

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 and resources

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

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* (IGIS Act). The Inspector-General's inquiries into and inspections of the activities of the agencies include, amongst other matters, investigating complaints made against the agencies.

There are no budget measures relating to the Office of the Inspector-General of Intelligence and Security for 2008-09.

1.1 STRATEGIC DIRECTION

The priorities for the year ahead will be to:

- continue and expand the Agency's inspection activities, which involve proactive monitoring of the Australian Intelligence Community (AIC) agencies
- respond within a timely manner to complaints/inquiries which fall within the Inspector-General's jurisdiction (when appropriate, the Inspector-General can also initiate 'own motion' inquiries under the IGIS Act).
- strengthen relationships with international review agencies by attending the sixth International Intelligence Review Agencies Conference to be hosted by New Zealand (the conference provides valuable insights into different approaches to issues of intelligence oversight and accountability).

The major challenges facing the Agency include the changing worldwide security environment and the consequential growth in the size of the AIC agencies.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all origins. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Agency resource statement — Budget estimates for 2008–09 as at Budget May 2008

	Estimate of prior + year amounts available in 2008–09 \$'000	Proposed at Budget = 2008–09 \$'000	Total estimate 2008–09 \$'000	Estimated appropriation available 2007–08 \$'000
Ordinary Annual Services				
Departmental outputs				
Departmental outputs	1,494	1,899	3,393	1,746
s. 31 Relevant agency receipts	-	-	-	-
Total	1,494	1,899	3,393	1,746
Total ordinary annual services	1,494	1,899	3,393	1,746
Total Available Annual Appropriations	1,494	1,899	3,393	1,746
Total net resourcing for agency	1,494	1,899	3,393	1,746

1.3 BUDGET MEASURES

There are no measures relating to the Office of the Inspector-General of Intelligence and Security in the 2008–09 Budget.

Section 2: Outcome and planned performance

The Australian Government requires agencies to measure their intended and actual performance in terms of outcomes. Government outcomes are the results, impacts on the Australian community or consequences of actions by the government. Agencies are required to identify the output groups which demonstrate their contribution to government outcomes over the coming year.

The single planned Outcome of the Office of the Inspector-General of Intelligence and Security is described below by output group, specifying the performance indicators and targets used to assess and monitor the performance of the Agency in achieving government outcomes.

2.1 OUTCOME 1

Assurance that Australia's intelligence agencies act legally, ethically and with propriety.

2.1.1 Outcome 1 Strategy

The strategy employed to achieve the Agency's single Outcome is to:

- continue and expand the Agency's inspection activities, which involve proactively monitoring and/or reviewing the activities of the AIC agencies
- where appropriate, investigate complaints about the activities of the AIC agencies, and when appropriate initiate 'own motion' inquiries (as provided for under the IGIS Act).

2.1.2 Outcome 1 Resource statement

Table 2.1 provides additional detail of Budget appropriations and the total resourcing for Outcome 1.

Table 2.1: Total resources for Outcome 1

Outcome 1: Assurance that Australia's intelligence agencies act legally, ethically and with propriety	2008–09 Total estimate of available resources \$'000	2007–08 Estimated actual \$'000
Output Group 1:		
Departmental Outputs		
Inspect, inquire into, and report on, the activities of the intelligence and security agencies	1,899	1,746
Subtotal for Output Group 1	1,899	1,746
Total resources for Outcome 1	1,899	1,746
	2008–09	2007–08
Average staffing level (number)	11	9

Note Departmental appropriation splits and totals, by outcome and output, are indicative estimates and may change in the course of the budget year as government priorities change.

