

## **FINANCIAL STATEMENTS**

### **STATEMENT BY THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY**

In my opinion, the attached financial statements for the year ended 30 June 2002 give a true and fair view of the matters required by Schedule 1 of the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*.

W J Blick  
Inspector-General  
of Intelligence and Security

9 October 2002

OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY  
**STATEMENT OF FINANCIAL PERFORMANCE**  
*for the period ended 30 June 2002*

	Notes	2001-02 \$	2000-01 \$
<b>Revenues from ordinary activities</b>			
Appropriations for outputs	4	634 000	625 000
Reimbursement for Defence inquiry	1.3 (b)	16 014	15 120
Resources received free of charge	1.3 (c)	79 130	67 848
Interest earned		5 143	2 632
<b>Total revenues from ordinary activities</b>		<b>734 287</b>	<b>710 600</b>
<b>Expenses from ordinary activities</b>			
Employees			
Remuneration		457 422	388 510
Superannuation	1.4 (b)	74 422	65 414
Comcare premium		866	1 111
Total employees		532 710	455 035
Suppliers			
Resources received free of charge	1.3 (c)	79 130	67 848
Other goods and services		96 368	115 105
Total suppliers		175 498	182 953
Equipment depreciation		4 125	5 893
<b>Total expenses from ordinary activities</b>		<b>712 333</b>	<b>643 881</b>
<b>Net surplus</b>		<b>21 954</b>	<b>66 719</b>

The above statement should be read in conjunction with the accompanying notes

**OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY**  
**STATEMENT OF FINANCIAL POSITION**  
*as at 30 June 2002*

	Notes	2001-02 \$	2000-01 \$
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash (notes, coins and deposits at bank)	3	264 035	213 220
Receivables			
Accrued interest income		1 386	637
GST receivable		330	2 398
Total receivables		<u>1 716</u>	<u>3 035</u>
<b>Total financial assets</b>		<b><u>265 751</u></b>	<b><u>216 255</u></b>
<b>Non-financial assets</b>			
Prepayments		1 622	641
Plant and equipment	1.7		
Equipment (at cost)		58 247	58 247
Less: accumulated depreciation		(52 521)	(48 396)
Total plant and equipment		<u>5 726</u>	<u>9 851</u>
<b>Total non-financial assets</b>		<b><u>7 348</u></b>	<b><u>10 492</u></b>
<b>Total assets</b>		<b><u>273 099</u></b>	<b><u>226 747</u></b>
<b>LIABILITIES</b>			
<b>Provisions – employees</b>			
<b>Employee current liabilities</b>			
Salaries and wages		10 607	10 077
Annual leave	1.4 (a)	30 160	30 601
Superannuation	1.4 (b)	18 455	16 603
Accrued FBT		4 049	3 939
Total employee current liabilities		<u>63 271</u>	<u>61 220</u>
<b>Employee non current liabilities</b>			
Annual leave	1.4 (a)	29 511	17 686
Long service leave	1.4 (a)	172 620	158 995
Total employee non current liabilities		<u>202 131</u>	<u>176 681</u>
<b>Total provisions – employees</b>		<b><u>265 402</u></b>	<b><u>237 901</u></b>
<b>Payables - trade creditors (current)</b>		<b>1 027</b>	4 130
<b>Total liabilities</b>		<b><u>266 429</u></b>	<b><u>242 031</u></b>
<b>Net Assets</b>		<b><u>6 670</u></b>	<b><u>(15 284)</u></b>
<b>EQUITY</b>			
<b>Parent equity interest</b>			
Contributed equity	2	66 000	66 000
Accumulated results	2	(59 330)	(81 284)
<b>Total parent equity interest</b>		<b><u>6 670</u></b>	<b><u>(15 284)</u></b>
<b>Total equity</b>		<b><u>6 670</u></b>	<b><u>(15 284)</u></b>

The above statement should be read in conjunction with the accompanying notes

**OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY**  
**STATEMENT OF CASH FLOWS**  
*for the period ended 30 June 2002*

	Notes	2001-02 \$	2000-01 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		634 000	625 000
Reimbursement for Defence inquiry		16 014	15 120
Interest		4 394	3 379
Expense refunds		1 509	-
Net GST refunds		3 588	3 965
<b>Total cash received</b>		<b>659 505</b>	647 464
<b>Cash used</b>			
Employees		(500 935)	(432 719)
Suppliers		(107 755)	(129 892)
<b>Total cash used</b>		<b>(608 690)</b>	(562 611)
<b>Net cash from operating activities</b>	<b>3</b>	<b>50 815</b>	84 853
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Equity injection		-	66 000
<b>Total cash received</b>		-	66 000
<b>Net cash from financing activities</b>		-	66 000
<b>Net increase/(decrease) in cash held</b>		<b>50 815</b>	150 853
Cash at beginning of reporting period		<b>213 220</b>	62 367
<b>Cash at the end of the reporting period</b>	<b>3</b>	<b>264 035</b>	213 220

**STATEMENT OF COMMITMENTS AND CONTINGENCIES**

*As at 30 June 2002*

The agency had no contingencies to report in either 2000-01 or in 2001-02.

