

OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY

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OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The planned outcome for the Office of the Inspector-General of Intelligence and Security is *assurance that Australia's intelligence agencies act legally, ethically and with propriety*. The Office assists in maintaining an environment in which this outcome is achieved, and in encouraging public confidence that this is the case.

The Inspector-General of Intelligence and Security independently oversees and reviews activities of the Australian Security Intelligence Organisation (ASIO), the Australian Secret Intelligence Service (ASIS), the Defence Signals Directorate (DSD), the Defence Intelligence Organisation (DIO), the Defence Imagery and Geospatial Organisation (DIGO) and the Office of National Assessments (ONA). The purpose of the oversight and review is to ensure that the agencies act legally and with propriety, comply with ministerial guidelines and directives, and respect human rights.

The Office was established in 1987 under the *Inspector-General of Intelligence and Security Act 1986*. The Inspector-General inquires into and inspects the activities of the agencies and investigates complaints about them.

APPROPRIATIONS AND RESOURCING

The total appropriation for the Office in the 2004–05 Budget is \$759,000 (see Table 1.1). There are no administered appropriations. The Office receives significant resources free of charge each year (estimated to be worth some \$96,000 in 2004–05). These resources include the provision of a secure office site within the Department of the Prime Minister and Cabinet building and a secure link to the Australian intelligence community's secure network. The Defence Signals Directorate provides and maintains the Office's internal secure computer network and the Australian National Audit Office provides audit services free of charge. These resources were not funded in the Office's original base level of funding.

Office of the Inspector-General of Intelligence and Security — appropriations 2004–05

Table 1.1: Appropriations and other revenue ('000)

Outcome	Departmental (price of outputs) ('000)					Administered ('000)			Total appropriations ('000)	
	Revenue from government (appropriations)		Revenue from other sources	Price of outputs	Annual appropriations ('000)	Special appropriations	Total administered appropriations			
	Bill No. 1	Special approps	Total			Bill No. 1	Bill No. 2			
	(A)	(B)	(C = A+B)	(D)	(E = C+D)	(F)	(G)	(H)	(I = F+G+H)	(J=C+I)
Outcome 1 – Assurance that Australia's intelligence agencies act legally, ethically and with propriety.	759	-	759 ⁽¹⁾	96 ⁽²⁾	833	-	-	-	-	759
Total	759	-	759	96	833	-	-	-	-	759
Departmental equity injection										200
Administered assets and liabilities										-
Total appropriations										959

1. Table 2.1 provides a breakdown of the funding for Outcome 1 into its output components. Revenue and expense items are detailed in the Budgeted Statement of Financial Performance.
2. Revenue from other sources refers to resources received free of charge of \$96,000.
3. The equity injection of \$200,000 in 2004–05 is a budget measure.

MEASURES — DEPARTMENT SUMMARY

Table 1.2: Summary of measures disclosed in the 2004–05 Budget

Measure	Outcome	Output groups affected	Appropriations budget			Appropriations forward estimate 2005–06 (\$'000)			Appropriations forward estimate 2006–07 (\$'000)			Appropriations forward estimate 2007–08 (\$'000)		
			2004–05 (\$'000)			Admin expense	Dept outputs	Total	Admin expense	Dept outputs	Total	Admin expense	Dept outputs	Total
			Admin expense	Dept output	Total									
Office of the Inspector-General of Intelligence and Security	1	1, 2	-	-	-	-	-	-	-	-	-	-	-	

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1. The government is providing funding of \$0.2 million by way of an equity injection in 2004–05 to enable the Office of the Inspector-General of Intelligence and Security to meet its current operational expenses and employee liabilities such as long service leave.
2. The cross-portfolio measure, Budget estimates – enforced quality and timeliness was appropriated through the 2003–04 Additional Estimates and is therefore not included in this table.

RECEIPTS FROM INDEPENDENT SOURCES

The Office does not have receipts from independent sources.

MOVEMENT OF ADMINISTERED FUNDS FROM 2003–04 TO 2004–05

The Office has no movement of Administered funds.

SPECIAL ACCOUNTS

The Office has two long-standing inactive special accounts (Other Trust Monies and Services to Other Government and Non-Government Bodies) that have zero balances. The Office has requested the Department of Finance and Administration abolish these accounts.