2.1.3 Contributions to Outcome 1

Output Group 1: Inspect, inquire into, and report on, the activities of the intelligence and security agencies

Output Group 1: Inspect, inquire into, and report on, the activities of the intelligence and security agencies	
<p>The Commonwealth provides funds for 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>The effectiveness of the office may be assessed against a range of performance criteria, including:</p> <ul style="list-style-type: none"> • the breadth and depth of monitoring work undertaken • the timeliness of completion 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. 	
Key performance indicators	2008–09 target
Timeliness, scope and outcome of specific monitoring activities (which includes both inspection and inquiry activities).	<ul style="list-style-type: none"> • To retain the confidence of relevant ministers and the Parliamentary Joint Committee on Intelligence and Security. • To reduce the average time taken to finalise complainant initiated preliminary and full inquiries (2006–07: 95 days).
Completion of planned inspection program (in each annual report, the Inspector-General of Intelligence and Security details the program for the next year).	<ul style="list-style-type: none"> • 100% completion.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of agency finances for the Budget year 2008–09. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between the agency and outcome resource statements, movements in administered funds, special accounts and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Reconciliation of total available appropriation and outcomes

The Agency Resource Statement (Table 1.1) details the total available appropriation available to an agency from all sources. For departmental operating appropriations (outputs) this includes carry-forward amounts as well as amounts appropriated at Budget. As agencies incur and are funded for future liabilities, generally depreciation and employee entitlements, the total amount of departmental operating appropriation available to an agency is unlikely to be fully utilised in the Budget year. The difference between the agency resource statement and the sum of all payments made at the departmental outputs level is the expected carry-forward amount of resources for the 2009–10 Budget year, including amounts related to meeting future obligations to maintain the agency’s asset base and to meet employee entitlement liabilities.

Table 3.1.1: Reconciliation of total available appropriation and outcomes

	\$'000
Total available departmental operating appropriation (outputs)	3,393
Less estimated payments in 2008–09	1,786
Estimated departmental outputs carried forward and available for 2009–10	1,607

3.1.2 Movement of administered funds between years

The Office of the Inspector-General of Intelligence and Security does not have any administered items.

3.1.3 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* (FMA Act) or under separate enabling legislation.

The Agency has two special accounts established under section 20 of the FMA Act. The accounts established are:

- *Other Trust Moneys Account.* The purpose of this account is for expenditure of monies temporarily held in trust or otherwise for the benefit of a person other than the Commonwealth.
- *Services for Other Governments and Non-Agency Bodies Account.* The purpose of this account is for expenditure in connection with services performed on behalf of other governments and bodies that are not FMA Act agencies.

Both these accounts have zero balances and have never been active.

Table 3.1.3: Estimates of Special Account cash flows and balances

	Opening balance 2008-09 <i>2007-08</i>	Receipts 2008-09 <i>2007-08</i>	Payments 2008-09 <i>2007-08</i>	Adjustments 2008-09 <i>2007-08</i>	Closing balance 2008-09 <i>2007-08</i>
Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Moneys Account (s. 20, FMA Act)	-	-	-	-	-
Services for Other Governments and Non-Agency Bodies Accounts (s. 20, FMA Act)	-	-	-	-	-
Total special accounts	-	-	-	-	-
2008-09 Budget estimate	-	-	-	-	-
<i>Total special accounts</i>	-	-	-	-	-
<i>2007-08 estimated actual</i>	-	-	-	-	-

FMA Act = *Financial Management and Accountability Act 1997.*

3.1.4 Australian Government Indigenous expenditure

The Office of the Inspector-General of Intelligence and Security has no Indigenous expenditure to report for 2008-09.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Analysis of budgeted financial statements

Departmental income statement

The Agency is once again budgeting for a balanced budget in 2008–09. For 2008–09, the Agency will receive an operating appropriation totalling \$1.9 million. The most significant component of the expenditure will be salary-related expenditure, which reflects the nature of the Agency's activities and functions.

The increase in government funding from 2007–08 (\$0.2 million) is primarily related to a planned increase in staff resources for the Agency. With the increasing size of the Australian Intelligence Community and the increasing focus on global security, there is a growing demand for the Agency's services.

The resources received by the Agency free of charge include the office space occupied in the Department of the Prime Minister and Cabinet building (estimated value: \$0.1 million per year), the financial audit services provided by the Australian National Audit Office (estimated value: \$14,000 per year) and maintenance of the internal secure communications network provided by DSD (estimated value: \$2,000).

