



# Intelligence and Security Committee

## Annual Report 1995

Chairman:  
The Rt Hon Tom King CH MP

Intelligence Services Act 1994  
Chapter 13

Presented to Parliament by the Prime Minister  
by Command of Her Majesty  
MARCH 1996





10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

The Rt. Hon. Tom King, C.H., MP,  
Chairman, Intelligence and Security  
Committee.

26 March 1996

Thank you for your Committee's first Annual Report which I found very helpful. I also valued the meeting with you and your Committee to discuss the Report. Following the consultation with your Committee, I have arranged to have the edited text printed and will lay it before both Houses in the near future.

I was impressed with the amount of work that your Committee has got through, and with the knowledge and understanding that you have acquired in this sensitive and complex area. I was particularly pleased to note your final conclusion that the Committee is "appropriate for the task it has been given and is capable of meeting the purposes which Government and Parliament intended".

Careful note has been taken of your conclusions and recommendations. It would not be appropriate for me to comment on each of them. Nevertheless, I was particularly encouraged that your Committee, as informed but independent observers, concluded that the Agencies had responded rapidly and with flexibility to the changing world scene since the end of the Cold War; but I also agree that all must be prepared for further changing demands in the years ahead.

It is also encouraging to have your support for the involvement of the Security Service in fighting organised crime, through I accept that this work needs to be carefully focused. Your Committee's contribution, through the Report on Security Service Work Against Organised Crime and the comments included in this report, have been of considerable value in the debate on the legislation.

In the light of what your Report said about the Ames case, and as you suggested at our meeting, I have myself reviewed the evidence given to you. I feel satisfied that Ministers were adequately briefed on this case and that, on the evidence so far available, damage to United Kingdom interests was not great. But these are serious issues and I look forward to seeing your conclusions following your further investigations into these matters.

JOHN MAJOR

From the Chairman: the Rt. Hon. Tom King, C.H., M.P.

**INTELLIGENCE AND SECURITY COMMITTEE**

70 Whitehall  
London SW1A 2AS

15 December 1995

The Rt. Hon. John Major, M.P.  
Prime Minister  
10 Downing Street  
London SW1A 2AA

I enclose the first Annual Report of the Intelligence and Security Committee on the discharge of our functions under the Intelligence Services Act 1994. Subject to any consultation with the Committee as provided for in section 10(7) of the Act, we hope that it will be possible for you to lay our Report before each House of Parliament at an early date.

**TOM KING**



# INTELLIGENCE AND SECURITY COMMITTEE Annual Report 1995

## Index

<b>Introduction</b>	-	<b>pages 9-10</b>
<b>Making Oversight Work</b>	-	<b>pages 11-12</b>
<b>Our Work So Far</b>	-	<b>pages 12-19</b>
<i>Background</i>	-	pages 12-13
<i>Tasking the Agencies</i>	-	page 13
<i>The changing nature of the threat</i>	-	pages 13-14
<i>The Agencies' response</i>	-	pages 14-16
<i>Serious organised crime</i>	-	pages 16-18
<i>Economic well-being</i>	-	page 19
<b>Other Issues</b>	-	<b>pages 19-21</b>
<i>Security concerns</i>	-	pages 19-20
<i>Oversight: how others manage it</i>	-	pages 20-21
<b>Conclusions and Recommendations</b>	-	<b>pages 21-23</b>
<b>Future Programme of Work</b>	-	<b>pages 24-25</b>





# INTELLIGENCE AND SECURITY COMMITTEE

## Annual Report 1995

The Rt. Hon. Tom King, CH, MP (Chairman)

The Rt. Hon. Lord Howe of Aberavon, QC      Mr Barry Jones, MP

The Rt. Hon. Alan Beith, MP                      Mr Michael Mates, MP

The Rt. Hon. Dr John Gilbert, MP              Mr Allan Rogers, MP

The Rt. Hon. Sir Archibald Hamilton, MP      Sir Giles Shaw, MP

### Introduction

1. The Intelligence and Security Committee is established under the Intelligence Services Act 1994 to examine the expenditure, administration and policy of the United Kingdom's three Intelligence and Security Agencies: the Secret Intelligence Service (SIS), the Government Communications Headquarters (GCHQ) and the Security Service. Committee members have all been notified under the Official Secrets Act 1989 and we operate within the 'ring of secrecy'. We report directly to you on our work, and through you to Parliament.

2. This is our first Annual Report on the discharge of our functions, but we also made reports to you in the Spring (Cm 2873, May 1995) on the ways in which we had initially set about our task, and in the late Autumn (Cm 3065, December 1995) on the policy decision to bring the Security Service into work against organised crime.