Table 1.3: Estimates of special account flows and balances

	Estimate, 2004–05 – Bold figures				
	Estimated actual, 2003–04 – Light figures				
	Opening balance	Receipts	Payments	Adjustments	Closing balance
	2004–05	2004–05	2004–05	2004–05	2004–05
	2003–04	2003–04	2003–04	2003–04	2003–04
	\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Monies – s. 20 FMA Act ⁽¹⁾	-	-	-	-	-
Services for Other Government and Non-Departmental Bodies – s. 20 FMA Act ⁽¹⁾	-	-	-	-	-
Total Special Accounts	-	-	-	-	-

1. Financial Management and Accountability Act 1997

DEPARTMENTAL EQUITY INJECTIONS AND LOANS

In 2004–05 the Office received an equity injection of \$200,000 as a budget measure. There are no loan arrangements in place. The equity injection was required as a result of paying out a retiring person's leave entitlements in 2003–04 which were mainly accrued outside of this office. The \$200,000 has been allocated to fund the Office's existing accrued leave liabilities.

Section 2: Outcomes and outputs information

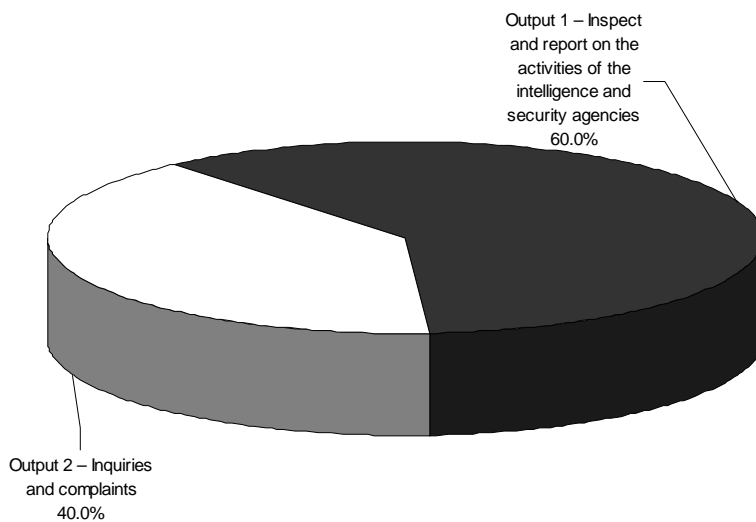
OUTCOMES AND OUTPUTS

The Office of the Inspector-General of Intelligence and Security works to achieve one outcome specified by government. Chart 1 shows a breakdown of the departmental appropriation across the Office's two outputs. Map 1 shows the relationship between the outcome and contributing outputs for the Office. Financial details for the outcome by contributing outputs appear in Table 2.1 (Total resources for Outcome 1), while non-financial information for the outcome appears in Table 2.2 (Performance information for Outcome 1).

