

# OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY

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## OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY

### Section 1: 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, which includes, amongst other activities, investigating complaints made against the agencies.

**Table 1.1: Agency outcomes and output groups**

Outcome	Description	Output groups
<b>Outcome 1</b>		<b>Output 1</b>
<b>Assurance that Australia's intelligence agencies act legally, ethically and with propriety.</b>	The role of the office is to provide assurance to the government and the public that the intelligence agencies are engaged only in those activities that they should be engaged in, and that the agencies conduct these activities properly.	Inspect, inquire into, and report on, the activities of the intelligence and security agencies.

## Section 2: Agency resources for 2005–06

### **2.1: APPROPRIATIONS AND OTHER RESOURCES**

Table 2.1 shows the total resources from all sources for 2005–06, including appropriations. The table summarises how revenue will be applied by outcome, administered and departmental classification.

The total appropriation for the Office of the Inspector-General of Intelligence and Security in the 2005–06 Budget is \$1.06 million.

**Table 2.1: Appropriations and other revenue 2005–06 ('000)**

Outcome	Appropriations					Other revenue available to be used		Total resources <sup>6</sup>
	\$'000	\$'000	\$'000	\$'000	% <sup>5</sup>	\$'000	% <sup>5</sup>	\$'000
	Bill No. 1	Bill No. 2 <sup>1</sup>	Special approp <sup>2</sup>	Total approp <sup>3</sup>				
<b>Outcome 1 – Assurance that Australia's intelligence agencies act legally, ethically and with propriety.</b>								
Administered	-	-	-	-	-	-	-	-
Departmental	1,058	-	-	1,058	92.6	84	7.4	1,142
<b>Total outcome 1</b>	<b>1,058</b>	-	-	<b>1,058</b>	<b>93</b>	<b>84</b>	<b>7</b>	<b>1,142</b>
<b>Total agency</b>	<b>1,058</b>	-	-	<b>1,058</b>	<b>93</b>	<b>84</b>	<b>7</b>	<b>1,142</b>
Departmental capital (equity injections)	-	-	-	-	-	-	-	-
Previous year's outputs	-	-	-	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-	-	-	-
<b>Total resources</b>	<b>1,058</b>	-	-	<b>1,058</b>	<b>93</b>	<b>84</b>	<b>7</b>	<b>1,142</b>

1 The office did not receive any funding through Bill No. 2.

2 The office has no special appropriations.

3 Total appropriations = Bill No. 1 + Bill No. 2.

4 Revenue from other sources are resources received free of charge.

5 Percentage figures indicate the percentage contribution of Revenue from Government (Departmental and Administered Appropriations) to the total price of outputs, by outcome, and the percentage contribution of Revenue from other sources (Departmental) to the total price of outputs, by outcome.

6 Total resources = Total appropriations + Revenue from other sources.

Note: Refer to Budgeted statement of financial performance for application of agency revenue.

## **2.2: 2005–06 BUDGET MEASURES**

Budget measures relating to the office as explained in Budget Paper No.2 are summarised in Table 2.2.

**Table 2.2: Agency measures**

Measure	Outcome	Output group affected	Appropriations budget			Appropriations forward estimate			Appropriations forward estimate			Appropriations forward estimate		
			2005–06 (\$'000)			2006–07 (\$'000)			2007–08 (\$'000)			2008–09 (\$'000)		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
<b>Expense Measures</b>														
Connection to FedLink	1	1	-	9	9	-	7	7	-	7	7	-	7	7
Efficiency dividend – increase in the rate from 1 per cent to 1.25 per cent	1	1	-	(2)	(2)	-	(5)	(5)	-	(7)	(7)	-	(7)	(7)
<b>Total Expenses</b>			<b>-</b>	<b>7</b>	<b>7</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

See Budget Paper No. 2 for an explanation of the measures in this table.

## 2.3: OTHER RECEIPTS AVAILABLE TO BE USED

The other receipts available to be used by the office are resources received free of charge. Table 2.3 provides a breakdown of the resources received free of charge recorded in Table 2.1.

