

OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY

Section 1: Overview	195
Section 2: Resources for 2006–07	196
2.1 Appropriations and other receipts	196
2.2 2006–07 Budget measures	198
2.3 Other resources available to be used	199
2.4 Movement of administered funds from 2005–06 to 2006–07	199
2.5 Special appropriations.....	199
2.6 Special accounts	199
2.7 Administered capital and departmental equity injections and loans	200
Section 3: Outcomes	201
3.1 Summary of outcomes and contribution to outcomes.....	201
3.2 Outcomes—departmental and administered	202
3.3 Outcomes and performance.....	203
Section 4: Other reporting requirements	205
4.1 Purchaser–provider arrangements	205
4.2 Cost recovery arrangements.....	205
4.3 Australian Government Indigenous Expenditure	205
Section 5: Budgeted financial statements	206
Analysis of budgeted financial statements	206
Budgeted financial statements tables	209
Notes to the financial statements	215

OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY

Section 1: 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: Office of the Inspector-General of Intelligence and Security outcomes and output groups

Outcome	Description	Output groups
Outcome 1		Output 1
Assurance that Australia’s intelligence agencies act legally, ethically and with propriety	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: Resources for 2006–07

The total appropriation for the Office of the Inspector-General of Intelligence and Security in the 2006–07 Budget is \$1.485 million.

2.1 APPROPRIATIONS AND OTHER RECEIPTS

Table 2.1 shows the total receipts from all sources for 2006–07, including appropriations. The table summarises how receipts will be applied by outcome, separated into departmental and administered classifications.

Table 2.1: Appropriations and other receipts 2006–07 ('000)

Agency/Outcome/ Non-operating	Departmental (a)				Administered (b)					Total
	Appropriation	Appropriation	Special	Receipts	Appropriation	Appropriation Bill No. 2		Special	Receipts	
	Bill No. 1	Bill No. 2	Appropriation		Bill No. 1	SPPs	Other	Appropriation	(a)	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Outcome 1	1,485	-	-	-	-	-	-	-	-	1,485
Equity injections	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Previous years' outputs	-	-	-	-	-	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-	-	-	-	-	-
Special capital Appropriation	-	-	-	-	-	-	-	-	-	-
TOTAL	1,485	-	-	-	-	-	-	-	-	1,485

- a Departmental and administered receipts from other sources (that is, other than appropriation amounts) that are available to be used (does not include resources provided free of charge).
- b Includes new administered expenses and administered assets and liabilities.

Notes:

- Under the appropriation structure, Bill No. 2 includes Specific Purpose Payments (SPPs), new agency outcomes (NAOs), administered capital and departmental capital via departmental injections and loans.
- Refer to Budgeted Income Statement for application of agency revenue.

2.2 2006–07 BUDGET MEASURES

Budget measures relating to the Office of the Inspector-General of Intelligence and Security as explained in Budget Paper No. 2 are summarised in Table 2.2. The table also identifies the relevant outcome and output associated with each measure.

Table 2.2 Office of the Inspector-General of Intelligence and Security measures

Measure	Outcome	Output groups affected	2006–07 (\$'000)			2007–08 (\$'000)			2008–09 (\$'000)			2009–10 (\$'000)		
			Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
National Security - Increasing the resourcing for the Office of the Inspector-General of Intelligence and Security	1	1	429	429	688	688	846	846	1,043	1,043				
Total			429	429	688	688	846	846	1,043	1,043				

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by the Office of the Inspector-General of Intelligence and Security for provision of goods or services. These resources are in addition to those in Table 2.1.

Table 2.3 provides a description of resources received free of charge by the providing agency. In 2006–07, there is a \$25,000 increase in resources received free of charge which reflects the increased value of the office space provided to the office by the Department of the Prime Minister and Cabinet. The increase is due to the planned relocation of the office to the department’s new premises in December 2006.

