years. The attacks of 11 September 2001 demonstrated the new dimensions of global terrorism, while the attacks in Bali in October 2002 and at the Australian Embassy in Jakarta in September 2004 underlined the growing threat to Australia.

10. The Government's July 2004 White Paper on terrorism confirmed that Australia is a terrorist target both domestically and overseas.⁴ The increased threat from terrorism to Australia's interests overseas, combined with the highly diverse settings which Australian missions operate in, poses significant new challenges for the physical protection of Australia's extensive overseas network, which was developed in a more benign threat environment.

Recent improvements to security

11. The Government has sought to address the rapidly changing security environment through review of physical security processes and upgraded security measures and standards. The Government provided additional funding of \$31.7 million over five years, following the October 2002 Bali bombing, and an additional \$74.5 million over five years following the November 2003 bombing of the British Consulate in Istanbul.

12. Prior to the Jakarta bombing, DFAT had increased the range of protective security measures across its overseas network. This included improved perimeter security, increased guarding and the installation of access control systems. Both DFAT and Austrade had begun the process of relocating some missions, in response to the changing security environment, with further relocations planned in coming years.

13. Additional security staff have been employed in DFAT Canberra, including the creation of a new section in July 2004 to deal with security at new chanceries, with further staffing expansions underway. During the audit, Austrade also increased its physical security staffing in its central office in Canberra.

⁴ *Transnational Terrorism: The Threat to Australia*, 15 July 2004, p. 66.

14. In October and December 2004, the Government announced two further upgrades of physical security overseas, with funding packages totalling \$674 million over five years. This funding will support a wide range of measures at overseas missions, including blast protection, strengthening perimeter barriers, and the purchase of specialised detection equipment and armoured vehicles. In some cases, where chanceries cannot be made sufficiently secure, missions are to be relocated.⁵

Audit approach

15. The overall objective of this audit was to assess the management of the physical protection of Australian missions and staff overseas. The high-level criteria for the audit are set out at Appendix 1.

16. In summary, the audit examined whether:

- appropriate security guidelines and training arrangements had been established to facilitate the physical protection of overseas missions and staff;
- timely and appropriate security risk assessments were undertaken for overseas missions and staff;
- minimum physical security standards had been established, and whether the physical protection provided to missions and staff reflected their assessed level of risk; and
- effective arrangements were in place to monitor and assess the effectiveness of physical security arrangements at overseas missions.

17. DFAT was the main focus of the audit, given its responsibility for security at some 80 overseas missions. The audit also included limited coverage of Austrade, which has responsibility for security at the 17 consulates that it operates.

18. Audit fieldwork was undertaken in DFAT and Austrade Canberra, in four higher-risk DFAT posts, and in one Austrade-managed post.⁶ The ANAO interviewed agency staff and reviewed files and information management systems. Other key attached agencies that operate from overseas missions were consulted.

19. The ANAO kept DFAT and Austrade informed of emerging issues during the course of this audit. The ANAO understands that recent initiatives to improve security have been informed by this audit.

⁵ Minister for Foreign Affairs, Media Release, 8 December 2004.

⁶ Post is short for an overseas mission.

20. The audit was conducted in accordance with ANAO standards. The cost of the audit to report tabling was \$440 000. The ANAO engaged ASIO-T4⁷ to assist with the conduct of the audit as expert advisers.

Findings

21. In accordance with Section 37(1)(a) of the *Auditor-General Act 1997*, the Auditor-General has decided to omit particular information from this public report. The reason for this is that such information would prejudice the security, defence or international relations of the Commonwealth (Section 37(2)(a)).

22. In accordance with Section 37(5) of the Act, a report including this information has been prepared and a copy provided to the Prime Minister, the Finance Minister and the Ministers for Foreign Affairs and Trade.

23. Findings and recommendations address the following broad areas.

Guidance, training and skills

24. The ANAO found that DFAT has comprehensive agency-wide security instructions, supported by a supplementary range of post specific instructions. There are some gaps in the latter. The consolidation of various guidance materials at posts would assist a consistent and well-directed response to security incidents.

25. Austrade's security guidance, both agency-wide and at posts, is in need of review and update. This includes better consolidation of guidance at posts, and ensuring that relevant staff are informed about, and have ready access to, the guidance.