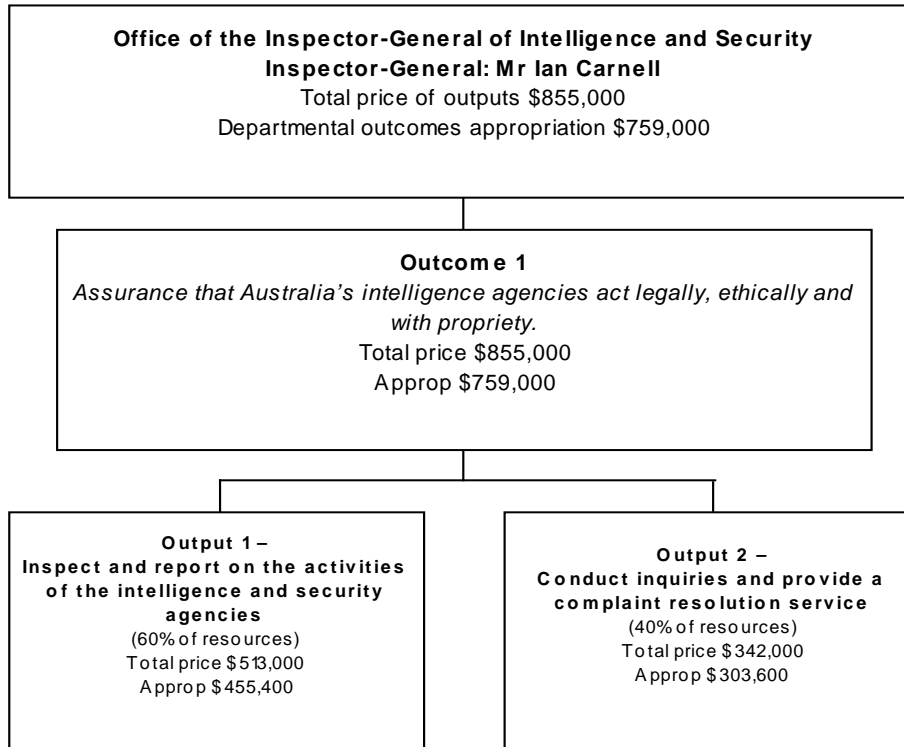
Output cost attribution

The allocation of resources to each output remains unchanged. The Office aims to use sixty per cent of its available resources to inspect and report on the activities of the intelligence and security agencies (Output 1). Forty per cent of the Office's resources are used in conducting inquiries and providing a complaint resolution service (Output 2).

Chart 1: Departmental appropriations by output, 2004–05 (%)



Map 1: Outcomes and outputs



CHANGES TO OUTCOMES AND OUTPUTS

There have been no changes to the number, wording or structure of outcomes or outputs from the 2003–04 Portfolio Budget Statements.

OUTCOME 1 — DESCRIPTION

The planned outcome of the Office of the Inspector-General of Intelligence and Security is *assurance that Australia's intelligence agencies act legally, ethically and with propriety.*

Measures affecting Outcome 1¹

Office of the Inspector-General of Intelligence and Security – supplementation

The government will provide \$0.2 million in 2004–05 to enable the Office of the Inspector-General of Intelligence and Security to meet its current operational expenses and employee liabilities.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004–05 Budget appropriations translate to total resourcing for Outcome 1, including revenue from government (appropriation), resources received free of charge, and the total price of outputs.

¹ This relates to measures disclosed in the 2004–05 budget context (that is, measures agreed since the *Mid-Year Economic and Fiscal Outlook* (MYEFO)).

Table 2.1: Total resources for Outcome 1 (\$'000)

	Estimated actual 2003–04 \$'000	Budget estimate 2004–05 \$'000
Departmental appropriations		
Output Group 1 – Inspect and report on the activities of the intelligence and security agencies.	479	455
Subtotal Output Group 1	479	455
Departmental appropriations		
Output Group 2 – Conduct inquiries and provide a complaint service.	319	304
Subtotal Output Group 2	319	304
Total revenue from government (appropriations) Contributing to price of departmental outputs	798	759
Revenue from other sources		
Resources received free of charge:		
Department of Prime Minister and Cabinet	81	81
Australian National Audit Office	13	13
Defence Signals Directorate	4	2
Total revenue from other sources	98	96
Total price from departmental outputs (Total revenue from government and from other sources)	896	855
Total estimated resourcing for Outcome 1 (Total price of outputs)	896	855
	2003–04	2004–05
Average staffing level (number)	5	5

The price of outputs for 2003–04 is greater than the 2003–04 appropriation by \$57,000. The shortfall has been met by drawing on financial assets previously allocated to fund accrued leave liabilities.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

Two outputs contribute to the Office's outcome:

Output 1: Inspect and report on the activities of the intelligence and security agencies.

Output 2: Conduct inquiries and provide a complaint resolution service.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Effectiveness — overall achievement of Outcome 1	
<p>The Commonwealth provides funds for the support of the Inspector-General of Intelligence and Security to enable the responsibilities and functions outlined in the <i>Inspector-General of Intelligence and Security Act 1986</i> to be exercised.</p> <p>Successive annual reports have commented on how the effectiveness of the Office may be assessed against a range of performance criteria, including:</p> <ul style="list-style-type: none"> • the timeliness of inquiries • the level of acceptance by agencies, complainants and ministers of conclusions and recommendations of inquiries conducted • the extent to which there has been change within the agencies as a result of the activities of the Office. 	
Performance information by output component	
Output	Performance information
<p>Output 1</p> <p>Inspect and report on the activities of the intelligence and security agencies</p>	<p><i>Quality:</i> Outcome of specific monitoring activities.</p> <p><i>Quantity:</i> Extent of coverage of monitoring undertaken.</p> <p><i>Price:</i> \$513,000</p>
<p>Output 2</p> <p>Conduct inquiries and provide a complaint resolution service</p>	<p><i>Quality:</i> Outcome of investigation of complaints.</p> <p><i>Quantity:</i> Number of cases finalised or under recommendation, timeliness of investigations and volume of outstanding cases.</p> <p><i>Price:</i> \$342,000</p>

