

Office of the Inspector-General of Intelligence and Security

Agency resources and planned performance

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 of the Office of the Inspector-General of Intelligence and Security (OIGIS) is:

Independent assurance for the Prime Minister, senior ministers and Parliament as to whether Australia's intelligence and security agencies act legally and with propriety by inspecting, inquiring into and reporting on their activities.

1.1 STRATEGIC DIRECTION STATEMENT

OIGIS was established in 1987 to provide a specialised review mechanism for the six agencies that comprise the Australian Intelligence Community (AIC). These agencies are:

- Australian Security Intelligence Organisation (ASIO)
- Australian Secret Intelligence Service (ASIS)
- Defence Imagery and Geospatial Organisation (DIGO)
- Defence Intelligence Organisation (DIO)
- Defence Signals Directorate (DSD)
- Office of National Assessments (ONA).

A proactive inspection program is undertaken by OIGIS each year into the activities of each AIC agency. Formal inquiries may also be conducted at the Inspector-General's own motion, or as a result of complaints received, or by request from relevant ministers. During such inquiries, the *Inspector-General of Intelligence and Security Act 1986* provides for the use of strong coercive powers, immunities and protections.

In conducting its inquiries and inspections, OIGIS focuses on compliance by the AIC agencies with Australian law and ministerial directions, the propriety of their activities, and respect for human rights.

The position of Inspector-General of Intelligence and Security is a statutory one, with a fixed-term appointment and strong tenure to facilitate independence.

OIGIS Budget Statements

There are no new measures for OIGIS in the 2010–11 Budget. However, the Inspector-General's new function under the *Freedom of Information (Removal of Conclusive Certificates and Other Measures) Act 2009* – to appear before the Administrative Appeals Tribunal as an expert witness in freedom of information matters involving exemption claims pertaining to national security, defence and foreign relations – will have resourcing implications.

Other proposed changes that will potentially impact on OIGIS operations include:

- the introduction of the new whistleblower protection scheme, announced by the government on 17 March 2010, which foreshadows a key role for OIGIS in the handling of public interest disclosures from within and about AIC agencies
- the National Security Legislation Amendment Bill 2010, which includes a measure to enable the Prime Minister to request the Inspector-General to inquire into intelligence/security matters in Commonwealth departments and agencies outside of the AIC
- changes to the *Archives Act 1983*, which may bring forward the time when OIGIS will have to process requests for access to open-period OIGIS records.

1.2 AGENCY RESOURCE STATEMENT

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

Table 1.1: Office of the Inspector-General of Intelligence and Security resource statement—Budget estimates for 2010–11 as at Budget, May 2010

	Estimate of prior + year amounts available in 2010–11 \$'000	Proposed at Budget = 2010–11 \$'000	Total estimate 2010–11 \$'000	Actual available appropriation 2009–10 \$'000
Ordinary annual services¹				
Departmental appropriation				
Prior year departmental appropriation ²	1,109	-	1,109	-
Departmental appropriation ³	-	2,167	2,167	2,107
s. 31 Relevant agency receipts	-	-	-	-
Total	1,109	2,167	3,276	2,107
Administered expenses				
Total	-	-	-	-
Total ordinary annual services	A 1,109	2,167	3,276	2,107
Other services	-	-	-	-
Administered expenses				
Total	-	-	-	-
Departmental non-operating				
Total	-	-	-	-
Administered non-operating				
Total	-	-	-	-
Total other services	B -	-	-	-
Total available annual appropriations	1,109	2,167	3,276	2,107
Special appropriations	-	-	-	-
Total special appropriations	C -	-	-	-
Total appropriations excluding special accounts	1,109	2,167	3,276	2,107
Special accounts	-	-	-	-
Total special accounts	D -	-	-	-
Total resourcing				
A+B+C+D	1,109	2,167	3,276	2,107
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or CAC Act bodies through annual appropriations	-	-	-	-
Total net resourcing for agency	1,109	2,167	3,276	2,107

1 Appropriation Bill (No. 1) 2010–11.

2 Estimated adjusted balance carried from previous year for annual appropriations.

3 Includes an amount of \$0.072 million in 2010–11 for the departmental capital budget (refer to Table 3.2.5 for further details). For accounting purposes, this amount has been designated as 'contributions by owners'.