3. During the course of the year, we have met on 38 occasions, and have taken evidence from 46 separate witnesses. A full list of witnesses is at Appendix 1 to this Report; these included:

- Ministers (the Foreign and Home Secretaries);
- the Heads of SIS, GCHQ and the Security Service, and a number of their staff;
- senior officials responsible for the central intelligence machinery in Whitehall (the Cabinet Secretary, the Chairman of the Cabinet Joint Intelligence Committee and the UK's Intelligence Co-ordinator);
- officials from the Ministry of Defence; the Foreign and Commonwealth Office (FCO); the Home Office; the Department

of Trade and Industry (DTI); HM Treasury; the National Criminal Intelligence Service (NCIS); the Financial Fraud Information Network, and the law enforcement organisations (the police and HM Customs and Excise) - both as 'customers' for the Agencies' product and for the other reasons outlined below.

4. We have also had access to two important reviews:

- Sir Michael Quinlan, former Permanent Under Secretary of State at the Ministry of Defence, last year carried out for the Government a review of intelligence requirements and resources of the UK's overseas intelligence effort;
- Mr Roger Hurn, Chairman of Smiths Industries, recently conducted for the Government a review of the activities, structure and effectiveness of GCHQ.

5. In our first year of operations there has been a very considerable amount to absorb and assess. This has been the case not just for those members of the Committee coming new to the subject but also for those with relevant past experience as Ministers in one or other of the Agency fields. Since 15 December last year, the day the Intelligence Services Act came into force, we have met formally while Parliament is sitting at least once every week, and more frequently on occasion, and will continue to do so for the foreseeable future. Because of the nature of our work, we normally meet and take evidence in private in our offices in the Cabinet Office.

6. In addition to formal evidence-taking sessions, we set up in the Summer 'sub-groups' of the main Committee to increase the range of visits to SIS, GCHQ and the Security Service, and relevant out-stations. To date, the sub-groups have conducted nine such visits, three for each of the Agencies. Within the broad range of the Agencies' activities, we are focusing on recruitment, personnel security and vetting, training, staff management and other administrative issues, expenditure questions and the policies that guide their operational work. It is also part of our purpose that we should have the chance to meet staff members at every level, and that they should be able to talk to us about their work and question us on how we see our oversight role. We would add that during these visits we have been impressed by the high quality of staff, who have been informative and helpful.

## **Making oversight work**

7. We are charged with overseeing the Intelligence and Security Agencies' activities. The key to making such oversight work lies in establishing mutual respect and confidence between ourselves and the three Agencies. The Agencies need to be sure that the information they give us is handled in a suitably secure manner, and that we have a reasonably informed understanding of this specialist and complex field. The Committee's concern is that the Agencies in turn understand our needs and are sufficiently frank and open with a new oversight body with whom they have previously not had to relate. These mutual concerns must be met if the Committee is to command the confidence of Parliament and the public. This is an essential foundation for our work, particularly if we were at any time required to deal urgently with some specially sensitive or difficult issue.

8. Our early task has been to build up our knowledge of those aspects of intelligence information, practices and structures which are not otherwise available except to those authorised to have access. Our witnesses have accordingly been drawn almost entirely from those within the system, the 'insiders'<sup>1</sup>. This has been our initial approach, but we recognise the importance also of drawing in 'outside' sources whose different viewpoints will be valuable to us in helping to challenge accepted opinions.

9. We have also looked at other ways in which the Agencies are accountable for their activities. The first of these is the responsibility of the two Commissioners<sup>2</sup>, Lord Nolan and Lord Justice Stuart-Smith. They are statutorily responsible for the judicial oversight of the Interception of Communications, and the Security Service and the Intelligence Services (SIS and GCHQ) respectively. We discussed with them their particular roles in the intelligence and security fields with which we are also concerned.

10. Secondly, there is the responsibility of Ministers. We simply note at this stage that it is a particular characteristic of intelligence and security matters that Ministerial responsibility is placed on the most senior Ministers in Government, who have many other responsibilities to discharge. Moreover, no one Minister save the Prime Minister has overall responsibility for all three Agencies. While the Heads of the Agencies have the right of direct access to the Prime Minister, in the nature of

---

1. See paragraph 3 and Appendix 1.

2. Lord Justice Stuart-Smith is both the Security Services Commissioner and the Intelligence Services Commissioner, under the 1989 and 1994 Acts.