**Table 2.3: Other receipts available to be used**

Outcome	Estimated receipts 2004–05 \$'000	Budget estimate 2005–06 \$'000
<b>Departmental other receipts</b>		
Resources free of charge:		
Department of Prime Minister and Cabinet		
office space	55	55
secure external computer network (AICNet)	28	14
Australian National Audit Office		
audit of financial statements	13	13
Defence Signals Directorate		
installation of internal secure computer network	8	-
ongoing maintenance of internal secure communications network	2	2
Total resources free of charge	106	84
<b>Total departmental other receipts available to be used</b>	<b>106</b>	<b>84</b>

This table replaces the table 'Receipts from independent sources' used in previous Portfolio Budget Statements.

## 2.4: MOVEMENT OF ADMINISTERED FUNDS FROM 2004–05 TO 2005–06

The office has no administered items.

## 2.5: SPECIAL APPROPRIATIONS

The office has no special appropriations.

## 2.6: SPECIAL ACCOUNTS

The office has two special accounts: Services for other Government and Non-Agency Bodies Account (s. 20 FMA Act) and the Other Trust Monies Account (s. 20 FMA Act). The accounts have zero balances and have never been active.

## 2.7: DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The office does not have any departmental equity injections or loans in the 2005–06 Budget.

## Section 3: Agency outcomes

This section explains how the resources identified in Section 2 will be used to deliver the outcome and output of the Office of the Inspector-General of Intelligence and Security.

### **3.1: SUMMARY OF OUTCOMES AND OUTPUTS**

The office continues to have one outcome: assurance that Australia's intelligence agencies act legally, ethically and with propriety.

In previous reporting periods, the office had two outputs:

- Output 1 – Inspect and report on the activities of the intelligence and security agencies
- Output 2 – Conduct inquiries and provide a complaint resolution service.

As part of the 2005–06 Budget process, these outputs have been combined into the following output:

- Inspect, inquire into, and report on, the activities of the intelligence and security agencies.

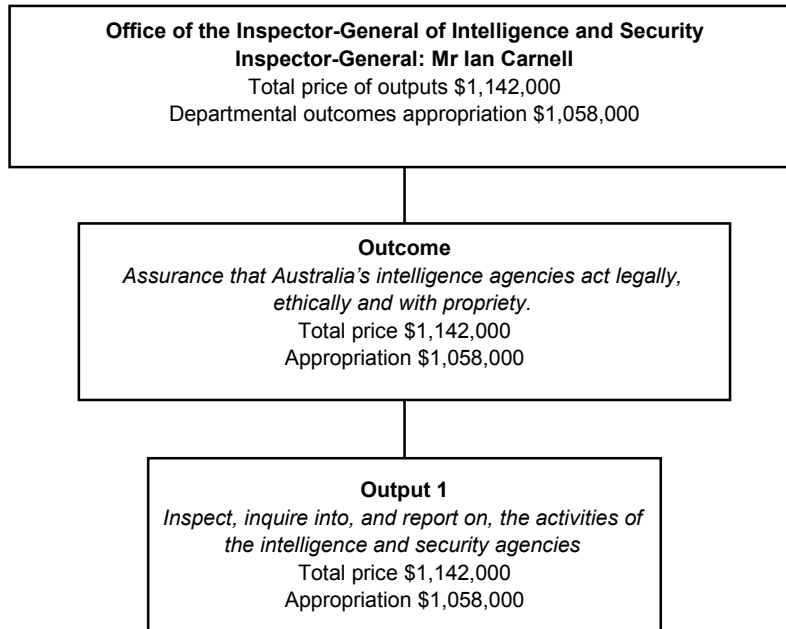
The decision to change the output structure was made for three main reasons:

- to recognise that reporting responsibilities apply to inquiry activities, not just to inspection activities
- to recognise that complaints are handled as inquiries and are not a separate activity from inquiries
- to recognise that inspection activities can potentially lead to inquiries, and are in turn influenced by inquiries.