26. To establish and maintain a strong security culture among their staff, organisations need to regularly promote and evaluate security awareness. The ANAO found that DFAT Canberra provides useful pre-posting training on both physical and personal security. Austrade is currently strengthening its pre-posting training.

27. DFAT posts provide comprehensive, timely and useful briefs for newly arrived staff. Post briefing arrangements at Austrade need to be strengthened. Refresher training at both DFAT and Austrade posts is ad hoc, and requires a more systematic approach.

⁷ ASIO-T4 is a unit of the Australian Security Intelligence Organisation that provides protective security services to government clients. These services include protective security risk reviews and advice, and security equipment testing.

28. Responsibility for day-to-day security matters at DFAT posts usually rests with the Deputy Head of Mission (DHOM), who is well placed to coordinate security across the post. DHOMs have a range of other responsibilities and often delegate security tasks to other staff.

29. Few posts have full-time security managers. Consequently, there is a risk that those responsible for security at posts are under pressure across a range of duties. The adequacy of current arrangements in DFAT, and Austrade, warrants review on cost/benefit grounds.

30. Additional security training for those staff with substantial security responsibilities at the both DFAT and Austrade posts would also help ensure that they are adequately equipped to discharge their security responsibilities.

31. In view of the increased importance of physical security at overseas missions, DFAT should ensure that those responsible for providing security advice to overseas missions have appropriate expertise in relevant areas of physical security and are effective.

Physical security risk management

32. DFAT Canberra reviews the threat of violent physical harm annually for each post. The outcome of the review is advised to the Senior Executive.

33. The review helps to inform the allocation of funds to address identified security risks at each post. However, this approach now requires strengthening to better meet needs in the current threat environment.

34. In particular, more actively involving posts in the review would give them greater ownership and understanding of the assessment process. As well, more detailed analysis of the impact of measures taken on reducing risk would better inform management and assist decision-making.

35. Refining criteria and guidance for allocating funds across the networks for security enhancements would also better assist transparency, understanding and decision-making in both DFAT and Austrade.

36. At the operational level, the ANAO found that DFAT and Austrade posts are responsive in managing security risks that emerge on a day-to-day basis.

37. However, while DFAT posts identify a range of risks in post documentation, the approach falls short of a systematic risk identification and management process in some important respects. A more systematic approach to this requirement at DFAT posts, involving attached agencies, would help to ensure that risks are identified, prioritised and directly linked with associated treatments. This would also assist effective monitoring and review.

38. Austrade's threat and risk assessment processes are less well developed than DFAT's. They require strengthening. This would be achieved by establishing a threat assessment process that has clear objectives and serves a practical purpose, and linking threat ratings to security measures. A more systematic approach to risk identification and management at Austrade posts would also help ensure that risks are prioritised and directly linked with treatments.

Physical security framework

39. DFAT follows a key principle of effective physical security management—'security-in-depth'—as set out in the *Protective Security Manual*.⁸ That is, security at DFAT overseas missions is based on layers of different security measures combining to support and complement each other. DFAT adopts a threat-based approach to the deployment of protective security measures, with the number and nature of measures increasing with the threat level.

40. DFAT records protective security measures in a database, which supports monitoring of their deployment. Improving the accuracy and timeliness of information recorded in the database would make it a more useful management tool.

41. Clarifying the description of measures for both chanceries and residences, and more clearly defining the relationship between measures and threat levels, would increase the assurance that posts have a clear understanding of the measures that are expected to be in place.

42. Better management of measures would also be achieved in DFAT by more clearly specifying the standards required for some measures, and by formalising policies in relation to the nature and location of chanceries and residences. The arrangements for the protection of some information relating to mission security needs to be improved.

43. In Austrade, the development of a comprehensive set of minimum security measures that apply to all posts would provide greater management assurance that a consistent approach is being applied across the network. Additional measures for deployment at higher threat posts also need to be developed. Measures need to be directly linked to threat levels, and appropriate standards for those measures specified, so that they will be adequate for the threat.

⁸ The *Protective Security Manual* outlines the Commonwealth's protective security policy. It provides specific guidance to agencies on the protection of the Commonwealth's information, assets, personnel and clients from potential security threats.

44. In Austrade, the development of generic residential security measures, linked to threat level, would provide greater assurance that staff are adequately protected at home.

