


## FINANCIAL STATEMENTS

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

In my opinion, the attached financial statements for the year ended 30 June 2004 give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*.

  
Ian Carnell  
Inspector-General of  
Intelligence and Security

7 September 2004

**OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
*for the year ended 30 June 2004*

	Notes	2003-04 \$	2002-03 \$
<b>Revenues from ordinary activities</b>			
Revenues from Government	5	741 000	657 000
Resources received free of charge	1.4	150 067	68 875
Interest earned		-	1 628
<b>Total revenues from ordinary activities</b>		<u>891 067</u>	<u>727 503</u>
<b>Expenses from ordinary activities</b>			
Employees	1.5		
Remuneration		549 903	481 302
Superannuation		114 407	77 753
Comcare premium		1 360	899
Total employees		<u>665 670</u>	<u>559 954</u>
Suppliers			
Resources received free of charge	1.4	94 091	68 875
Other goods and services		140 894	111 575
Total suppliers		<u>234 985</u>	<u>180 450</u>
Equipment depreciation		16 173	2 379
<b>Total expenses from ordinary activities</b>		<u>916 828</u>	<u>742 783</u>
<b>Net surplus /(deficit) from ordinary activities</b>		<u>(25 761)</u>	<u>(15 280)</u>
<b>Net credit to asset revaluation reserve</b>	3	9 435	-
<b>Total changes in equity other than those resulting from transactions with the Australian Government as owner</b>		<u>(16 326)</u>	<u>(15 280)</u>

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 2004*

	Notes	2003-04 \$	2002-03 \$
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash (notes, coins and deposits at bank)	4	247 754	300 178
Receivables	1.6		
Leave liability transfers		20 048	-
Fringe Benefits Tax Refund		5 799	-
GST receivable		3 645	371
Total receivables		<u>29 492</u>	<u>371</u>
<b>Total financial assets</b>		<u>277 246</u>	<u>300 549</u>
<b>Non-financial assets</b>			
Prepayments		-	1 027
Plant and equipment	1.9		
Equipment (at cost)		77 229	58 247
Less: accumulated depreciation		<u>(16 173)</u>	<u>(54 900)</u>
At 2004 valuation (fair value)	6	9 435	-
Total plant and equipment		<u>70 491</u>	<u>3 347</u>
<b>Total non-financial assets</b>		<u>70 491</u>	<u>4 374</u>
<b>Total assets</b>		<u>347 737</u>	<u>304 923</u>
<b>LIABILITIES</b>			
<b>Provisions – employees</b>			
<b>Employee current liabilities</b>			
	1.5		
Salaries and wages		-	13 411
Annual leave		37 686	36 731
Long service leave		-	143 420
Superannuation		22 106	13 371
Accrued FBT		-	11 591
Total employee current liabilities		<u>59 792</u>	<u>218 524</u>
<b>Employee non current liabilities</b>			
	1.5		
Annual leave		61 700	21 394
Long service leave		228 678	70 880
Total employee non current liabilities		<u>290 378</u>	<u>92 274</u>
<b>Total provisions – employees</b>		<u>350 170</u>	<u>310 798</u>
<b>Payables</b>			
Payables - trade creditors (current)	1.6	4 597	2 735
Other payables (current)	1.6	17 906	-
<b>Total payables</b>		<u>22 503</u>	<u>2 735</u>
<b>Total liabilities</b>		<u>372 673</u>	<u>313 533</u>
<b>Net Assets</b>		<u>(24 936)</u>	<u>(8 610)</u>
<b>EQUITY</b>			
	3		
Asset Revaluation Reserve		9 435	-
Contributed equity		66 000	66 000
Accumulated results		<u>(100 371)</u>	<u>(74 610)</u>
<b>Total equity</b>		<u>(24 936)</u>	<u>(8 610)</u>

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 year ended 30 June 2004*

	Notes	2003-04 \$	2002-03 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		741 000	657 000
Interest		-	3 014
Net GST refunds		9 085	5 557
<b>Total cash received</b>		<u>750 085</u>	<u>665 571</u>
<b>Cash used</b>			
Employees		(654 055)	(514 557)
Suppliers		(148 454)	(114 871)
<b>Total cash used</b>		<u>(802 509)</u>	<u>(629 428)</u>
<b>Net cash from operating activities</b>	4	<u>(52 424)</u>	<u>36 143</u>
<b>Net increase/(decrease) in cash held</b>		(52 424)	36 143
Cash at beginning of reporting period		<u>300 178</u>	<u>264 035</u>
<b>Cash at the end of the reporting period</b>	4	<u><u>247 754</u></u>	<u><u>300 178</u></u>

**STATEMENT OF COMMITMENTS AND CONTINGENCIES**  
*as at 30 June 2004*

The Office had no contingencies to report in either 2002-03 or in 2003-04.