Under the revised output structure, the office will continue to carry out all the activities performed under the two former outputs, including complaint resolution.

The new output structure is summarised in Figure 1.

**Figure 1: Outcomes and output groups**



### 3.2: OUTCOMES — DEPARTMENTAL

#### Appropriations by outcome

The office has only one outcome.

### 3.3: OUTCOMES RESOURCING

#### Outcome 1 resourcing

Table 3.1 shows how the 2005–06 Budget appropriations translate to total resourcing for Outcome 1, including revenue from government (appropriation), revenue from other sources (departmental) and the total price of outputs.

**Table 3.1: Total resources for Outcome 1 (\$'000)**

	Estimated actual 2004–05 \$'000	Budget estimate 2005–06 \$'000
<b>Departmental appropriations</b>		
Output 1 – Inspect, inquire into, and report on, the activities of the intelligence and security agencies.	931	1,058
<b>Total Output Group 1</b>	<b>931</b>	<b>1,058</b>
<b>Revenue from other sources</b>		
Resources received free of charge:		
Department of Prime Minister and Cabinet	83	69
Australian National Audit Office	13	13
Defence Signals Directorate	10	2
<b>Total revenue from other sources</b>	<b>106</b>	<b>84</b>
<b>Total price from departmental outputs</b> (Total revenue from government and from other sources)	<b>1,037</b>	<b>1,142</b>
<b>Total estimated resourcing for Outcome 1</b> (Total price of outputs and administered appropriations)	<b>1,037</b>	<b>1,142</b>
	2004–05	2005–06
<b>Average staffing level (number)</b>	<b>6</b>	<b>7</b>

### Performance information for Outcome 1

Performance information for Outcome 1 is summarised in Table 3.2.

**Table 3.2: 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"> <li>• the range of monitoring work undertaken</li> <li>• the timeliness of inquiries</li> <li>• the level of acceptance by agencies, complainants and ministers of conclusions and recommendations of inquiries conducted</li> <li>• the extent to which there has been change within the agencies as a result of the activities of the office.</li> </ul>	
Performance information by output component	
Output	Performance information
Output 1	
Inspect, inquire into, and report on, the activities of the intelligence and security agencies.	<p><i>Quality:</i> Timeliness, scope and outcome of specific monitoring activities (which includes both inspection and inquiry activities).</p> <p><i>Quantity:</i> Extent of coverage of monitoring undertaken.</p> <p><i>Price:</i> \$1,142,000</p>

### Evaluations for Outcome 1

The office produces an annual work plan which specifies the scope and regularity of external monitoring activities. The extent to which the office is meeting these targets is assessed on an ongoing basis and resources are allocated accordingly.

## Section 4: Other reporting requirements

### **4.1: PURCHASER–PROVIDER ARRANGEMENTS**

The office does not have purchaser–provider arrangements in place.

### **4.2: COST RECOVERY ARRANGEMENTS**

The office does not have cost recovery arrangements in place.

### **4.3: AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE (AGIE)**

The office has no Indigenous expenditure.

## Section 5: Budgeted financial statements

### 5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

#### Departmental

##### Statement of financial performance

The office is budgeting for a balanced budget in 2005–06 and in forward estimates. The majority of the office’s budget remains committed to salary and salary-related expenditure.

In 2005–06, the office has received an operating appropriation of \$1,058,000 as shown in Table 5.1. The \$127,000 increase in government funding from 2004–05 to 2005–06 includes:

- \$68,000 additional funding for the full year effect of hiring a new staff member to meet the expanded monitoring role of the office resulting from the Flood Inquiry
- \$37,000 for the supply of the external computer network by the Department of the Prime Minister and Cabinet
- \$14,000 price indexation
- \$9,000 for access to FedLink
- less
- \$2,000, which reflects the additional 0.25% efficiency dividend applied in 2005–06.

Significant components of office resources are:

- employee expenses (includes salary-related expenditure, superannuation and Comcare)
- supplier expenses (includes normal administrative expenses)
- payment for consultants, accountancy services and legal advice
- resources received free of charge
- depreciation expenses
- capital budget for office equipment (see Table 5.2).