Table 2.3: Other resources available to be used

	Estimated resources 2005–06 \$'000	Budget estimate 2006–07 \$'000
Departmental resources		
Resources received free of charge:		
Department of the Prime Minister and Cabinet office space	52	77
Australian National Audit Office audit of financial statements	14	14
Defence Signals Directorate ongoing maintenance of internal secure communications network	2	2
Total departmental other resources available to be used	68	93

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005–06 TO 2006–07

The office has no administered items.

2.5 SPECIAL APPROPRIATIONS

The office has no special appropriations.

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Special Accounts can be created by a Finance Minister’s Determination under the *Financial Management and Accountability Act 1997*. These Determinations may be disallowed by the Parliament. Special Accounts can also be established by the passage of separate legislation. Abolition of Special Accounts requires a Determination to be made by the Finance Minister or, for those accounts established by legislation, by repeal of the legislation in whole or part.

The office has two special accounts:

- Services for other Government and Non-Agency Bodies Account (s. 20 FMA Act 1997)
- Other Trust Moneys Account (s. 20 FMA Act 1997).

The accounts have zero balances and have never been active.

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The office does not have any administered capital, departmental equity injections or loans in the 2006–07 Budget.

Section 3: Outcomes

Agencies are required to plan, budget and report under an outcomes structure. Agencies produce outputs (departmental items) and may also administer activities and programmes on behalf of the government (administered items). This section explains how the resources identified in Section 2 will be used to produce the output that delivers the one outcome for the Office of the Inspector-General of Intelligence and Security.

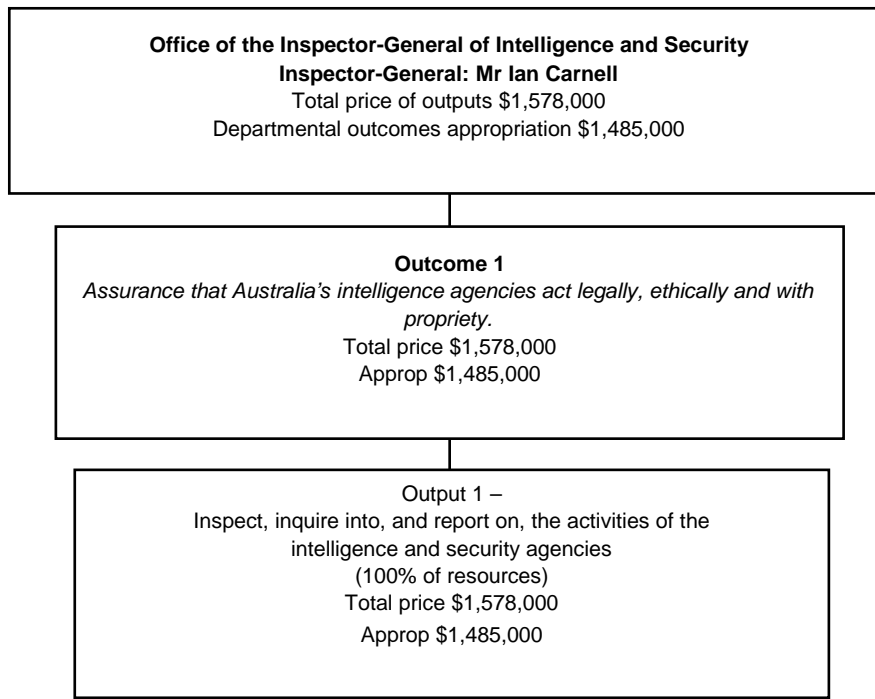
Later in this section, resources are related to outcomes, outputs and key performance information, such as targets/indicators.

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of the Office of the Inspector-General of Intelligence and Security and the outcomes is summarised in Figure 1.

The difference between the total price of outputs and the departmental outcomes appropriation shown in Figure 1 is the resources received free of charge (earlier itemised in Table 2.3). The total price of outputs is intended to reflect the full cost of delivering the office's outcome.

Figure 1: Contributions to outcomes



3.2 OUTCOMES—DEPARTMENTAL AND ADMINISTERED

Departmental appropriations by outcome

The office has one outcome only. Therefore, a graphical representation of departmental appropriations by outcome has not been provided.

Administered appropriations by outcome

The office has no administered appropriations.

