The foreign affairs department insists a decision to deny a passport to a former-spy-turned-whistleblower is not aimed at stopping him from giving evidence in arbitration proceedings in a dispute between Australia and East Timor.

The former Australian Secret Intelligence Service agent is a key witness for East Timor in a case against Australia over allegations Dili’s cabinet rooms were bugged during negotiations over a gas and oil treaty in 2004.

Witness K was supposed to give evidence at the Permanent Court of Arbitration in the Hague but has been unable to leave Australia because his passport was seized in 2012.

Arbitration proceedings are on hold but may start again soon.

Foreign affairs department secretary Peter Varghese told a Senate estimates hearing on Thursday the government is prepared to make arrangements to enable Witness K to give evidence in a way that upholds the integrity of the proceedings and ensures national security concerns are met.

The hearing was told ASIO had no objections based on national security concerning Witness K.

But Foreign Minister Julie Bishop has rejected the request using a section of the Passport Act.

This was because ASIS had reasonable beliefs the applicant may engage in conduct that may prejudice Australia’s security.

Independent senator Nick Xenophon asked whether ASIS had a conflict of interest but Mr Varghese said it was inappropriate to comment because the passport issue would soon come before the Administrative Appeals Tribunal.

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