Note: All figures are GST exclusive.

1.3 BUDGET MEASURES

There are no budget measures for the Office of the Inspector-General of Intelligence and Security in the 2010-11 Budget.

SECTION 2: OUTCOME AND PLANNED PERFORMANCE

2.1 OUTCOME AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs, specifying the performance indicators and targets used to assess and monitor the performance of the Office of the Inspector-General of Intelligence and Security in achieving government outcomes.

Outcome 1: Independent assurance for the Prime Minister, senior ministers and Parliament as to whether Australia's intelligence and security agencies act legally and with propriety by inspecting, inquiring into and reporting on their activities.

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 reviewing the activities of the AIC agencies
- where appropriate, initiate 'own motion' inquiries and investigate complaints/referrals about the activities of the AIC agencies.

Outcome 1 expense and resource statement

Table 2.1 provides an overview of the total expenses for Outcome 1, by program.

Table 2.1: Budgeted expenses and resources for Outcome 1

Outcome 1: Independent assurance for the Prime Minister, senior ministers and Parliament as to whether Australia's intelligence and security agencies act legally and with propriety by inspecting, inquiring into and reporting on their activities	2009–10 Estimated actual expenses \$'000	2010–11 Estimated expenses \$'000
Program 1.1: Office of the Inspector-General of Intelligence and Security		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	2,107	2,095
Revenue from independent sources (s. 31)	-	-
Special appropriations	-	-
Special accounts	-	-
Expenses not requiring appropriation in the Budget year	218	131
Total for Program 1.1	2,325	2,226
Outcome 1 Totals by appropriation type		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	2,107	2,095
Revenue from independent sources (s. 31)	-	-
Special appropriations	-	-
Special accounts	-	-
Expenses not requiring appropriation in the Budget year	218	131
Total expenses for Outcome 1	2,325	2,226
	2009–10	2010–11
Average staffing level (number)	12	13

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

Contributions to Outcome 1

Program 1.1: Office of the Inspector-General of Intelligence and Security

Program 1.1 objective

The Commonwealth provides funds for the Inspector-General of Intelligence and Security to enable the responsibilities and functions outlined in the *Inspector-General of Intelligence and Security Act 1986* to be exercised. The program objective is to fulfil these responsibilities and functions and provide independent assurance for the Prime Minister, senior ministers and Parliament as to whether Australia's intelligence and security agencies are acting legally and with propriety.

Program 1.1 expenses

Given the nature of the office's activities, employee-related expenses are the dominant program expenses. OIGIS also receives significant assistance free of charge from the Department of the Prime Minister and Cabinet.

Employee numbers in OIGIS have increased in recent years to keep pace with increases in the size and activities of the AIC and in the role of the office. At this stage no further increases in OIGIS employee numbers are budgeted for.

Factors which could cause this to be reviewed are:

- changes in AIC activities
- changes in the jurisdiction or role of OIGIS
- changes in complaint or inquiry numbers.

	2009-10	2010-11	2011-12	2012-13	2013-14
Program expense (\$'000)	Revised budget	Budget	Forward year 1	Forward year 2	Forward year 3
Special appropriations	-	-	-	-	-
Special account expenses	-	-	-	-	-
Annual departmental expenses:					
Departmental item	2,107	2,095	2,108	2,120	2,132
Program support	-	-	-	-	-
Expense not requiring appropriation in the Budget year	218	131	131	131	131
Total program expense	2,325	2,226	2,239	2,251	2,263

Program 1.1 deliverables

The program deliverables include:

- conducting own motion inquiries as appropriate
- undertaking a comprehensive inspection and visits program to monitor and review casework
- providing effective and timely responses to complaints/referrals received from members of the public, ministers or members of parliament
- undertaking presentations to new and existing members of the AIC agencies to ensure an awareness and understanding of their responsibilities and accountability
- liaising with other accountability/integrity agencies in Australia and overseas.