3.3 OUTCOMES AND PERFORMANCE

Outcome 1 resourcing

Table 3.1 shows how the 2006–07 Budget appropriations translate to total resourcing for Outcome 1, including revenue from government (appropriation), revenue from other sources (resources received free of charge), and the total price of outputs.

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

	Estimated actual 2005–06 \$'000	Budget estimate 2006–07 \$'000
Departmental appropriations		
Output 1 – Inspect, inquire into, and report on, the activities of the intelligence and security agencies.	1,124	1,485
Total revenue from government (appropriations) Contributing to price of departmental outputs	1,124	1,485
Other resources available to be used		
Resources received free of charge		
Department of the Prime Minister and Cabinet	52	77
Australian National Audit Office	14	14
Defence Signals Directorate	2	2
Total revenue from other sources	68	93
Total resources (Total revenue from government and from other sources)	1,192	1,578
Total estimated resourcing for Outcome 1 (Total price of outputs and administered appropriations)	1,192	1,578
	2005–06	2006–07
Average staffing level (number)	6	9

Note: Table 2.3 provides a description of the resources received free of charge.

Measures affecting Outcome 1

The government will provide \$3.0 million over four years to enhance the capability of the Office of the Inspector-General of Intelligence and Security to enable it to address the increased workload associated with the increased activity in the Australian intelligence community.

Contributions to achievement of Outcome 1

The office will use these additional resources to ensure that the monitoring/inspection capability of the office keeps pace with the expanding Australian intelligence community.

Administered activities

The office has no administered activities.

Departmental outputs

The office has only one output—inspect, inquire into, and report on the activities of the intelligence and security agencies—which contributes directly to the office’s outcome.

Performance information for Outcome 1

Performance information for the Office of the Inspector-General of Intelligence and Security 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"> • the range of monitoring work undertaken • 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
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> \$1,578,000</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 has no significant 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

The office has no Indigenous expenditure.

Section 5: Budgeted financial statements

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental

Statement of financial performance

The office is budgeting for a \$47,000 loss in 2005–06 and a balanced budget from 2006–07 onwards. The majority of the office's budget remains committed to salary and salary-related expenditure.

In 2005–06, the office received an operating appropriation of \$1,124,000 as shown in Table 5.1. The 2005–06 funding allocation consisted of:

- a Budget appropriation of \$1,058,000
- an Additional Estimates appropriation of \$66,000.

The additional funding of \$66,000 received in the 2005–06 Additional Estimates was the first part of a reallocation of a prior year's capital funding to allow it to be used to meet increased operating expenses. The final part of the process, which is the application to hand back the original capital amount of \$66,000, is under consideration by the Minister for Finance. It is expected that the reallocation process will be finalised before the end of the financial year.

The estimated \$47,000 loss in 2005–06 is made up of unfunded costs (depreciation and the transfer of an accrued leave liability for a new staff member). The office has received funding for these items in the 2006–07 Budget.

For 2006–07, the office will receive an operating appropriation of \$1,485,000 as shown in Table 5.1.

The \$361,000 increase in government funding from 2005–06 to 2006–07 is primarily due to:

- \$429,000 to fund the expansion of the office to meet the increased workload (which also includes provisions for unfunded costs of both depreciation and the accrued leave liability of a new staff member)
less
- \$66,000 in non-ongoing funding received as part of the 2005–06 Additional Estimates process, and
- \$2,000 net adjustment for the efficiency dividend and price movements.

Significant components of office funding are:

- employee expenses (includes salary-related expenditure, superannuation, Comcare and movements in accrued leave entitlements)
- supplier expenses, includes:
 - normal administrative expenses
 - payment for consultants (2005–06, \$5,000; 2006–07, \$25,000)
 - accountancy services (2005–06 onwards, estimated \$25,000)
 - legal advice (2005–06 onwards, estimated \$40,000)
 - resources received free of charge (2005–06, 68,000; 2006–07, \$93,000; 2007–08 onwards, \$118,000)
 - contribution to the Department of the Prime Minister and Cabinet for services provided (2005–06 onwards, \$46,000)
 - depreciation expenses (2005–06 onwards, estimated \$40,000 per year).