Government it can rarely be exercised. **It is for these reasons that, in advance of any further consideration of this issue, we conclude that there is a particular responsibility on the Agency Heads and senior departmental officials to ensure that Ministers are fully and promptly briefed on relevant intelligence and security issues. We are not satisfied that in every case these responsibilities are being fully discharged<sup>3</sup>.**

11. As our work has progressed, we have become better able to assess whether the structure of this new system of oversight by a small committee of Parliamentarians, reporting to you and through you to Parliament, is appropriate for the task it has been given. **At this relatively early stage, we believe that it is, and that it is capable of meeting the purposes which Government and Parliament intended.**

## **Our work so far**

### **Background**

12. We set out first and foremost to build up our knowledge of the Agencies' individual roles, working methods and current priorities. In our Interim Report in the Spring<sup>4</sup>, we identified our first major subject for enquiry as:

- "how the Agencies have adapted in general to the new situations post-Cold War and, in particular, how tasks and the priorities attached to them have altered, and whether the resources now provided are appropriate to those tasks and used in a cost-effective way"

and gave a number of other major issues on which we proposed to focus as our work developed. These included:

- the extent to which it is appropriate to try to maintain a 'global reach' in intelligence terms;
- increasing resource pressures and their effects on Agency capabilities and staff;
- the extent to which the Agencies are able to maintain their 'core' capabilities and their major investment patterns and commitments;
- the protection afforded to Agency information and operations;
- the Agencies' work with the police and other enforcement bodies in the UK, and their relationships with the civil community;

---

3. See paragraph 35.

4. Cm 2873, May 1995, paragraph 10-11.

- how the Agencies are coping with the ever increasing flow of openly available information.

13. It is possible to approach all these questions from several different directions: structures and organisational responsibilities, resources and funding, and questions bearing on operations. We decided first to look in the round at the post-Cold War World; address in some detail the reduction in the military threat posed by the former Soviet Union (FSU), and the consequent resource allocation decisions taken in the Agencies; and focus in addition on some of the 'functional' issues<sup>5</sup>, in particular work against serious organised crime<sup>6</sup>, on which the Agencies have increasingly been tasked by Government and on which they are now concentrating significant proportions of their effort.

### Tasking the Agencies

14. We examined the systems for tasking the Agencies. The UK's requirements for the collection of secret intelligence are set annually by the Cabinet Joint Intelligence Committee (JIC), and endorsed by Ministers<sup>7</sup>. Intelligence targets are divided into three broad priorities which reflect the importance of particular policy objectives and the significance of secret intelligence in helping to achieve them<sup>8</sup>. These requirements are elaborated in a series of 'Guidelines' papers, which enable SIS and GCHQ to plan the allocation of their resources in more detail. At the working level, the Agencies meet regularly with customer departments to ensure that they are meeting their needs. Outside this formal framework, customers put forward proposals for new or amended requirements, or downgradings or deletions, at any time<sup>9</sup>. The Security Service does not, as yet<sup>10</sup>, have 'customers' in the same sense as the other two Agencies, but its priorities in terms of threats to national security, and the Service's plans to counter them, are examined and validated each year by a sub-committee of the Cabinet Official Committee on Security, and approved by Ministers<sup>11</sup>.

### The changing nature of the threat

15. The Chairman of the JIC told us that the past few years had seen a significant shift in the overall balance of intelligence requirements. With the ending of the Cold War, activity has moved away from traditional NATO-Warsaw Pact concerns towards a more varied range of threats to, and opportunities for, British interests at home and abroad. Increased emphasis is

---

5. See paragraph 15.

6. See paragraphs 26-30, and footnote 25 on page 16.

7. Evidence from the Cabinet Office, December 1994.

8. Evidence from the Chairman of the JIC, May 1995.

9. Evidence from the Cabinet Office, December 1994.

10. See paragraphs 26-29.

11. Evidence from the Cabinet Office, December 1994.

now placed on what are termed 'functional' topics, such as terrorism, the proliferation of weapons of mass destruction, serious organised crime<sup>12</sup> (which is taken to include drug trafficking, money laundering and other international financial crime) and international sanctions<sup>13</sup>.

16. Attention, however, continues to be paid as a matter of the highest national order of priority to some of the more 'traditional' concerns, in particular Russia. The JIC has assessed that neither Russia nor any of the other FSU states currently poses any direct military threat to the UK or to NATO<sup>14</sup>. Russia, however, retains both a formidable strategic capability and the largest conventional armed forces in Europe; and Russian military equipment, which is of generally high quality, is being aggressively marketed around the world. Intelligence customers' needs are, therefore, set increasingly in the context of risks of instability and proliferation concerns. Other high priority tasks include the UK's continuing intelligence needs in relation to Northern Ireland following the 1994 cease-fires; the conflict in the former Yugoslavia, where British forces are operationally deployed; and certain countries in the Middle East. Lower down the priority list, intelligence needs on several regions of the world including Africa and South-East Asia have been considerably scaled down<sup>15</sup>.