The agency had at the end of year leasing commitments totalling \$5 497 (2000-01: \$16 491)

The above statements should be read in conjunction with the accompanying notes

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the period ended 30 June 2002*

**Note 1 - Summary of Significant Accounting Policies**

**1.1 - Objectives of the Office of the Inspector-General of Intelligence and Security**

The objective of the agency is to meet the following outcome:

Assist in creating an environment in which Australia's intelligence agencies act legally, ethically and with propriety.

The agency is structured to meet two outputs:

- Output 1: To monitor the activities of the intelligence agencies (60% of resources)
- Output 2: To provide a complaint service (40% of resources)

**1.2 Basis of Accounting**

The financial statements are required by section 49 of the Financial Management and Accountability Act 1997 and are a general purpose financial report. The accounting policies used in the preparation of these financial statements are consistent with those used in 2000-01.

The statements have been prepared in accordance with:

- Finance Minister Orders (being the Financial Management and Accountability (Financial Statement 2001-2002) Orders);
- Australian Accounting Standards and Accounting Interpretations issued by Australian Accounting Standards Boards;
- other authoritative pronouncements of the Boards; and
- Consensus views of the Urgent Issues Group.

The statements have been prepared having regard to The Explanatory Notes to Schedule 1, and Finance Briefs issued by the Department of Finance and Administration.

The Statement of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with the historical cost convention. No allowance is made for the effect of changing prices on the results or the financial position.

Assets, liabilities, revenues and expenses have been reliably measured. Revenues and expenses are recognised when the flow or consumption or loss of economic benefits has occurred. Revenues relate to the core operating activities of agency. Revenue from the sale of goods is recognised upon the delivery of the goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

The agency is part of the legal entity that is the Commonwealth Government and is dependent on Government policy and on continuing appropriations by Parliament.

**1.3 Revenues**

**(a) Revenues from government**

The full amount of the departmental appropriation for departmental outputs for the year is recognised as revenue.

**(b) Reimbursements for Defence inquiry**

In both 2001-02 (the Balibo inquiry) and 2000-01 (the Jenkins inquiry) agency received reimbursement of direct administration costs from the Department of Defence.

**(c) Resources Received Free of Charge**

Services received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the period ended 30 June 2002*

**Note 1 - Summary of Significant Accounting Policies (Cont)**

The main resources received free of charge are the internal secure computer network (from Defence Signals Directorate) and office space (from the Department of Prime Minister and Cabinet). Other resources received free of charge include auditor remuneration as disclosed in note 7.

**(d) Interest**

Interest is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

**1.4 Employee Entitlements**

**(a) Leave**

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of agency is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of the total annual leave entitlements of all employees at 30 June 2002 and is recognised at the nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2002. In determining the present value of the liability, agency has taken into account attrition rates and pay increases through promotion and inflation.

**(b) Superannuation**

Staff of the Office of the Inspector General of Intelligence and Security contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. Employer contributions amounting to

\$74 422 (\$65 414 for 2000-01) in relation to these schemes have been expended in these financial statements.

No liability for superannuation is recognised as at 30 June 2002 as the employer contributions fully extinguish the accruing liability which is assumed by the Commonwealth.

**1.5 Financial instruments**

Accounting policies for financial instruments are stated at note 10.

**1.6 Acquisition of Assets**

Assets are recorded at cost on acquisition. No assets have been exchanged or liabilities undertaken.

**1.7 Plant and Equipment**

The agency's fixed assets comprise office equipment only.

**Asset recognition**

Purchases of equipment are recognised at cost in the Statement of Financial Position, except for purchases costing less than \$2 000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the period ended 30 June 2002*

**Note 1 - Summary of Significant Accounting Policies (Cont)**

***Recoverable Amount***

The Inspector-General assessed the carrying values of equipment, and concluded that the carrying amounts of these assets are not greater than their recoverable amounts in accordance with AAS 10 Recoverable Amount of Non-Current Assets. The written down value of the assets reflects their carrying amounts.