Departmental balance sheet

There is no planned significant capital expenditure in 2008–09. The most significant component of the Agency's assets is the internal secure network, which has been upgraded in 2007–08. The Agency also holds some office furniture and equipment, but the majority of assets are owned by the Department of the Prime Minister and Cabinet and are provided free of charge.

The Agency operates under a cash level agreement with the Department of Finance and Deregulation whereby funds are only drawn down from the Agency's appropriation once the cash held falls below \$0.3 million. Hence, the appropriation receivable figure increases over the years due to non-cash expenditure items such as depreciation and leave accruals.

The Agency's only significant liabilities are accrued leave liabilities. Because of the significance of these liabilities, funds have been set aside in the Official Public Account. Existing cash holdings will also be required to fund these liabilities.

Departmental statement of cash flows

The cash holdings remain constant over the years due to the cash level agreement between the Agency and the Department of Finance and Deregulation.

Departmental statement of changes in equity – summary of movement 2008–09

The Agency's equity position in 2008–09 is expected to be \$0.6 million and is unchanged across the forward years.

3.2.2 Budgeted financial statements tables

Table 3.2.1: Budgeted departmental income statement (for the period ended 30 June)

	Estimated actual 2007–08 \$'000	Budget estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000	Forward estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000
INCOME					
Revenue					
Revenues from government	1,746	1,899	2,101	2,115	2,134
Goods and services	-	-	-	-	-
Fees and fines	-	-	-	-	-
Interest	-	-	-	-	-
Dividends	-	-	-	-	-
Rents	-	-	-	-	-
Royalties	-	-	-	-	-
Other – Resources received free of charge	118	118	118	118	118
Total revenue	1,864	2,017	2,219	2,233	2,252
Gains					
Foreign exchange gains	-	-	-	-	-
Reversals of previous asset write-downs	-	-	-	-	-
Sale of assets	-	-	-	-	-
Other	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	1,864	2,017	2,219	2,233	2,252
EXPENSE					
Employees	1,305	1,490	1,613	1,627	1,713
Suppliers	544	497	576	593	526
Grants	-	-	-	-	-
Depreciation and amortisation	15	30	30	13	13
Finance costs	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Losses from sale of assets	-	-	-	-	-
Foreign exchange losses	-	-	-	-	-
Other	-	-	-	-	-
Total expenses	1,864	2,017	2,219	2,233	2,252
Share of operating results of associates and joint ventures accounted for using the equity method	-	-	-	-	-
Surplus (Deficit) before income tax	-	-	-	-	-
Income tax expense	-	-	-	-	-
Surplus/(Deficit)	-	-	-	-	-
Minority interest in surplus (deficit)	-	-	-	-	-
Surplus (deficit) attributable to the Australian Government	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

Table 3.2.2: Budgeted departmental balance sheet (as at 30 June)

	Estimated actual 2007–08 \$'000	Budget estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000	Forward estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000
ASSETS					
Financial assets					
Cash and equivalents	300	300	300	300	300
Trade and other receivables	-	24	24	24	24
Investments accounted for under the equity method	-	-	-	-	-
Investments	-	-	-	-	-
Other investments	-	-	-	-	-
Tax assets	-	-	-	-	-
Other	1,195	798	798	838	838
Total financial assets	1,495	1,122	1,122	1,162	1,162
Non-financial assets					
Land and buildings	-	-	-	-	-
Infrastructure, plant and equipment	76	43	13	-	47
Investment properties	-	-	-	-	-
Inventories	-	-	-	-	-
Intangibles	-	-	-	-	-
Biological assets	-	-	-	-	-
Other	-	-	-	-	-
Total non-financial assets	76	43	13	-	47
Assets held for sale	-	-	-	-	-
Total assets	1,571	1,165	1,135	1,162	1,209
LIABILITIES					
Interest bearing liabilities					
Loans	-	-	-	-	-
Leases	-	-	-	-	-
Deposits	-	-	-	-	-
Other	-	-	-	-	-
Total interest bearing liabilities	-	-	-	-	-
Provisions					
Employees	959	557	527	554	601
Other	-	-	-	-	-
Total provisions	959	557	527	554	601
Payables					
Suppliers	50	46	46	46	46
Grants	-	-	-	-	-
Dividends	-	-	-	-	-
Other	-	-	-	-	-
Total payables	50	46	46	46	46
Liabilities included in disposal groups held for sale	-	-	-	-	-
Total liabilities	1,009	603	573	600	647
Net assets	562	562	562	562	562