### The Agencies' response

17. **It is a measure of the significant shifts in the Agencies' efforts over the past few years that SIS now devotes only about \*\*\* of its operational effort to Russia and the other FSU states, as against almost \*\*\* at the height of the Cold War<sup>16</sup>, this being a reduction of about two thirds. The Service considers its current effort to be the absolute minimum that it can safely devote to the target. For GCHQ, about \*\*\* of the total Sigint effort is still devoted in one way or another to work on Russia (about a half of the previous level)<sup>17</sup>. \*\*\*.**

18. **Only rarely in the Agencies' history have they had to face the major difficulties that are involved in significant shifts of effort and resources.** The disintegration of the Soviet Union, however, was followed rapidly by the Gulf War. This led to a rapid, relatively short term, increase in SIS effort devoted to Iraq and other targets in the Middle East, and to a steady increase on counter-proliferation work. Since that time, the longer-lasting Balkan crisis has led to the Service devoting a significant proportion of effort to a target against which there had previously been very little work. These

---

12. See paragraphs 26-30.

13. Evidence from the Chairman of the JIC, May 1995.

14. Evidence from the MOD, October 1995.

15. Evidence from the Chairman of the JIC, May 1995.

16. Evidence from SIS, March 1995; evidence from the Chief of SIS, May 1995.

17. Evidence from Director of GCHQ, May 1995.

increases, and others designed to meet 'functional'<sup>18</sup> requirements, in turn necessitated balanced reductions across other areas and, on occasion, the closure of less essential SIS stations abroad<sup>19</sup>.

19. GCHQ's reallocation of resources over the same period followed a similar pattern, with the fall in effort against the FSU mirrored by significant increases in effort on the Middle East and the Balkans, and work on other regions of the World staying roughly constant. Among 'functional' topics, there was increased emphasis on work on counter-proliferation, terrorism and serious organised crime in particular. GCHQ has also been altering the balance of expenditure between manpower costs and technical facilities, placing increased emphasis on developing a flexible resource which can quickly be deployed against alternative targets as priorities change<sup>20</sup>.

20. For the Security Service, a significant reduction in the overall 'intelligence threat' posed by the former Warsaw Pact states allowed a consequent reduction to less than half the operational resources required five years ago<sup>21</sup>. We have been told, however, that covert intelligence activity against the UK by Russian intelligence services is now once again on the increase<sup>22</sup>. This has led in turn to the reinstatement of some resources that had previously been moved to other areas of work.

21. Taken together with parallel reductions in the effort necessary to counter subversion, these changes meant that resources could be released to work against Irish terrorism, at a time (1992) when the Service was taking on the lead role in countering Republican terrorism on the British mainland. Monitoring Irish terrorist groups and their supporters has involved just under one half of the Service's operational resources over the past couple of years, and will continue to do so "for at least the next year" in order to produce intelligence in support of the Government's conduct of the peace process<sup>23</sup>.

**22. The scope of these changes presents major challenges of leadership and management for all three Agencies. The Agency Heads have each made clear to us that they recognise the crucial importance of the most sensitive handling of the reassignments and, in some cases, compulsory redundancies that have proved necessary. We welcome these assurances.**

---

18. See paragraph 15.

19. Evidence from the Chief of SIS, May 1995.

20. Evidence from the Director of GCHQ, May 1995

21. Evidence from the Security Service, October 1995.

22. Evidence from the Security Service, May 1995; evidence from the Director-General of the Security Service, May 1995.

23. Evidence from the Security Service, May 1995; evidence from the Director-General of the Security Service, May 1995.

23. In view of these challenges, we also asked a number of questions on, and intend to pursue further, the methods of appointment of the Heads of the Agencies, with particular regard to the identification of successors to Sir John Adye as Director of GCHQ and Mrs Stella Rimington as Director-General of the Security Service. **We have already stressed to the Foreign and Home Secretaries respectively the importance, in senior Agency appointments, of a conscious effort to include candidates from outside as well as inside these organisations, which tend by their occupation to be somewhat removed from the normal exchanges that exist between other departments. The Hurn Review of GCHQ<sup>24</sup> shows how outside experience can be most usefully brought to bear.**

24. **We conclude that there have been significant and unprecedented changes since the end of the Cold War in the tasks all three Agencies are required to undertake for Government. Each has had to respond rapidly and with flexibility to these changes; all must be prepared for further changing demands in the years ahead. The reductions in the Agencies' work on the former Soviet Union are appropriate to the changing nature of the threat, and have released resources to work on the newer 'functional' targets such as proliferation and serious organised crime.**

25. **We further conclude that the Security Service will need to keep under close review the resources it devotes to work against Russian espionage. On work against the hazard of Irish terrorism, we support the Service's decision to keep deployed about one half of its total operational resources on this work for at least the next year, and recommend that the recent assumption of responsibility by the Service for the lead in work against Republican terrorism on the British mainland should be maintained.**

### Serious organised crime

26. Earlier this autumn, we reviewed the policy decision to bring the Security Service into the fight against serious organised crime<sup>25</sup>, reporting to you in late November on our findings. (The Service already has a small group of nine staff working on those aspects of serious organised crime that have significance for national security or which may threaten the economic well-being of the state, and which therefore fall within its existing statutory remit.) We took evidence specifically from the police (the President of the Association of Chief Police Officers, and the Metropolitan Police

---

24. See paragraph 4.

25. We note that there is some confusion and concern over the definitions of the terms 'organised' and 'serious' crime. The phrase used in the Intelligence Services Act 1994 in respect of SIS and GCHQ is 'serious crime'. We are of the view that the Security Service can best be used in support of work against 'serious organised crime', and we have adopted that term in this Report.