***Depreciation and Amortisation***

Depreciable equipment assets are written-off to their estimated residual values over their estimated useful lives to agency using the straight line method of depreciation.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates are for 3 to 13 years for each class of depreciable assets.

**1.8 *Transactions by the Government as Owner***

From 1 July 2001, Appropriations designated as 'Capital - equity injections' are recognised directly in Contributed equity according to the following rules determined by the Finance Minister:

- to the extent that the appropriation is not dependent on future events, as at 1 July; and
- to the extent that it is dependent on specified future events requiring future performance, on drawdown.

(In 2000-01, all equity injections were recognised as contributed equity on drawdown).

The change in policy has no financial effect in 2001-02 because the full amounts of the equity injections in 2000-01 met the criteria now required by the Finance Minister.

**1.9 *Taxation***

The agency is exempt from taxation except fringe benefits tax and the goods and services tax.

**1.10 *Insurance***

The Office of the Inspector-General of Intelligence and Security has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through Comcare Australia.

**1.11 *Comparative Figures***

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

**1.12 *Rounding***

Amounts have been rounded to the nearest dollar.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the period ended 30 June 2002*

**Note 2 Equity**

Item	Contributed equity		Accumulated results		TOTAL EQUITY	
	2001-02 \$	2000-01 \$	2001-02 \$	2000-01 \$	2001-02 \$	2000-01 \$
<b>Balance 1 July</b>	<b>66 000</b>	66 000	<b>(81 284)</b>	(148 003)	<b>(15 284)</b>	(82 003)
<b>Operating result</b>	-	-	<b>21 954</b>	66 719	<b>21 954</b>	66 719
<b>Balance 30 June</b>	<b>66 000</b>	66 000	<b>(59 330)</b>	(81 284)	<b>6 670</b>	(15 284)
<b>Total equity attributable to the Commonwealth</b>	<b>66 000</b>	66 000	<b>(59 330)</b>	(81 284)	<b>6 670</b>	(15 284)

**Note 3 - Cash Flow Reconciliation**

	2001-02 \$	2000-01 \$
Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows:		
• Cash at year end per Statement of Cash Flows	264 035	213 220
• Statement of Financial Position items comprising above cash - 'Financial Asset - Cash':		
a) Cash on Hand	76	124
b) Cash at Bank	263 959	213 096
	<u>264 035</u>	<u>213 220</u>

Reconciliation of net surplus to net cash from operating activities:

Net surplus	21 955	66 719
Depreciation	4 125	5 893
Increase/(Decrease) in provision for employee liabilities	27 501	18 374
Increase/(Decrease) in creditors	(3 103)	(5 283)
(Increase)/Decrease in other assets	(981)	694
(Increase)/Decrease in gst receivable	2 067	64 456
(Increase)/Decrease in accrued income	(749)	-
Eliminate effect of equity injection receivable	-	(66 000)
Net cash flow from operating activities	<u>50 815</u>	<u>84 853</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the period ended 30 June 2002*

**Note 4 – Appropriations**

Note 4 (A) – Agency Appropriations Acts (1/3) 2001-02

Particulars	2001-2002	
	Agency Outputs \$	Total \$
<b>Year Ended 30 June 2002</b>		
Balance carried forward from previous year	147 220	<b>147 220</b>
Appropriation for reporting period (Act 1)	634 000	<b>634 000</b>
GST credits (FMA s 30A)	3 588	<b>3 588</b>
Annotations to 'net appropriations' (FMA s 31)	21 917	<b>21 917</b>
Available for payments	<b>806 725</b>	<b>806 725</b>
Payments made	<b>608 690</b>	<b>608 690</b>
Balance carried to next year	<b>198 035</b>	<b>198 035</b>
<b>Year Ended 30 June 2001</b>		
Available for payments 2001	710 578	710 578
Payments made 2001	563 358	563 358
Balance carried forward to 1 July 2001	147 220	147 220

Note 4 (B) Agency Appropriations Acts (2/4) 2001-02

The agency received \$66 000 as an equity injection in the financial year ended 30 June 2001. The agency did not spend any of this appropriation during the current and prior year.

**Note 5 Reporting of Outcomes**

There is only one outcome for this Agency as detailed in the objectives in note 1.1.

Note 5 (A) Total Costs of Outcomes

The net cost of that outcome to the budget outcome in 2001-02 was \$612 045 (Budget: \$634 000).