The increase in the resources received free of charge from 2006–07 reflects the increased rental value of office space that will be occupied in the new Department of the Prime Minister and Cabinet building, due for completion in December 2006. Other resources received free of charge included in the estimate are financial audit services from the Australian National Audit Office of \$14,000 per year and maintenance of the internal secure communications network provided by DSD at an estimated value of \$2,000 per year.

Statement of financial position

The office has put aside funds to partly meet accrued leave liabilities. These funds (including the \$200,000 equity injection received in the 2004–05 Budget for this purpose) are recorded as a receivable in Table 5.2 and are held in the Official Public Account. Part of the cash balance will be required to fund accrued leave liabilities when payable.

Where possible, asset purchases have been deferred until 2006–07 when the office will move into the new premises. Once this move is complete, the office will undertake the second part of the internal secure communications network upgrade. The increased staffing of the office will also require the purchase of additional assets. In 2006–07, the office plans to purchase \$122,000 worth of assets.

Statement of cash flows

The cash flows statement will be different from the expenses and receipts recorded in Table 5.1. The main reasons for this difference is that non-cash expenses are not recorded in the cash flows statement (such as resources received free of charge, depreciation expense, and the expensing of accrued leave movements) and the time that transactions are recorded (that is, cash versus accrual accounting). These

differences explain why the office is able to record a 'paper loss' of \$47,000 in 2005–06 (Table 5.1) and, at the same time, expect to realise a cash surplus of \$31,000 (Table 5.3).

With the exception of the 2006–07 financial year, cash holdings increase across the years due to the accumulation of cash set aside for depreciation and accrued leave movements. The decrease in cash holdings in 2006–07 is due to plans to acquire \$122,000 more in assets.

Departmental statement of changes in equity—summary of movement, 2006–07

The office's equity position in 2006–07 is expected to be \$361,000 (Table 5.3). The equity position reflects the financial health of an organisation and is unchanged across the forward years.

If the Minister for Finance agrees to the final part of the reallocation of the \$66,000, contributed equity will be reduced by \$66,000 in 2005–06 and the forward estimates.

Capital budget statement

The office will use capital funding received in 2004–05 to fund new assets and replace existing assets. The new assets will consist of stage 2 of the replacement of the existing secure communications equipment and office furniture for new staff. Some replacement of existing furniture is also expected to take place due to the move to the new premises in 2006–07.

Property, plant equipment—summary of movement

Table 5.6 shows the value of the assets currently held by the office, the impact of depreciation and plans to purchase or replace assets for the 2006–07 financial year.

The office intends to acquire \$122,000 in assets in 2006–07 and record a decrease in the value of assets of \$40,000 due to depreciation. Between 1 July 2006 and 30 June 2007, the net value of exiting assets and the newly purchased assets is expected to increase by \$82,000.

Administered

The office has no administered accounts.

BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005–06 \$'000	Budget estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000
INCOME					
Revenue					
Revenues from government	1,124	1,485	1,751	1,939	2,148
Resources received free of charge	68	93	118	118	118
Other	-	-	-	-	-
Total revenue	1,192	1,578	1,869	2,057	2,266
Total income	1,192	1,578	1,869	2,057	2,266
EXPENSE					
Employees	919	1,200	1,410	1,530	1,660
Suppliers					
resources received free of charge	68	93	118	118	118
other suppliers	212	245	301	369	448
Depreciation and amortisation	40	40	40	40	40
Other	-	-	-	-	-
Total expenses	1,239	1,578	1,869	2,057	2,266
Operating result from continuing operations					
Operating result					
Minority interest in net surplus or (deficit)	(47)	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	(47)	-	-	-	-

1. The 2005–06 appropriation consists of:
- Budget Appropriation (Bill 1) of \$1,058,000
 - Additional Estimates (Bill 3) of \$66,000