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Table 3.2.2: Budgeted departmental balance sheet (as at 30 June) (continued)

	Estimated actual 2007–08 \$'000	Budget estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000	Forward estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000
EQUITY^a					
Parent entity interest					
Contributed equity	402	402	402	402	402
Reserves	3	3	3	3	3
Retained surpluses or accumulated deficits	157	157	157	157	157
Total parent entity interest	562	562	562	562	562
Minority interest					
Contributed equity	-	-	-	-	-
Reserves	-	-	-	-	-
Retained surpluses or accumulated deficits	-	-	-	-	-
Total minority interest	-	-	-	-	-
Total equity	562	562	562	562	562
Current assets	1,495	1,122	1,122	1,162	1,162
Non-current assets	76	43	13	-	47
Current liabilities	98	74	73	73	76
Non-current liabilities	911	529	500	527	571

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

Prepared on Australian Accounting Standards basis.

Table 3.2.3: Budgeted departmental statement of cash flows (for the period ended 30 June)

	Estimated actual 2007–08 \$'000	Budget estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000	Forward estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	-	-	-	-	-
Appropriations	1,746	1,894	2,096	2,188	2,247
Interest	-	-	-	-	-
Dividends	-	-	-	-	-
Other	-	5	5	5	5
Total cash received	1,746	1,899	2,101	2,193	2,252
Cash used					
Employees	1,285	1,427	1,550	1,681	1,666
Suppliers	404	467	546	507	521
Grants	-	-	-	-	-
Borrowing costs	-	-	-	-	-
Other	-	5	5	5	5
Income taxes paid	-	-	-	-	-
Total cash used	1,689	1,899	2,101	2,193	2,192
Net cash from or (used by)					
operating activities	57	-	-	-	60
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	-	-	-	-	-
Proceeds from sales of financial instruments	-	-	-	-	-
Investments	-	-	-	-	-
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Purchase of property, plant and equipment	57	-	-	-	60
Purchase of financial instruments	-	-	-	-	-
Investments	-	-	-	-	-
Other	-	-	-	-	-
Total cash used	57	-	-	-	60
Net cash from or (used by)					
investing activities	(57)	-	-	-	(60)

Continued on next page.

Table 3.2.3: Budgeted departmental statement of cash flows (for the period ended 30 June) (continued)

	Estimated actual 2007–08 \$'000	Budget estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000	Forward estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000
FINANCING ACTIVITIES					
Cash received					
Appropriations – contributed equity	-	-	-	-	-
Proceeds from issuing financial instruments	-	-	-	-	-
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Repayments of debt	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from or (used by) financing activities	-	-	-	-	-
Net increase or (decrease) in cash held	-	-	-	-	-
Cash at the beginning of the reporting period	300	300	300	300	300
Effect of exchange rate movements on cash at the beginning of reporting period	-	-	-	-	-
Cash at the end of the reporting period	300	300	300	300	300

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2008–09)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008					
Balance carried forward from previous period	157	3	-	402	562
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	157	3	-	402	562
Income and expense					
Income and expenses recognised directly in equity:					
Gain/loss on revaluation of property	-	-	-	-	-
Subtotal income and expense	-	-	-	-	-
Surplus (deficit) for the period	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Transactions with owners					
<i>Distribution to owners</i>					
Returns on capital					
Dividends	-	-	-	-	-
Returns of capital					
Restructuring	-	-	-	-	-
Other	-	-	-	-	-
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	-	-
Other:					
Restructuring	-	-	-	-	-
Subtotal transactions with owners	-	-	-	-	-
Transfers between equity components	-	-	-	-	-
Estimated closing balance as at 30 June 2009	157	3	-	402	562

Prepared on Australian Accounting Standards basis.

3.2.3 Notes to the financial statements

The Agency has no further items or variances other than those explained in the analysis of the budgeted financial statements.