Commissioner), NCIS, the Director-General of the Security Service and officials in the Home Office<sup>26</sup>. We were told that interdepartmental agreement<sup>27</sup> had been reached that:

- primacy of responsibility for countering organised crime lay, and should remain with, the law enforcement agencies;
- the Security Service should work through NCIS and the existing co-ordination structures;
- the Security Service should act in support of NCIS, Chief Officers of Police, Regional Crime Squads and HM Customs and Excise;
- the Security Service should bear the costs of its own contribution.

27. We concluded that the Security Service could bring a distinct package of skills to this arena, and that this agreement represented a useful starting point. At the same time, it was suggested to us that, with the continuing commitments to work against terrorism, espionage, proliferation and subversion, the resources available would at first be relatively small. Officers may be seconded to NCIS to help develop working relationships, but it seems unlikely that any resources will be transferred permanently<sup>28</sup>. Equally, it is possible that at some point in the future decisions may have to be taken to move resources back on to work against the 'traditional' national security targets.

28. We believe, however, that there are certain key aspects that have not yet fully been resolved. These relate to the tasking, command, integration and accountability of the Service, particularly where its work is to extend into the operational field. In respect of the Bill shortly to be brought before Parliament to amend the Service's statutory remit, we are of the view that:

- it will be insufficient simply to add the countering of serious organised crime to the Security Service's responsibilities under the Security Service Act 1989. In relation to its existing statutory functions, the Service is essentially a 'self-tasking' organisation. The legislation needs to make very clear that, in respect of the work that Service will be doing *in support of* the law enforcement organisations, it will not be self-tasking;
- accountability issues also need to be addressed, as does the existence of differing systems under which authorisation is

---

26. See also paragraph 3 and Appendix 1.

27. Evidence from the Security Service, October 1995; evidence from the Director-General of the Security Service, October 1995; evidence from the Home Office, October 1995.

28. Evidence from the Security Service, October 1995; evidence from the Director-General of the Security Service, October 1995.

**given for the interception of communications and for the entry on, or interference with, property. We are particularly concerned at the current system whereby, under 1984 Home Office Guidelines, senior police officers can authorise certain acts of interference with property. The Intelligence and Security Agencies, by contrast, must obtain a warrant signed by the Secretary of State. If the Security Service will now be working with the police in this field, there will be clear problems if these different systems are being operated side-by-side. This is a matter which will have to be resolved.**

29. Parliamentary scrutiny of any new 'national squad' to take on serious organised crime will be primarily the responsibility of the Home Affairs Select Committee. **Our interest will be to see that the working arrangements for any such organisation enable the Agencies to pursue their supporting roles effectively. We cannot yet comment in detail on this as the evidence given to us indicates that certain important issues still remain to be resolved<sup>29</sup>. These relate in particular to how such an organisation would be constituted; how it would relate to existing law enforcement organisations; the extent to which there would be central direction, and whether one designated individual would have clear overall responsibility.**

30. SIS and GCHQ already devote resources to such work, in support of the UK and Dependent Territories law enforcement organisations. The numbers of people involved are not large in either case, and it is important to ensure that their work is closely focused to achieve maximum benefit. We have not yet taken significant evidence on this point. We have, however, learnt of the established systems for tasking the Agencies<sup>30</sup> and have been given illustrations of "highly valued" intelligence<sup>31</sup> which has:

- enabled the law enforcement organisations, in co-operation with other countries where appropriate, to target drug trafficking with a direct impact on the UK;
- contributed to the formulation of policy on international co-operation to reduce supplies of illicit drugs from abroad;
- enhanced knowledge of the growing problem of serious organised crime in Central and Eastern Europe;

---

29. Evidence from the Metropolitan Police Commissioner and President of ACPO, October 1995; evidence from the Director-General of NCIS, October 1995; evidence from the Home Office, October 1995.