Program 1.1 key performance indicators

The effectiveness of the office may be assessed against a range of performance criteria, including:

- the breadth and depth of inspection work undertaken
- the timeliness of completion of inquiries/complaint resolution
- the level of acceptance by agencies, complainants and ministers of findings and recommendations of inquiries conducted
- the extent to which there has been change within the agencies as a result of activities of the office.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the 2010–11 Budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, special accounts and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Movement of administered funds between years

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

3.1.2 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 FMA Act or under separate enabling legislation.

Until 2009 the office had two special accounts established under section 20 of the FMA Act. The accounts established were:

- *Other Trust Monies 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.

These accounts have never been active. The Services for Other Governments and Non-Agency Bodies Account was abolished on 11 September 2009 by Determination 2009/28 issued by the Minister for Finance and Deregulation.

3.1.3 Australian Government Indigenous expenditure

The Office of the Inspector-General of Intelligence and Security does not have any Indigenous-specific expenses.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

The agency resource statement (Table 1.1) provides a consolidated view of all the resources available to the agency in 2010–11. This includes equity injections and appropriation receivable that is yet to be drawn down to cover payables and provisions on the balance sheet. The income statement (Table 3.2.1) shows only the operating appropriation provided in 2010–11.

3.2.2 Analysis of budgeted financial statements

Income statement

The Office of the Inspector-General of Intelligence and Security is budgeting for a break-even operating result, adjusted for depreciation and amortisation expense, in 2010–11 and the forward years.

In line with net cash appropriation arrangements effective from 2010–11, revenue from government has been reduced by an amount equal to depreciation and amortisation expense. Future asset replacements are funded through the departmental capital budget detailed in Table 3.2.5.

As in previous years, the most significant component of the standard operating expenditure will be salary related, which reflects the nature of the agency's activities and functions. The supplier expenses forecast for 2010–11 are considerably lower than the expected actual expense for 2009–10 which included costs associated with hosting the 7th International Intelligence Review Agencies Conference.

The resources received free of charge include the office space occupied in the Department of the Prime Minister and Cabinet building (estimated value: \$0.1 million per annum), 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 the Defence Signals Directorate (estimated value: \$2,000 per year).

Balance sheet

The change to net cash appropriation arrangements will potentially reduce the net asset balance and equity position depending upon the level of the departmental capital budget compared to the depreciation expense.

Accumulated depreciation cash reserves were extinguished in 2009–10 in the transition to the net cash arrangements.

In 2010–11, the agency’s assets are expected to increase quite significantly due to the planned upgrade of the internal secure IT network, which represents the most significant component of the agency’s assets. 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 \$0.2 million. The agency’s agreed cash level was reduced from \$0.3 million during 2009–10 as part of the government’s net cash arrangements.

The agency’s only significant liabilities are accrued leave liabilities. The estimated actual for 2009–10 is low, pending the permanent filling of the position of Inspector-General.

Statement of cash flows

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

Capital budget statement

The capital budget for 2010–11 is \$72,000. The planned expenditure covers the upgrading of the internal secure IT network. The secure IT network represents the most significant component of the agency’s assets and is generally upgraded every three years to maintain its currency.

Statement of changes in equity

The agency’s equity position in 2010–11 is expected to be \$0.9 million, following the forecast operating loss of \$13,000. Following the government’s net cash arrangements, whereby depreciation expenses are no longer funded, it is expected that the equity position will continue to decrease across the forward years by the amount of the budgeted depreciation expense each year.

3.2.3 Budgeted financial statements tables

Table 3.2.1: Comprehensive income statement (showing net cost of services) (for the period ended 30 June).