Section 3: Budgeted financial statements

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted Departmental Statement of Financial Performance

The Office was budgeting for a break even operating result for 2003–04. However, personnel changes have meant that the Office is now expecting a loss of \$57,000. The loss relates to the accounting treatment of a shortfall in accrued leave liabilities funding. This shortfall occurred when the accrued leave was converted to the higher starting salary. The \$57,000 shortfall has been expensed under the salaries heading of the Budgeted Departmental Statement of Financial Performance.

In 2004–05 the Office received one-off supplementation of \$10,000 to meet the Comcover premium increase. There is also an additional \$2,000 for each financial year of the forward estimates which was approved in the 2003–04 Additional Estimates. This funding is allocated to meeting the additional monthly budget reporting requirement introduced as part of the Budget Estimates and Framework Review and is recorded against supplier expenses.

Budgeted Departmental Statement of Financial Position

As in the previous year the Office is expecting to make a loss in 2003–04. These consecutive losses combined with the pay out of leave entitlements largely accrued outside of this office have reduced the cash reserves resulting in a negative equity position of some -\$65,000 in 2003–04. This situation is reversed in the budget and forward estimates with an equity injection of \$200,000 in 2004–05 which has been allocated to fund accrued leave liabilities.

Budgeted Departmental Statement of Cash Flows

The cash flow of the Office is normally made up of operating activity flows only. However, in 2003–04 a secure facsimile at a cost of \$25,000 was purchased as shown under the investing activities heading and in 2004–05 the Office received an equity injection of \$200,000 which has been allocated to fund accrued leave liabilities. In 2003–04 the Office will receive an estimated \$139,000 as a transfer of funds for the accrued leave liabilities of a person leaving the Attorney-General's Department to join this office.

Departmental Capital Budget Statement

A Departmental Capital Budget Statement has not been prepared. The purpose of such a statement is to present how equity injections are used to fund capital purchases. The two equity injections received by the Office (\$66,000 in 1999–2000 and \$200,000 in 2004–05) are not for capital purchases.

Departmental Non-financial Assets — Summary of Movement

The Summary of Movement table has not been prepared because the Office has only one classification of asset and the assets are of limited value.

Non-financial assets owned by the Office are classified as 'other infrastructure, plant and equipment'. Office assets with a purchase cost of \$2,000 or more consist of two facsimile machines (one of which is secure), a shredder, a photocopier, a compactus and three workstations. With the exception of the secure facsimile purchased by the Office in 2003-04 for \$25,000, the other assets are due to be revalued. The results of this valuation will be reflected in the 2003-04 Annual Report.

All of the other assets required by this office are resources received free of charge from the Department of the Prime Minister and Cabinet and the Defence Signals Directorate.

**Table 3.1: Budgeted departmental statement of financial performance
for the period ended 30 June**

	Estimated actual 2003–04 \$'000	Budget estimate 2004–05 \$'000	Forw ard estimate 2005–06 \$'000	Forw ard estimate 2006–07 \$'000	Forw ard estimate 2007–08 \$'000
REVENUE					
Revenues from ordinary activities					
Revenues from government	741	759	765	763	766
Resources received free of charge	98	96	74	74	74
Revenues from ordinary activities	839	855	839	837	840
EXPENSE					
Employees	632	601	613	625	625
Suppliers	163	152	146	132	135
Depreciation and amortisation	3	6	6	6	6
Resources received free of charge	98	96	74	74	74
Operating surplus or (deficit) from ordinary activities	896	855	839	837	840
Net surplus or (deficit)	(57)	-	-	-	-