**Statement of financial position**

The office has put aside funds where possible to meet accrued leave liabilities, and will continue to do so. These funds (including the \$200,000 equity injection received in the 2004–05 Budget process to partially fund accrued leave liabilities) are recorded as a receivable in Table 5.2 and are held in the Official Public Account.

In 2004–05 the office is purchasing an estimated \$202,000 in assets funded through the 2004–05 Additional Estimates process. The Budget and forward estimates cash surpluses are intended to fund the depreciation expense for the capital purchases made in 2004–05. The office has not been separately funded for depreciation expense.

**Statement of cash flows**

The cash flows largely mirror the revenue and expenses in the Statement of financial performance with the exception of depreciation expenses and resources received free of charge which do not require cash. Cash holdings increase across the years due to the accumulation of the cash set aside for depreciation expenses.

**Capital budget statement**

The \$202,000 equity injection in 2004–05 was funded through the 2004–05 Additional Estimates process. The office intends to expend these funds fully in 2004–05. The office has no capital budgeting plans for 2005–06 and the forward years.

**Property, plant, equipment and intangibles — summary of movement**

The office does not plan to purchase or dispose of assets during 2005–06. Therefore, no summary of movement table has been included.

**Administered**

The office has no administered accounts.

## 5.2: BUDGETED FINANCIAL STATEMENTS TABLES

**Table 5.1: Budgeted departmental statement of financial performance for the period ended 30 June**

	Estimated actual 2004–05 \$'000	Budget estimate 2005–06 \$'000	Forward estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000
<b>REVENUE</b>					
<b>Revenues from ordinary activities</b>					
Revenues from government	931	1,058	1,056	1,064	1,094
Resources received free of charge	106	84	75	75	75
<b>Revenues from ordinary activities</b>	<b>1,037</b>	<b>1,142</b>	<b>1,131</b>	<b>1,139</b>	<b>1,169</b>
<b>EXPENSE</b>					
Employees	765	854	856	864	880
Suppliers					
Resources received free of charge	106	84	75	75	75
Other suppliers	125	133	129	129	195
Depreciation and amortisation	41	71	71	71	19
Other	-	-	-	-	-
<b>Expenses from ordinary activities</b>	<b>1,037</b>	<b>1,142</b>	<b>1,131</b>	<b>1,139</b>	<b>1,169</b>
<b>Operating surplus or (deficit) from ordinary activities</b>					
	-	-	-	-	-
<b>Net surplus or (deficit)</b>	-	-	-	-	-
<b>Net surplus or deficit attributable to the Australian Government</b>	-	-	-	-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	-	-	-	-	-

Note 1: 2004–05 Budget Appropriation (Bill 1) of \$759,000, 2004–05 Additional Estimates (Bill 3) of \$172,000.