Operational effectiveness

45. The ANAO engaged ASIO-T4 to review the effectiveness of physical security measures in place at four DFAT and one Austrade mission.

46. This review had regard to the threat levels for the missions, but was not an evaluation of those threat levels. Risks potentially applicable to each of the posts included: risks posed by vehicle and pedestrian access; the risk of improvised explosive devices within mission grounds or at their perimeter; and ballistic risk to mission personnel.

47. Key physical security aspects examined included the following:

- Guards
- Building construction
- Setback
- Perimeter security
- Electronic security and access control
- Mail handling
- Motor vehicle use and social gatherings
- Equipment maintenance and servicing
- Emergency procedures

48. Potential weaknesses and vulnerabilities identified at the missions visited were brought to the attention of post management, as well as to DFAT and Austrade in Canberra. The ANAO made a range of recommendations to help address potential physical security vulnerabilities in the DFAT and Austrade networks.

Monitoring the security of overseas missions

49. DFAT has established arrangements for reporting security incidents and breaches at its overseas posts. However, some aspects relating to breaches need to be improved. This includes clarifying the definition of a security breach, particularly where it involves matters other than the handling of classified information. Development of a system of graded security breaches would also improve current arrangements.

50. DFAT has also established a range of mechanisms that provide a reasonable framework for monitoring the security of overseas posts. However, there are a number of areas that require improvement. In particular, a more systematic analysis of post conformity with required chancery and residential security measures would strengthen reporting to the Senior Executive.

51. Each of the posts visited had arrangements for attached agencies to provide input to security issues. However, the extent to which they engaged successfully with those agencies varied markedly.

52. Reviewing the effectiveness of posts' consultation with attached agencies on security issues would help ensure that there is effective communication. It would also facilitate understanding and support for security arrangements as well as aid their effective management.

53. Formally seeking regular feedback from attached agencies on their satisfaction with physical security at overseas posts and improving the range of qualitative and quantitative indicators would improve the robustness of publicly available performance information.

54. Austrade's processes for managing and monitoring of security breaches and incidents at posts are less well developed than DFAT's. Central collection and analysis of breach information would facilitate common solutions and identify the need for improved procedures and approaches.

55. DFAT informally provides assistance to Austrade from time to time on security issues. In addition, the size of DFAT's overseas network means that it has greater resources, expertise and capability than does Austrade. The ANAO considers that a more formal arrangement for cooperation would provide better assurance about the effectiveness of the overall deployment of portfolio resources. This should consider means of optimising the joint security resources of the two organisations.

Summary of agency responses

Department of Foreign Affairs and Trade

56. The global security environment in which Australian missions are operating has been deteriorating in the last few years. The Government has been progressively putting in place new processes and measures to address the new threat environment, with additional funding provided through a number of major decisions including the packages of security measures for overseas posts, worth \$674 million over five years, announced in October and December 2004. The package is the latest stage in a longer term program which aims to ensure new and enhanced minimum security standards at all posts, and reflects the priority the Government attaches to the security of staff and visitors to Australian missions.

57. The Department welcomes the audit's independent assessment and its recognition that the management of security at overseas posts by DFAT is fundamentally sound. The effectiveness of measures at posts was illustrated by the efficient response to the bombing outside the Australian Embassy in Jakarta, and the performance of the building in relation to that event. Improvements completed, underway, or planned address the recommendations of the ANAO, as well as providing other enhancements to our security overseas.

Austrade

58. The Australian Trade Commission (Austrade) attaches the highest priority to the security of the people who work in and visit its posts overseas and to this end welcomes the findings of the audit.

59. In the context of the changing global security environment and working closely with the Department of Foreign Affairs and Trade, Austrade has, and will continue to refine and enhance its approach to security. A range of improvements has been implemented during the course of the audit and the findings of the audit will usefully inform ongoing activities to enhance security of Austrade posts and residences.

60. In the 2004–05 Budget, and again in December 2004, the Australian Government allocated significant additional funding to enhance security at Austrade managed posts. This funding supplements existing activities and expenditure being incurred to strengthen security, consistent with the audit findings.