**Table 5.2: Budgeted departmental balance sheet
as at 30 June**

	Estimated actual 2005–06 \$'000	Budget estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000
ASSETS					
Financial assets					
Cash	443	421	521	581	641
Appropriations receivables	309	309	309	309	309
Other	-	-	-	-	-
Total financial assets	752	730	830	890	950
Non-financial assets					
Infrastructure, plant and equipment	69	151	111	71	31
Other	-	-	-	-	-
Total non-financial assets	69	151	111	71	31
Total assets					
LIABILITIES					
Interest bearing liabilities					
Total interest bearing liabilities	-	-	-	-	-
Provisions					
Employees	460	520	580	600	620
Other	-	-	-	-	-
Total provisions	460	520	580	600	620
Payables					
Suppliers	-	-	-	-	-
Other	-	-	-	-	-
Total payables	-	-	-	-	-
Liabilities included in disposal groups held for sale	-	-	-	-	-
Total liabilities	460	520	580	600	620
EQUITY¹					
Parent entity interest					
Contributed equity	468	468	468	468	468
Reserves	9	9	9	9	9
Statutory funds	-	-	-	-	-
Retained surpluses or accumulated deficits	(116)	(116)	(116)	(116)	(116)
Total parent entity interest	361	361	361	361	361
Minority interest	-	-	-	-	-
Total minority interest	-	-	-	-	-
Total equity	361	361	361	361	361
Current assets	752	730	830	890	950
Non-current assets	69	151	111	71	31
Current liabilities	-	-	-	-	-
Non-current liabilities	460	520	580	600	620

1. 'Equity' is the residual interest in assets after deduction of liabilities.

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

	Estimated actual 2005–06 \$'000	Budget estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	1,124	1,485	1,751	1,939	2,148
Other	-	-	-	-	-
Total cash received	1,124	1,485	1,751	1,939	2,148
Cash used					
Employees	(881)	(1,018)	(1,350)	(1,510)	(1,640)
Suppliers	(212)	(367)	(301)	(369)	(448)
Other	-	-	-	-	-
Total cash used	(1,093)	(1,385)	(1,651)	(1,879)	(2,088)
Net cash from or (used by) operating activities	31	100	100	60	60
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	-	-	-	-	-
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Purchase of property, plant and equipment	-	(122)	-	-	-
Other	-	-	-	-	-
Total cash used	-	(122)	-	-	-
Net cash from or (used by) investing activities	-	(122)	-	-	-
FINANCING ACTIVITIES					
Cash received					
Appropriations – contributed equity	-	-	-	-	-
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Total cash used	-	-	-	-	-
Net cash from or (used by) financing activities	-	-	-	-	-
Net increase or (decrease) in cash held	31	(22)	100	60	60
Cash at the beginning of the reporting period	412	443	421	521	581
Cash at the end of the reporting period	443	421	521	581	641

Table 5.4: Departmental statement of changes in equity—summary of movement (Budget 2006–07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	(116)	9	-	468	361
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	(116)	9	-	468	361
Estimated closing balance as at 30 June 2007	(116)	9	-	468	361

Table 5.5: Departmental capital budget statement for year ended 30 June

	Estimated actual 2005–06 \$'000	Budget estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
Represented by:					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
Total represented by	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by					
Departmental resources	-	122	-	-	-
Total	-	122	-	-	-

Table 5.6: Departmental property, plant, equipment and intangibles - summary of movement (Budget year 2006–07)

	Land	Investment property	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2006									
Gross book value	-	-	-	-	143	-	-	-	-
Accumulated depreciation	-	-	-	-	65	-	-	-	-
Opening net book value					78				
Additions:									
by purchase	-	-	-	-	122	-	-	-	-
by finance lease	-	-	-	-	-	-	-	-	-
internally developed	-	-	-	-	-	-	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
Revaluations and impairment through equity	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	40	-	-	-	-
Impairments recognised in operating result	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
Disposals:									
from disposal of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
other disposals	-	-	-	-	-	-	-	-	-
As at 30 June 2007									
Gross book value	-	-	-	-	265	-	-	-	-
Accumulated depreciation	-	-	-	-	105	-	-	-	-
Estimated closing net book value					160				

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.