	Estimated actual 2009–10 \$'000	Budget estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000	Forward estimate 2012–13 \$'000	Forward estimate 2013–14 \$'000
EXPENSES					
Employee benefits	1,619	1,635	1,721	1,740	1,758
Supplier expenses	676	578	505	498	492
Depreciation and amortisation	30	13	13	13	13
Total expenses	2,325	2,226	2,239	2,251	2,263
LESS:					
OWN-SOURCE INCOME					
Revenue					
Other – Resources received free of charge	118	118	118	118	118
Total revenue	118	118	118	118	118
Gains					
Total gains	-	-	-	-	-
Total own-source income	118	118	118	118	118
Net cost of (contribution by) services	2,207	2,108	2,121	2,133	2,145
Revenue from government	2,107	2,095	2,108	2,120	2,132
Surplus (Deficit)	(100)	(13)	(13)	(13)	(13)
Surplus (Deficit) attributable to the Australian Government	(100)	(13)	(13)	(13)	(13)
OTHER COMPREHENSIVE INCOME					
Total comprehensive income	-	-	-	-	-
Total comprehensive income attributable to the Australian Government	-	-	-	-	-

Note: Reconciliation of operating result attributable to the agency

	2009–10 \$'000	2010–11 \$'000	2011–12 \$'000	2012–13 \$'000	2012–13 \$'000
Operating result attributable to the Australian Government	(100)	(13)	(13)	(13)	(13)
plus non-appropriated expenses depreciation and amortisation expenses	-	13	13	13	13
Operating result attributable to the agency	(100)	-	-	-	-

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2009–10 \$'000	Budget estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000	Forward estimate 2012–13 \$'000	Forward estimate 2013–14 \$'000
ASSETS					
Financial assets					
Cash and equivalents	199	133	184	184	97
Trade and other receivables	-	-	-	11	11
Appropriations receivable	1,109	1,204	1,200	1,187	1,261
Other – GST input credits receivable	3	1	1	3	3
Total financial assets	1,311	1,338	1,385	1,385	1,372
Non-financial assets					
Property, plant and equipment	15	74	70	57	131
Total non-financial assets	15	74	70	57	131
Assets held for sale	-	-	-	-	-
Total assets	1,326	1,412	1,455	1,442	1,503
LIABILITIES					
Payables					
Suppliers	86	86	86	86	73
Total payables	86	86	86	86	73
Interest bearing liabilities					
Total interest bearing liabilities	-	-	-	-	-
Provisions					
Employee provisions	428	455	502	502	502
Total provisions	428	455	502	502	502
Total liabilities	514	541	588	588	575
Net assets	812	871	867	854	928
EQUITY					
Parent entity interest					
Contributed equity	381	453	462	462	549
Reserves	2	2	2	2	2
Retained surplus or (accumulated deficit)	429	416	403	390	377
Total parent entity interest	812	871	867	854	928
Total equity	812	871	867	854	928

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

Prepared on Australian Accounting Standards basis.

Table 3.2.3: Departmental statement of changes in equity—summary of movement (Budget year 2010–11)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2010					
Balance carried forward from previous period	429	2	-	381	812
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	429	2	-	381	812
Comprehensive income					
Comprehensive income recognised directly in equity:					
Gain/loss on revaluation of property	-	-	-	-	-
Sub-total comprehensive income	-	-	-	-	-
Surplus (deficit) for the period	(13)	-	-	-	(13)
Total comprehensive income recognised directly in equity	(13)	-	-	-	(13)
Transactions with owners					
<i>Distributions to owners</i>					
Returns on capital					
Dividends	-	-	-	-	-
Returns of capital					
Restructuring	-	-	-	-	-
Other	-	-	-	-	-
<i>Contributions by owners</i>					
Appropriation (equity injection)	-	-	-	-	-
Appropriation (departmental capital budget)	-	-	-	72	72
Other	-	-	-	-	-
Sub-total transactions with owners	-	-	-	72	72
Transfers between equity components	-	-	-	-	-
Estimated closing balance as at 30 June 2011	416	2	-	453	871

