



Government Response to the  
Intelligence and Security  
Committee's  
Annual Report 2002–2003

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

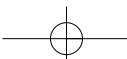
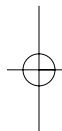
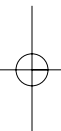


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## Introduction

1. The Government is grateful to the Intelligence and Security Committee (ISC) for its Annual Report for 2002–2003. As the Committee notes, it is given wide access to sensitive material and has taken evidence from a number of Cabinet Ministers and many senior officials from a range of Government Departments. The Committee's work provides effective parliamentary oversight and accountability of the intelligence and security Agencies and the Government attaches considerable importance to its role.
2. The Government welcomes the Committee's high regard for the valuable work of the Agencies and the recognition of their numerous successes, particularly in support of counter-terrorism. The Report acknowledges the intense pressures on staff following the terrorist attacks of September 11, Bali and Mombasa, and their work in support of operations in Afghanistan and Iraq. Despite this, and the need to continue with their other work, the Committee says that the Agencies are coping well with the extra demands. But one of the purposes of oversight is to identify potential problems and the Committee has addressed what it perceives as areas of concern in its Annual Report and has made a number of recommendations. The Government's response is set out in this paper.

## Bali

3. In addition to its planned programme of work, the ISC undertook, at the request of the Government, an inquiry into intelligence, assessment and advice prior to the terrorist bombings on Bali on 12 October 2002. The Government was grateful for the Committee's Report, which was laid before Parliament in December last year and to which it published its Response in February. The Government welcomed the Report's overall conclusion that there was no action that the UK or its allies could have taken to prevent the attacks.
4. The ISC's Annual Report, which summarises the outcome of the Committee's review and comments on actions taken, welcomes the developments for handling and disseminating terrorist intelligence, the reworking of the threat assessment system and the establishment of a Joint Terrorism Analysis Centre (JTAC). It also welcomes the improvements to the Foreign and Commonwealth Office's (FCO's) Travel Advice and recommends that the FCO continually review it to ensure that it provides travellers and residents with clear and accurate information. The FCO has put in place arrangements to ensure that the Travel Advice for every country is reviewed at least once a month and that each new Advice is checked for clarity, consistency and accuracy before publication.

## Iraq

5. The Government welcomes the intention of the Committee to undertake, in the course of its next programme of work, an examination of the role of the intelligence in respect of Iraq. The Government will provide all necessary assistance to the ISC's review.

## Expenditure and Resources

### *Public Service Agreements and Service Delivery Agreements*

6. The Government notes the Committee's concerns about the Agencies' current Public Service Agreements (PSAs) and Service Delivery Agreements (SDAs). It believes that it is important for all Departments, including the intelligence Agencies, to have focused objectives and effective measures of performance. The Agencies are fully engaged with HM Treasury in the development of PSAs and SDAs and in ensuring they are meaningful and provide effective management tools with a greater focus on outcomes.

### *GCHQ*

7. The Committee is concerned that Government Communications Headquarters (GCHQ) should learn lessons from a recent developmental programme which delivered only in part what was intended. GCHQ has already carried out a review. This showed that in fact most of the work undertaken had been successful: the write-off related to less than one third of the cutting-edge development programme. Important lessons were learnt as a result, and GCHQ is taking steps to implement them. GCHQ has adopted Office of Government Commerce best-practice guidance on programme management, and current updating of this guidance is drawing on GCHQ experience.

### *Agency Resource Accounts*

8. The Committee expresses concerns about the possible qualification of GCHQ's accounts for 2002–2003. It also records that the National Audit Office (NAO) considers there to have been significant improvements on the previous year. This is the important point: progress is being made. GCHQ has sought guidance and assistance from the NAO and HM Treasury, as well as engaging private sector experts. The length of time it is taking to resolve these issues is a measure of the complexity of the initial problem and the need to balance resources dedicated to this with other priorities. GCHQ is determined to resolve the problem as soon as is practicable.

## Policy

### *New Legislation*

9. The Report notes the considerable growth in legislation and case-work which is affecting the Agencies but that the Committee is reassured that the Agencies are ensuring that all staff are fully aware of the law in relation to their work. The Government and the Agencies share the Committee's view that it is important for Agency staff to be trained in, and have an understanding of, the law relating to their work and can confirm that this is an important feature of the Agencies' training programme.

## The National Intelligence Machinery

### *Ministerial Committee on the Intelligence Services and Requirements and Priorities*

10. Over the past year the ISC conducted a full inquiry into the National Intelligence Machinery looking at who collects, analyses and assesses intelligence. It is encouraging that the Committee has not identified any significant structural problems of gaps or duplication. The Committee notes that while the Ministerial Committee on the Intelligence Services (CSI) has not met, Ministers have met collectively to consider current issues. But the Report suggests that Ministers should be involved in longer-term matters related to the Agencies, particularly with regard to the setting of requirements and intelligence collection. The Government agrees that CSI has an important function especially in relation to the resourcing and future prioritisation of the Agencies' work, and should meet when appropriate to consider this work. The Government agrees that it is important for Ministers to be fully involved in the requirements placed on the Agencies and their collection activities. As noted in previous Government Responses, the Prime Minister receives regular reports from the Heads of the Agencies, and the Home Secretary and Foreign Secretary, under whose authority the three Agencies operate, are directly and regularly engaged in the day-to-day work of the Agencies. Every year the Intelligence Requirements and Priorities paper is formally submitted to CSI. The ISC hopes that the revised requirement-setting process, which is being introduced, will require Ministers to be fully engaged. This has indeed been a key consideration. Ministers have been fully consulted on the new procedures and, under the new arrangements, will be involved at the beginning of the annual process as well as in authorising the final requirements.