30. See paragraph 26.

31. Evidence from HM Customs and Excise, July 1995. Evidence from the Foreign and Commonwealth Office, October 1995.

\*\*\*

\*\*\*

## Economic well-being

31. In the context of less traditional areas of the Agencies' activities, we have also taken evidence on work 'in the interests of the economic well-being of the UK'. **This whole area is one where there is a need for clear policy guidance on the practical uses to which intelligence may be put. We shall be looking in particular at the extent to which there is a need for more focused and detailed tasking of the Agencies. We expect to report further on these matters.**

## Other Issues

### Security concerns

32. The Committee also agreed early on to focus as a matter of priority on national security issues. We have therefore taken a close interest in counter-espionage matters, in particular the protection afforded to intelligence information and operations. **We have been particularly concerned by a whole series of personnel and operational security issues which have been thrown into sharp relief by the case in the US of the CIA traitor Aldrich Ames, exposed in early 1994.** We are following closely the extent to which some of the lessons of that case are being learnt by our own Agencies and those who work alongside them, and we have taken a considerable body of evidence, in particular from SIS<sup>32</sup>. **This has already raised a number of serious concerns as to the exact nature and extent of the damage done to UK interests by Ames, and in addition the extent to which 'tainted' intelligence (ie. that which was provided by sources which had been compromised by Ames to the Russians) may have been passed to British Ministers. SIS's enquiry into this particular question started only in November this year.**

33. **We are not satisfied that these matters are being pursued on either side of the Atlantic with the sense of urgency that we consider appropriate for a matter of such serious concern. Based on evidence given by the Chief of SIS we believe that it is unacceptable that two years after a major betrayal, the Americans have still not provided the UK Agencies with a detailed read-out of the damage Ames did to UK assets and agents.** As an illustration of the massive scale of that betrayal, SIS assess that on one particular instance in June 1985, at the very start of his ten

---

32. Evidence from Chief of SIS, June and December 1995.

years of treachery, Ames handed over to the Russians the identities of 13 CIA agents, of whom nine were executed and three were imprisoned.

\*\*\*

\*\*\*

At present, we have no clear picture of the impact on UK assets. **The implications could not be more serious, and clearly require close attention by Ministers. We shall continue to pay particularly close attention to the subject, and may produce a special report to you in due course.**

34. In more general terms, we have also been told that Government departments and the Agencies follow central Cabinet Office guidelines on personnel security and vetting processes, as laid down in the 1993 Review of Protective Security. **There are, however, significant differences in the practical application of these standards across the Agencies. We intend therefore to examine and review in more detail the Agencies' security policies and procedures in order to determine whether in the various measures they have adopted they have struck a correct balance between a duty to protect their information and operations, and the right to personal privacy.**

35. On the related issues of the dissemination and uses made of the Agencies' product, the evidence that we have been given suggests that intelligence generally speaking gets to those Government customers who need to see it in a timely fashion. **In relation to evidence<sup>33</sup> we took on the Ames case and its implications for the UK, we are, however, concerned at what appear to be significant lapses in the procedures for the briefing of Ministers on an area of such considerable security importance. We will be returning to these issues over the next few months.**

### Oversight: how others manage it

36. In focusing on the Agencies' working relationships, we have also started to look at their liaison with foreign intelligence and security services, in particular the importance of links with the United States. In this regard, we went to the US (and Canada) in late June this year and visited the CIA, the National Security Agency (NSA), the FBI, the Bureau of Intelligence and National Research (INR) in the State Department, and the respective intelligence oversight committees. A full list of those we met is at Appendix 2 to this Report. We have also met members and staff of the US Presidential ('Brown', formerly 'Aspin') Commission whose report on the Roles and

---

33. Evidence from the Home Secretary, May 1995; evidence from the Director-General of the Security Service, May 1995.

Capabilities of the US Intelligence Community, due to be presented to Congress early next year, will cover for the US many of the same issues as those with which we are concerned for the UK.

**37. The US system of oversight has evolved over a considerable period, and there a number of differences from the methods and powers of oversight recently introduced here. Two in particular have immediate relevance. The first is the US committees' role in the budget-setting process. In respect of this, while we do not have responsibility for the initial allocation of resources, we do have the clear responsibility to ensure that the Agencies have access to adequate resources for the tasks they are asked to undertake, and that those resources are used in a cost-effective way. The second is the US Agencies' obligations to keep their oversight committees informed of their activities as opposed merely to responding to requests for information. While the legislation which established our Committee is different, we have told the Agencies that this Committee does expect to be kept properly and promptly informed.**

**38. We intend to maintain our contacts in the US and Canada, particularly with those currently conducting wide-ranging reviews similar to our own. We also intend to pursue many questions on intelligence matters, in particular on burden-sharing and the protection afforded to intelligence product, both with them and with friendly countries in the wider international intelligence community.**