Note 5 (B) Agency Revenue and Expenses by Output Group

	Output Group 1		Output Group 2		TOTAL	
	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$
Operating revenues						
Revenues from government	380 400	375 000	253 600	250 000	634 000	625 000
Other income	60 172	51 360	40 115	34 240	100 287	85 600
<b>Total operating revenues</b>	<b>440 572</b>	<b>426 360</b>	<b>293 715</b>	<b>284 240</b>	<b>734 287</b>	<b>710 600</b>
Operating expenses						
Employees	319 626	273 021	213 084	182 014	532 710	455 035
Suppliers	105 299	109 772	70 199	73 181	175 498	182 953
<b>Total operating expenses</b>	<b>424 925</b>	<b>382 793</b>	<b>283 283</b>	<b>255 195</b>	<b>708 208</b>	<b>637 988</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the period ended 30 June 2002*

Note 5 (C) Major Classes of Departmental Assets and Liabilities by Output Group

The agency's assets and liabilities are not separately attributable to either of its outputs.

**Note 6 - Executives Remuneration – in excess of \$100 000**

	<b>2001-02</b>	2000-01
	\$	\$
Inspector-General:	<b>255 836</b>	240 155

**Note 7 – Remuneration of Auditor**

Financial statement audit services are provided free of charge to agency

The fair value of audit services provided was: **12 000** 12 000

**Note 8 – Staffing Level**

The average staffing level for agency in 2001-02 was 4.6 (2000-01: 4.6)

**Note 9 - Act of Grace Payments, Waivers and Defective Administration Scheme**

No 'Act of Grace' payments were made during the reporting period (2000-01 nil).

No waivers of amounts owing to the Commonwealth were made during the reporting period (2000-01 nil).

No payments were made under the 'Defective Administration Scheme' during the reporting period (2000-01 nil).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the period ended 30 June 2002*

**Note 10 – Financial Instruments**

**(a) Terms, conditions and accounting policies**

<b>Financial Instruments</b>	<b>Accounting policies and methods (including recognition criteria and measurement basis)</b>	<b>Nature of the underlying instrument (including significant terms &amp; conditions affecting the amount, timing and certainty of cash flows)</b>
<i>Financial Assets</i>	Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	The agency invests funds at a commercial bank at call. Monies in agency's bank accounts are swept into the Official Public Account nightly and interest is earned on the daily balance on rates based on money market call rates. Rates have averaged 2.5% for the year (2000-01 6%). Interest is paid at month end.
Receivables for goods and services	Receivables are recognised at their nominal amounts due less any provisions for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	All receivables are with Commonwealth entities. Credit terms are net 30 days (2000–01 30 days)
<i>Financial Liabilities</i>	Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade Creditors	Creditors and accruals are recognised at their nominal amounts which are the amounts at which the liabilities will be settled. They are recognised to the extent that the related goods or services have been received (and irrespective of having been invoiced).	All creditors are entities that are not part of the Commonwealth legal entity. Settlement is usually made net 30 days.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the period ended 30 June 2002

**Note 10 – Financial Instruments (cont.)**

**(b) Interest Rate Risk**

Financial Instruments (Recognised)	Floating interest rate		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
	01-02 \$	00-01 \$	01-02 \$	00-01 \$	01-02 \$	00-01 \$	01-02	00-01
<b>Financial Assets</b>								
Cash on hand	-	-	76	124	76	124	n/a	n/a
Cash at Bank	262 959	211 910	1 000	1 186	263 959	213 096	2.5%	5.9%
Receivables for goods or services	-	-	1 716	3 035	1 716	3 035	n/a	n/a
<b>Total</b>	<b>262 959</b>	<b>211 910</b>	<b>2 792</b>	<b>4 345</b>	<b>265 751</b>	<b>216 255</b>		
<b>Total Assets</b>					<b>273 099</b>	<b>226 747</b>		
<b>Financial Liabilities</b>								
Trade Creditors	-	-	1 027	4 130	1 027	4 130	n/a	n/a
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1 027</b>	<b>4 130</b>	<b>1 027</b>	<b>4 130</b>		
<b>Total Liabilities</b>					<b>266 429</b>	<b>242 031</b>		

No funds were invested at a fixed interest rate.

**(c) Net Fair Value of Financial Assets and Liabilities**

The agency aggregate net fair values of (identified) financial instruments are the same as their carrying amounts.

**(d) Credit Risk Exposure**

The agency's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The agency has no significant exposure to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.