Canberra ACT
21 February 2005



P. J. Barrett
Auditor-General

Appendices

Appendix 1: High level audit criteria

1. Are there comprehensive and up-to-date security instructions covering mission/personnel security?
2. Do mission staff receive timely and adequate security training?
3. Are roles and responsibilities relating to the physical protection of mission/staff clearly articulated and well understood?
4. Is there an overall plan for the management and where necessary, upgrade of security at overseas missions?
5. Are there up-to-date security risk assessments for each mission?
6. Are there minimum physical protection standards that apply to all missions?
7. Do physical security measures at missions reflect the assessed level of risk?
8. Are the required physical security measures at the mission in place and operational?
9. Are mission security breaches and incidents identified, investigated and reported to mission management and Canberra?
10. Are attached agencies satisfied with mission security arrangements?

Appendix 2: Agency responses

Department of Foreign Affairs and Trade

The report recognises (in paragraphs 8–14) the very high priority given by the Government to enhancing security at Australia's overseas missions. As outlined in the report, the global security environment in which Australian missions are operating has undergone a major change in the last few years. This was outlined in the Government's July 2004 White Paper *Transnational Terrorism: The Threat to Australia*.

The Government has sought to address the changed environment through a thorough and ongoing review of physical security processes and upgraded security measures and standards, backed by a number of significant funding decisions including, most recently, the major packages of security measures for overseas posts, announced in October and December 2004. This funding will substantially improve our ability to mitigate against the potential impact of the physical threats associated with the uncertain global security environment.

The December package is the latest stage of a longer term program which aims to put in place new and further enhanced minimum security standards at all posts. It builds on a number of important previous measures including funding in 2004 for window blastproofing at all posts and a package of measures in 2003 providing for the relocation of a number of higher risk missions and the introduction of new security features.

The report makes a number of recommendations for improving Austrade's approach to security at its overseas posts. DFAT is involved in discussions with Austrade on strategies to better co-ordinate and improve their security reporting and training and to ensure that liaison between the relevant areas of the two organisations is close and effective. DFAT and Austrade already cooperate in many areas, ranging from regular consultations on security issues, including on security measures at high threat posts, to the provision of on-the-ground security advice by visiting DFAT security specialists.

Guidance, training and skills

The DFAT Security Instructions are currently the major guide for posts, and are a comprehensive and accessible reference document for posts. The additional security funding provides resources to build on the comprehensive program of security training currently available in Canberra, including for all staff proceeding on posting. DFAT's systematic approach to security training ensures that all staff are well drilled in responding to security incidents. This was illustrated by the response to the bombing of the Australian Embassy in Jakarta, where staff undertook the appropriate security response in a calm, highly professional manner because of the training and regular practice regimes in place.

Security is a core management responsibility in posts and additional resources are being made available to support post management. Training for officers proceeding overseas is being further developed, particularly those with substantial security responsibilities, including a specific course targeted at post security officers.

Physical security risk management

DFAT has developed a systematic and dynamic risk assessment process to review the risk of violent physical harm from politically motivated violence, crime and civil disorder at all overseas posts. It takes place at several levels: annually at the global level to ensure consistency and comprehensiveness; regionally on an ad hoc basis in relation to specific major events; and on a day-to-day basis at individual posts in relation to specific threats. The annual review of threat and risk ratings for all overseas posts draws heavily on a systematic process of regular reporting from posts and other agencies. A report, which takes account of how well security measures at post mitigate against the threats and the scope for further measures, is presented to DFAT's Senior Executive for their consideration and endorsement. These ratings then inform decisions about security funding at posts. In addition, there is an active and ongoing daily dialogue with higher risk posts to regularly assess threats, based on new information at posts and on updated intelligence assessments, with consideration to the need for additional security measures to reduce the risk.

Physical security framework

The report commends DFAT for its systematic approach to physical security management based on the security-in-depth principle. The report acknowledges that DFAT's approach is soundly based and the ANAO's recommendations add value to an already well functioning system.

Physical security measures are tailored closely to the threats faced at posts and posts are consulted closely in developing these measures. Greater staff

resources provided for in the December 2004 package should ensure the information in the physical security measures database remains timely. The process of formalising the new standards being introduced is being accelerated.

Operational effectiveness

DFAT considered the ASIO-T4 assessments and their recommendations, and the findings are being factored into planning where appropriate.