**Table 3.2: Budgeted departmental statement of financial position
as at 30 June**

	Estimated actual 2003–04 \$'000	Budget estimate 2004–05 \$'000	Forw ard estimate 2005–06 \$'000	Forw ard estimate 2006–07 \$'000	Forw ard estimate 2007–08 \$'000
ASSETS					
Financial assets					
Cash	217	429	442	454	466
Total financial assets	217	429	442	454	466
Non-financial assets					
Land and buildings	-	-	-	-	-
Infrastructure, plant and equipment	25	19	13	8	2
Total non-financial assets	25	19	13	8	2
Total assets	242	448	455	462	468
LIABILITIES					
Provisions					
Employees	306	312	320	326	333
Total provisions	306	312	320	326	333
Payables					
Suppliers	1	1	1	1	1
Total payables	1	1	1	1	1
Total liabilities	307	313	321	327	334
EQUITY*					
Parent entity interest					
Contributed equity	66	266	266	266	266
Retained surpluses or accumulated deficits	(131)	(131)	(131)	(131)	(131)
Total parent entity interest	(65)	135	135	135	135
Total equity	(65)	135	135	135	135
Total assets and liabilities by maturity:					
Current assets	217	429	442	455	466
Non-current assets	25	19	13	7	2
Current liabilities	34	35	37	37	39
Non-current liabilities	273	278	284	290	295

*Note: 'Equity' is the residual interest in assets after deduction of liabilities.

**Table 3.3: Budgeted departmental statement of cash flows
for the period ended 30 June**

	Estimated actual 2003–04 \$'000	Budget estimate 2004–05 \$'000	Forw ard estimate 2005–06 \$'000	Forw ard estimate 2006–07 \$'000	Forw ard estimate 2007–08 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	741	759	765	763	766
Other	139	-	-	-	-
Total cash received	880	759	765	763	766
Cash used					
Employees	775	595	606	619	619
Suppliers	164	152	146	132	136
Total cash used	939	747	752	751	755
Net cash from or (used by) operating activities	(59)	12	13	12	11
INVESTING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Cash used					
Purchase of property, plant and equipment	25,000	-	-	-	-
Total cash used	(25,000)	-	-	-	-
Net cash from or (used by) investing activities					
FINANCING ACTIVITIES					
Cash received					
Appropriations – contributed equity	-	200	-	-	-
Total cash received	-	200	-	-	-
Cash used					
Total cash used	-	-	-	-	-
Net cash from/(used by) financing activities	-	200	-	-	-
Net increase or (decrease) in cash held	(84)	212	14	12	12
Cash at the beginning of the reporting period	300	216	428	442	454
Cash at the end of the reporting period	216	428	442	454	466

NOTES TO THE FINANCIAL STATEMENTS

Departmental Financial Statements and Schedule of Administered Activity

Under the Australian Government's accrual-based budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies control (departmental transactions) are separately budgeted for and reported on from transactions agencies do not have control over (Administered transactions). This ensures that agencies are only held fully accountable for the transactions over which they have control.

- Departmental items are those assets, liabilities, revenues and expenses in relation to an agency or authority that are controlled by the agency. Departmental expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services.
- Administered items are revenues, expenses, assets and liabilities that are managed by an agency or authority on behalf of the government according to set government directions. Administered expenses include subsidies, grants and personal benefit payments and Administered revenues include taxes, fees, fines and excises.

Appropriations in the accrual budgeting framework

Under the Australian Government's accrual budgeting framework, separate annual appropriations are provided for:

- Departmental price of outputs appropriations: representing the government's funding for outputs from agencies
- Departmental capital appropriations: for investments by the government for either additional equity or loans in agencies
- Administered expense appropriations: for the estimated Administered expenses relating to an existing outcome, a new outcome or a Specific Purpose Payment to the states
- Administered capital appropriations: for increases in Administered equity through funding non-expense Administered payments.

Special appropriations fund the majority of payments from the Consolidated Revenue Fund (especially those that are entitlement driven or involve transfers to State governments).

Administered investments in controlled entities

Each Australian Government Department is required to show an Administered investment in each *Commonwealth Authorities and Companies (CAC) Act 1997* entity within their portfolio. These Administered investments should be valued at the Commonwealth's ownership interest in the net assets of those CAC entities, fixed at a notional acquisition date of 30 June 1997.

Asset valuation

From 1 July 2002 Australian Government agencies and authorities are required to use either the cost basis or the fair value basis to measure Property, Plant and Equipment. The shift from the deprival method of valuation to fair value should occur gradually over a three-year period. Fair value essentially reflects the current market value of an asset.

Section 4: Purchaser–provider and cost recovery arrangements

The Office does not have any purchaser-provider arrangements in place.

The Office has no cost recovery arrangements currently in place, and therefore a cost recovery impact statement has not been prepared.