**Table 5.2: Budgeted departmental statement of financial position as at 30 June**

	Estimated actual 2004–05 \$'000	Budget estimate 2005–06 \$'000	Forward estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	289	360	431	502	521
Receivables	290	357	420	430	440
Other financial assets	-	-	-	-	-
<b>Total financial assets</b>	<b>579</b>	<b>717</b>	<b>851</b>	<b>932</b>	<b>961</b>
<b>Non-financial assets</b>					
Infrastructure, plant and equipment	232	161	90	19	-
Other non-financial assets	-	-	-	-	-
<b>Total non-financial assets</b>	<b>232</b>	<b>161</b>	<b>90</b>	<b>19</b>	<b>-</b>
<b>Total assets</b>	<b>811</b>	<b>878</b>	<b>941</b>	<b>951</b>	<b>961</b>
<b>LIABILITIES</b>					
<b>Interest bearing liabilities</b>					
Interest bearing liabilities	-	-	-	-	-
<b>Total interest bearing liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Provisions</b>					
Employees	400	460	514	519	524
Other provisions	30	41	50	55	60
<b>Total provisions</b>	<b>430</b>	<b>501</b>	<b>564</b>	<b>574</b>	<b>584</b>
<b>Payables</b>					
Payables	4	-	-	-	-
<b>Total payables</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>434</b>	<b>501</b>	<b>564</b>	<b>574</b>	<b>584</b>
<b>EQUITY</b>					
<b>Parent entity interest</b>					
Contributed equity	468	468	468	468	468
Reserves	9	9	9	9	9
Retained surpluses or accumulated deficits	(100)	(100)	(100)	(100)	(100)
<b>Total parent entity interest</b>	<b>377</b>	<b>377</b>	<b>377</b>	<b>377</b>	<b>377</b>
<b>Outside equity interest</b>					
<b>Total outside equity interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>377</b>	<b>377</b>	<b>377</b>	<b>377</b>	<b>377</b>
<b>Current assets</b>	<b>579</b>	<b>717</b>	<b>851</b>	<b>932</b>	<b>961</b>
<b>Non-current assets</b>	<b>232</b>	<b>161</b>	<b>90</b>	<b>19</b>	<b>-</b>
<b>Current liabilities</b>	<b>30</b>	<b>41</b>	<b>50</b>	<b>55</b>	<b>60</b>
<b>Non-current liabilities</b>	<b>400</b>	<b>460</b>	<b>514</b>	<b>519</b>	<b>524</b>

Note: 'Equity' is the residual interest in assets after deduction of liabilities. In 2004–05, the office received a capital equity injection of \$202,000 and an operating equity injection of \$200,000.

**Table 5.3: Budgeted departmental statement of cash flows for the period ended 30 June**

	Estimated actual 2004–05 \$'000	Budget estimate 2005–06 \$'000	Forward estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	931	1,058	1,056	1,064	1,094
Other	-	-	-	-	-
<b>Total cash received</b>	<b>931</b>	<b>1,058</b>	<b>1,056</b>	<b>1,064</b>	<b>1,094</b>
<b>Cash used</b>					
Employees	685	830	793	854	870
Suppliers	205	157	192	139	205
Other	-	-	-	-	-
<b>Total cash used</b>	<b>890</b>	<b>987</b>	<b>985</b>	<b>993</b>	<b>1,075</b>
<b>Net cash from or (used by) operating activities</b>	<b>41</b>	<b>71</b>	<b>71</b>	<b>71</b>	<b>19</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sales of property, plant and equipment	-	-	-	-	-
Other	-	-	-	-	-
<b>Total cash received</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>					
Purchase of property, plant and equipment	202	-	-	-	-
Other	-	-	-	-	-
<b>Total cash used</b>	<b>202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash from or (used by) investing activities</b>	<b>(202)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations – contributed equity	402	-	-	-	-
Other	-	-	-	-	-
<b>Total cash received</b>	<b>402</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>					
<b>Total cash used</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash from/(used by) financing activities</b>	<b>202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase or (decrease) in cash held</b>	<b>41</b>	<b>71</b>	<b>71</b>	<b>71</b>	<b>19</b>
Cash at the beginning of the reporting period	248	289	360	431	502
<b>Cash at the end of the reporting period</b>	<b>289</b>	<b>360</b>	<b>431</b>	<b>502</b>	<b>521</b>

**Table 5.4: Departmental capital budget statement**

	Estimated actual 2004–05 \$'000	Budget estimate 2005–06 \$'000	Forward estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Total equity injections	202	-	-	-	-
Total loans	-	-	-	-	-
<b>Total capital appropriations</b>	202	-	-	-	-
<b>Represented by:</b>					
Purchase of non-financial assets	202	-	-	-	-
Other	-	-	-	-	-
<b>Total represented by</b>	202	-	-	-	-
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation	202	-	-	-	-
Funded internally by departmental resources	-	-	-	-	-
<b>Total</b>	202	-	-	-	-

### 5.3: NOTES TO THE FINANCIAL STATEMENTS

The budgeted statements contain estimates prepared in accordance with the requirements of the government's financial budgeting and reporting framework, including the principles of the Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