### *JIC Papers*

11. The Committee expresses concern that CSI Ministers are not seeing all the JIC assessments they ought to see. This is not the case. They are sent all JIC papers and

Ministers are content that officials ensure they are brought to their attention as appropriate.

### *Imagery Intelligence*

12. The Government welcomes the Committee's emphasis on the importance of imagery intelligence (IMINT) to a range of activities, principally, though not exclusively, in support of operations by the Armed Forces. The Ministry of Defence has primary responsibility for IMINT and sets its priorities in accordance with the JIC Requirements and Priorities process. Key user requirements are a coalescence of intelligence community requirements, including those of the Agencies and other Government Departments, and consequently money voted in the Equipment Programme ensures that these key requirements are met. The Ministry of Defence will continue to work closely with other Government Departments, Agencies and Allies to ensure that the UK keeps in step with technological advances in this field and that the necessary levels of finance will be made available to meet this important national requirement.

### *Joint Terrorism Analysis Centre*

13. The Report welcomes the establishment of the Joint Terrorism Analysis Centre (JTAC) and notes that it is a major structural development in the intelligence community. JTAC, which provides for the co-location of relevant experts from Agencies and Departments, took over responsibility, at the beginning of June, for the assessment and reporting of both the long-term study of international terrorism and the production of immediate assessments of current threats. A significant advance in meeting customer needs more efficiently has been made by including within JTAC representatives of key customer Departments. These include the Home Office, the Police, the Foreign and Commonwealth Office, the Ministry of Defence, the Department of Trade and Industry's Office for Civil Nuclear Security, and the Department for Transport's Security Department. The Government notes the intention of the Committee to monitor the role of JTAC.

### *SCOPE*

14. The Committee reports on developments in the SCOPE programme. It comments that, now funding has been provided and the requirements agreed, working systems to improve the intelligence community's communications should be delivered and that the phased approach means that significant benefit can be achieved before the programme is completed. The Government welcomes the ISC's recognition of the importance of the SCOPE Programme, and the work already underway, and notes the

Committee's intention to monitor the programme. The Government fully expects that SCOPE will start to deliver improvements in the business processes of the intelligence community over the next year, with major benefits arriving in 2005.

### *Collection Gaps*

15. The ISC has commented in its Report that it is concerned that, with the focus on current crises, the Agencies' long-term capacity to provide warning is being eroded and the situation needs to be addressed. The Report acknowledges that the Agencies' resources have increased significantly and the programmes to increase staff numbers and make technological developments are beginning to show success. The Government is confident that the Agencies' capabilities are adequately resourced, and that the balance is correct between the crucial work they do against current threats and their work on longer-term concerns, both of which are invariably closely interrelated. The Government will continue to monitor the Agencies' resources and capabilities and the tasks placed on them.

### *Weapons of Mass Destruction*

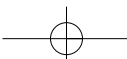
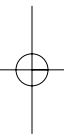
16. The Government notes the Committee's comments on the Agencies' vital contribution to work against the proliferation of weapons of mass destruction (WMDs).
17. The Government does not accept the Committee's suggestion that Ministers are not adequately informed on counter-proliferation issues, or that Ministerial responsibilities are unclear. Overarching counter-proliferation policy, which is the responsibility of the FCO, was set out recently in response to a question from the Foreign Affairs Committee. This policy is approved by Ministers, and they are also consulted on any major issues of implementation as they arise. The departmental responsibility for any specific implementing action depends on its nature: for example, the FCO is the lead Department responsible for bilateral and multilateral diplomatic activity, the MOD for military operations, the DTI for national export controls, and the usual supervising Ministers for work by the Agencies.
18. It is rare that action against a proliferator involves the use of only one element of the counter-proliferation toolbox. Of necessity, this complex work involves close co-operation and joint working between Departments and Agencies, co-ordinated by the Cabinet Office machinery. As the Report notes, the Committee has been briefed on the enhancements to this machinery that were introduced in 2002.



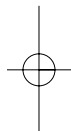
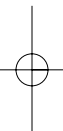
## Other Matters

### *Information Assurance and Communications*

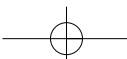
19. The Government notes the Committee's concern regarding funding for secure communications equipment and information assurance capability. The Central Sponsor for Information Assurance (IA) has established an inter-departmental working group to produce a national strategy for IA. This will ensure that all the different areas of government responsibility in this field are addressed according to priority. One strand in the Government's IA strategy is to develop and maintain a partnership with industry to develop future secure communications products.







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