## **Conclusions and recommendations**

**39. On the basis of the evidence we have taken so far, we conclude that:**

**A. There have been significant and unprecedented changes since the end of the Cold War in the tasks all three Agencies are required to undertake for Government. Each has had to respond rapidly and with flexibility to these changes; all must be prepared for further changing demands in the years ahead (paragraph 24).**

**B. SIS has reduced by about two-thirds its operational effort on Russia and the other FSU states. GCHQ likewise has markedly cut back its Sigint effort on Russia. \*\*\*. These reductions are appropriate to the changing nature of the threat, and have released resources to work on the newer 'functional' targets such as proliferation and serious organised crime (paragraphs 17 and 24).**

**C. The Security Service has reduced its effort on the intelligence threat posed by the former Warsaw Pact states. Russian espionage, however, is once again on the increase, and the Service will need to**

keep under close review the resources it devotes to this target (paragraph 25).

**D. The Security Service intends to keep deployed about one half of its total operational resources against the hazard of Irish terrorism for at least the next year. We support this decision, and recommend that the recent assumption of responsibility by the Service for the lead in work against Republican terrorism on the British mainland should be maintained (paragraph 25).**

**E. The scope of change is arguably greater both in scale and speed than the Agencies have ever faced before. We welcome the assurances that we have been given by the Heads of the Agencies that they recognise the crucial importance of the most sensitive handling of the reassignments and, in some cases, compulsory redundancies that inevitably follow such change (paragraph 22).**

**F. The Security Service can make a valuable contribution to work against serious organised crime. The resources available, however, are limited and will need to be carefully focused. Certain key aspects of the tasking, command, integration and accountability of the Service in such work have yet to be fully resolved. We recommend that these matters should be addressed urgently (paragraphs 27 and 28).**

**G. We recommend that the Bill to amend the Security Service's remit to enable it do such work makes clear that the Service will be working in support of the law enforcement organisations, and will not be self-tasking. We further recommend that the differing systems to authorise the interception of communications and the entry on, or interference with, property are addressed and resolved (paragraph 28).**

**H. We will keep under close review the working arrangements for any new national squad to take on serious organised crime to ensure that these will enable the Intelligence and Security Agencies to pursue their supporting roles effectively (paragraph 29).**

**I. We recommend that further clear policy guidance is drawn up on the practical uses to which intelligence may be put in support of economic well-being. We shall look further at the extent to which the Agencies receive the necessary detailed and focused tasking (paragraph 31).**

**J. We are seriously concerned over the extent and nature of the damage that has been done to British interests by the traitorous activities of the CIA officer Aldrich Ames, and in addition the extent to which 'tainted' intelligence information (ie. that which was provided by sources which had been compromised by Ames to the Russians) may have reached British Ministers. We are not satisfied that these matters are being pursued on either side of the Atlantic with the sense of urgency that we consider appropriate for a matter of such serious concern. This subject clearly requires close attention by Ministers. It is vital that all possible lessons are learnt on the security aspects of this case with the minimum of delay (paragraphs 32 and 33).**

**K. Security policies and procedures should be kept under continuing review by the Agencies to ensure that they strike a correct balance between the duty to protect their information and operations, and the right to personal privacy. It is particularly important they they exchange information and views on such procedures as appropriate with the other Agencies, those in Government concerned with these matters, and foreign liaison services (paragraph 34).**

**L. A particular characteristic of intelligence and security matters is that Ministerial responsibility is placed on the most senior Ministers in Government, who have many other responsibilities to discharge. There is, therefore, a particular responsibility on the Agency Heads and senior departmental officials to ensure that Ministers are fully and promptly briefed on relevant intelligence and security issues. We are not satisfied that in every case these responsibilities are being fully discharged (paragraphs 10 and 35).**

**M. By the same token, in order that this Committee can carry out our own statutory responsibilities, we have told the Agencies that we expect to be kept properly and promptly informed (paragraph 37).**

**N. At this relatively early stage, we believe that the structure of this new system of oversight by a small committee of Parliamentarians, reporting to you and through you to Parliament, is appropriate for the task it has been given and is capable of meeting the purposes which Government and Parliament intended (paragraph 11).**

## Future Programme of Work

40. Over the course of the next year, we will continue our work on our main enquiry into how the Agencies have adapted to the new situations post-Cold War, and the relevant resources questions arising therefrom. We shall also pursue at the same time a number of the other issues identified elsewhere in this Report. These include:

- the scale and nature of the damage caused to British interests by Aldrich Ames, and the application of the personnel and operational lessons learnt from this case across the Agencies;
- significant differences in the practical application across the Agencies of centrally issued guidelines on personnel security and vetting processes;
- the dissemination and uses made of the Agencies' product by Government customers, in particular the briefing of intelligence and security information and procedures to Ministers and senior officials and the suitability of the present Ministerial structures for dealing with these matters;
- in respect of serious organised crime, the continuing and detailed debate on the Security Service's role and integration with those already working in this field. The tasking of, and work done by, SIS and GCHQ in this respect;
- the extent to which there is a need for more focused and detailed tasking of the Agencies in the area of economic well-being;

\*\*\*

\*\*\*

;

- various questions on intelligence matters, in particular on burden-sharing and the protection afforded to intelligence product, with friendly countries in the wider international intelligence community.