Monitoring the security of overseas missions

The ANAO recommendations are helpful in strengthening a fundamentally sound management system. The Department has a global minimum system of reporting security breaches (defined in accordance with the *Commonwealth Protective Security Manual 2000*) which relates performance to the appraisal process. For more serious breaches, additional immediate action may be taken. The Department would not wish to reduce current standards through the introduction of a graded breach system. The breach system has seen a significant improvement in security practice and awareness in the Department.

Consultation with attached agencies on security issues is a priority issue at posts, with larger posts having post Security Committees, and in Canberra, where inter-departmental meetings are held regularly to brief agencies on measures at posts, particularly those operating in a high threat environment.

Austrade

In the context of the Australian Government's response to the changing global security environment, Austrade has and will continue to refine and enhance its approach to security, in order to ensure a safe working and living environment for people working in and visiting its posts overseas.

The report recognises Austrade's commitment to improving security through the allocation of increased resources and the initiation of measures to improvements to its security risk management framework. In the 2004–05 Budget and again in December 2004, the Australian Government allocated significant additional funding to enhance security at Austrade managed posts. This funding supplements existing activities and expenditure being incurred to strengthen security, consistent with the audit findings.

The report makes a number of recommendations for enhancing Austrade's approach to security at its overseas posts. Austrade welcomes the recommendations, which are consistent with the measures and activities either implemented during the audit or which are currently in train.

Guidance, training and skills

Austrade acknowledges that at the time of the audit, agency-wide and post-specific security instructions required reviewing and updating. The review of Austrade security policies and procedures is complete and revised guidance disseminated to all staff from February 2005.

The issuing of revised guidelines will be coupled with security training to ensure staff are familiar with the organisation's policies. Training for all staff in relation to the content of post security instructions and guidelines will be complete by June 2005.

While recognising Austrade's commitment to improving security through the allocation of increased staffing resources in Australia, the report questions the adequacy of Austrade's security resources overseas. During the course of the audit, resources have been allocated for the appointment of four overseas-based Regional Security Officers who will have responsibility for coordinating security advice and activities in each region as well as managing the implementation of specific security measures.

Austrade's focus on strengthening training for staff being posted overseas is also acknowledged in the report. Reflecting the nature and composition of Austrade offices overseas, a key role of the Regional Security Officers will be to supplement and build post specific security understanding and to facilitate the delivery of targeted training to post staff.

Physical security risk management

The report acknowledges that Austrade is responsive in managing security risks that emerge on a day-to-day basis but notes that Austrade's security threat and risk assessment processes require a more systematic approach.

Austrade established a Security Risk Management Framework in August 2004 in order to provide assurance that security risks are identified, assessed and treated using measures which are demonstrably linked to the assessed risk and which optimise the utilisation of security resources.

A key outcome of the implementation of this Framework will be a dynamic approach to reviewing threat and risk ratings for all overseas posts. The process will draw on existing DFAT systems and experience to ensure consistency of approach. Austrade's Security Advisory Committee will oversee and monitor the process with recommendations as to appropriate security measures being made to the Austrade Board.

Physical security framework

Austrade concurs with the suggestion that it develop a comprehensive set of Austrade-specific minimum physical security measures including appropriate minimum standards and guidelines for both posts and residences. However

the report does not adequately acknowledge, that to date, Austrade has drawn on DFAT minimum physical security standards as a source of guidance to identify necessary measures for new and existing posts.

A range of additional measures for deployment at higher threat posts have been developed and are currently being implemented. These are linked to assessed threat levels.

Operational effectiveness

The ASIO–T4 review provides a source of advice in respect of a very broad range of possible threats. In determining appropriate post-specific physical security measures, Austrade seeks to evaluate and prioritise the likely threats and risks that apply to a specific post. This approach, coupled with the application of minimum security measures that are commensurate with the assessed threat level, will ensure that security risks are treated appropriately.

Monitoring the security of overseas missions

Austrade Security Instructions and Post Security Instructions do currently define what constitutes a security breach as well as setting out reporting procedures. Likewise, enhanced security incident reporting arrangements were implemented in September 2004 and are operating effectively.

The report suggests the establishment of more formal arrangements between DFAT and Austrade in relation to security matters. The relevant areas of Austrade and DFAT currently work closely together, including through regular ongoing liaison and consultation on specific security issues and measures. The involvement of visiting DFAT security officers in physical security reviews of Austrade posts on several occasions provides an example of optimising resources and knowledge sharing within the portfolio.

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