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	Estimated actual 2009–10 \$'000	Budget estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000	Forward estimate 2012–13 \$'000	Forward estimate 2013–14 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	-	-	-	-	-
Appropriations	2,423	2,000	2,112	2,133	2,058
Other	5	-	-	-	-
Total cash received	2,428	2,000	2,112	2,133	2,058
Cash used					
Employees	1,909	1,608	1,674	1,740	1,758
Suppliers	495	458	387	393	387
Other	-	-	-	-	-
Total cash used	2,404	2,066	2,061	2,133	2,145
Net cash from (used by) operating activities	24	(66)	51	-	(87)
INVESTING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Cash used					
Purchase of property, plant and equipment	15	72	9	-	87
Total cash used	15	72	9	-	87
Net cash from (used by) investing activities	(15)	(72)	(9)	-	(87)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	-	72	9	-	87
Total cash received	-	72	9	-	87
Cash used					
Total cash used	-	-	-	-	-
Net cash from (used by) financing activities	-	72	9	-	87
Net increase (decrease) in cash held	9	(66)	51	-	(87)
Cash and cash equivalents at the beginning of the reporting period	190	199	133	184	184
Effect of exchange rate movements on cash and cash equivalents at the beginning of reporting period	-	-	-	-	-
Cash and cash equivalents at the end of the reporting period	199	133	184	184	97

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement

	Estimated actual 2009–10 \$'000	Budget estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000	Forward estimate 2012–13 \$'000	Forward estimate 2013–14 \$'000
CAPITAL APPROPRIATIONS					
Capital budget – Bill 1 (DCB)	-	72	9	-	87
Equity injections – Bill 2	-	-	-	-	-
Loans – Bill 2	-	-	-	-	-
Previous years' outputs – Bill 2	-	-	-	-	-
Departmental capital – special appropriation (Dept only)	-	-	-	-	-
Total capital appropriations	-	72	9	-	87
Total new capital appropriations					
Represented by:					
Purchase of non-financial assets	-	72	9	-	87
Annual finance lease costs	-	-	-	-	-
Other Items	-	-	-	-	-
Total Items	-	72	9	-	87
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded by capital appropriation – DCB ¹	-	72	9	-	87
Funded by finance leases	-	-	-	-	-
Funded internally from departmental resources ²	15	-	-	-	-
TOTAL	15	72	9	-	87
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	15	72	9	-	87
less additions by finance lease	-	-	-	-	-
less additions by creditors / borrowings	-	-	-	-	-
plus borrowing / finance costs	-	-	-	-	-
plus annual finance lease costs	-	-	-	-	-
less gifted assets	-	-	-	-	-
less s. 32 / restructuring	-	-	-	-	-
Total cash used to acquire assets	15	72	9	-	87

1 Purchase from current and previous year's departmental capital budgets.

2 Includes the following sources of funding: annual and prior year appropriations.
Prepared on Australian Accounting Standards basis.

Table 3.2.6: Statement of asset movements (2010–11)

	Other property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2010			
Gross book value	60	6	66
Accumulated depreciation/amortisation and impairment	45	6	51
Opening net book balance	15	-	15
CAPITAL ASSET ADDITIONS			
Estimated expenditure on new or replacement assets			
By purchase – appropriation equity	-	-	-
By purchase – appropriation ordinary annual services	72	-	72
By purchase – donated funds	-	-	-
By purchase – other	-	-	-
By finance lease	-	-	-
Assets received as gifts/donations	-	-	-
From acquisition of entities or operations (including restructuring)	-	-	-
Total additions	72	-	72
Other movements			
Assets held for sale or in a disposal group held for sale	-	-	-
Depreciation/amortisation expense	13	-	13
Disposals			
From disposal of entities or operations (including restructuring)	-	-	-
Other	-	-	-
As at 30 June 2011			
Gross book value	132	6	138
Accumulated depreciation/amortisation and impairment	58	6	64
Closing net book balance	74	-	74

Prepared on Australian Accounting Standards basis.