Although this will be our main programme of work, we shall continue to examine and report on any other serious or substantial intelligence and security issues which may arise at short notice.

41. Prior to the two conflicts in which this country has been directly involved over the last few years (the Falklands and the Gulf) the intelligence contribution apparently fell short of what should have been expected. The significance of this underlines our continuing responsibility to assess how



well our intelligence capabilities now meet our needs, and our programme of work reflects this task.

Signed TOM KING  
Chairman, on behalf of the  
Intelligence and Security Committee

15 December 1995



## **APPENDIX 1**

### **MINISTERS WHO HAVE GIVEN ORAL EVIDENCE**

The Rt. Hon. Michael Howard QC, MP  
**Secretary of State for the Home Department**

The Rt. Hon. Douglas Hurd MP  
**(Then) Secretary of State for Foreign and Commonwealth Affairs**

### **OFFICIALS WHO HAVE GIVEN ORAL EVIDENCE**

Names of officials have been omitted to avoid publicly associating them with intelligence matters.

**CABINET OFFICE**

**HM CUSTOMS AND EXCISE**

**MINISTRY OF DEFENCE**

**FINANCIAL FRAUD INFORMATION NETWORK**

**FOREIGN AND COMMONWEALTH OFFICE**

**GCHQ**

**HOME OFFICE**

**POLICE**

**NCIS**

**SECURITY SERVICE**

**SIS**

**TRADE AND INDUSTRY**

**HM TREASURY**

15 December 1995



## APPENDIX 2

### **THOSE MET DURING THE COMMITTEE'S WORKING TRIP TO THE USA AND CANADA 25-29 JUNE 1995**

#### **UNITED STATES OF AMERICA**

- CIA** - Mr John Deutch (DCI) and senior staff
- FBI** - Mr Bob Bryant (Head, National Security Division) and other senior staff
- INR** - Mrs Toby Gati (Assistant Secretary) and other senior staff
- NSA** - Vice Admiral McConnell (Director) and senior staff

#### **CONGRESSIONAL OVERSIGHT COMMITTEES:**

##### **HOUSE PERMANENT SELECT COMMITTEE ON INTELLIGENCE**

Congressman Larry Combest (Chairman), other members and staffers

##### **SENATE SELECT COMMITTEE ON INTELLIGENCE**

Senator Arlen Specter (Chairman) other members and staffers

##### **COMMISSION ON THE ROLES AND CAPABILITIES OF THE US INTELLIGENCE COMMUNITY (The 'Brown', formerly 'Aspin', Commission)**

Various members and staffers

**CANADA**

**PRIVY COUNCIL OFFICE**

Mrs Margaret Bloodworth

**SOLICITOR-GENERAL'S OFFICE**

The Honourable Herb Gray, Solicitor-General

**CANADIAN SECURITY AND INTELLIGENCE SERVICE**

Senior staff

**MOD**

The Honourable David Collenette, Minister of Defence

**SECURITY AND INTELLIGENCE REVIEW ('OVERSIGHT')  
COMMITTEE (SIRC)**

Mr Jacques Courtois (Chairman), other members and staffers

15 December 1995





Published by HMSO and available from:

**HMSO Publications Centre**

(Mail, fax and telephone orders only)

PO Box 276, London SW8 5DT

Telephone orders 0171-873 9090

General enquiries 0171-873 0011

(queuing system in operation for both numbers)

Fax orders 0171-873 8200

**HMSO Bookshops**

49 High Holborn, London WC1V 6HB

0171-873 0011 Fax 0171-831 1326 (counter service only)

68-69 Bull Street, Birmingham B4 6AD

0121-236 9696 Fax 0121-236 9699

33 Wine Street, Bristol BS1 2BQ

0117-926 4306 Fax 0117 9294515

9-21 Princess Street, Manchester M60 8AS

0161-834 7201 Fax 0161-833 0634

16 Arthur Street, Belfast BT1 4GD

01232 238451 Fax 01232 235401

71 Lothian Road, Edinburgh EH3 9AZ

0131-228 4181 Fax 0131-229 2734

The HMSO Oriel Bookshop,

The Friary, Cardiff CF1 4AA

01222 395548 Fax 01222 384347

**HMSO's Accredited Agents**

(see Yellow Pages)

*and through good booksellers*

ISBN 0-10-131982-7



9 780101 319829