The Office had at the end of year an operating leasing commitment totalling \$8 199 (2002-03: \$5 497) for the provision of a motor vehicle to the Inspector-General. There are no renewal or purchase options available to the office and this lease matures within one year. No contingent rentals exist.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the year ended 30 June 2004*

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

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

The objective of the Office is to meet the following outcome:  
 Assurance that Australia's intelligence agencies act legally, ethically and with propriety.

The Office is structured to meet two outputs:

Output 1: Inspect and report on the activities of the intelligence and security agencies (60% of resources), and  
 Output 2: Conduct inquiries and 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 statements have been prepared in accordance with:

- Finance Minister Orders (or FMO's, being the *Financial Management and Accountability (Financial Statements for reporting periods ending on or after 30 June 2004)*)
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board, and
- Consensus views of the Urgent Issues Group.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets, which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

**1.3 Changes in Accounting Policy**

The accounting policies used in the preparation of these financial statements are consistent with those used in 2002-03, except in respect of plant and equipment assets that have been revalued to fair value as explained in Note 1.9.

**1.4 Revenues**

*Revenues from Government*

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

*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. In 2003-04 the Office received control of an asset. This asset was received as a resource free of charge.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the year ended 30 June 2004*

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

*Resources Received Free of Charge (continued)*

The main resources received free of charge are office space and an external secure network (from the Department of Prime Minister and Cabinet) and the internal secure computer network (from Defence Signals Directorate). Other resources received free of charge include auditor remuneration as disclosed in Note 9.

*Interest*

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

**1.5 Employee Benefits**

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits), annual leave, sick leave and long service leave are measured at their nominal amounts. Other employee benefits expected to be settled within twelve months of the reporting date are also measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

*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 the Office is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Office's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liabilities for annual leave and long service leave reflect the value of the total leave entitlements of all employees as at 30 June 2004 and is recognised at the nominal amount.

*Superannuation*

Staff of the Office of the Inspector General of Intelligence and Security are members of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course.

The Office of the Inspector General of Intelligence and Security makes employer contributions to the Commonwealth at rates determined by an actuary to be sufficient to meet the cost to the Commonwealth of the superannuation entitlements of the Office's employees.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the year ended 30 June 2004*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**1.6 Financial instruments**

*Receivables*

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 (2002–03: 30 days)

*Trade Creditors*

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the 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.

**1.7 Cash**

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

**1.8 Acquisition of Assets**

Assets are recorded at cost on acquisition.

**1.9 Plant and Equipment**

The Office's fixed assets comprise office equipment only.

*Asset Recognition Threshold*

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).

*Revaluations*

Plant and equipment are carried at valuation.

Fair values for one class of asset has been determined by market selling price.

The financial effect of this change in policy relates to those assets recognised at fair value for the first time in the current period where the measurement basis for fair value is different to that previously used for historical cost.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the year ended 30 June 2004*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**1.9 Plant and Equipment (continued)**

Asset Class	Increment/ (decrement) to asset class	Contra Account
Plant and equipment	2004: \$9 435	Asset Revaluation Reserve

Total financial effect was to increase the carrying amount of P&E by \$9 435 and increase the asset revaluation reserve by \$9 435.

*Frequency*

2004 is the first year plant and equipment has been revalued.

From 30 June 2005 onwards the Finance Minister's Orders require the measuring of property plant and equipment assets at up-to-date fair values.

*Conduct*

The valuation was conducted by an independent qualified valuer.

*Depreciation and Amortisation*

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

Depreciation 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 1 to 5 years for each class of depreciable assets.

**1.10 Transactions by the Government as Owner**

*Equity Injections*

Amounts appropriated which are designated as 'equity injections' for a year (less any savings offered up in Portfolio Additional Estimates Statements) are recognised directly in Contributed Equity in that year.

This is a change of accounting policy from 2002-03 to the extent any part of an equity injection that was dependent on specific future events occurring was not recognised until the appropriation was drawn down.

The change in policy has no financial effect in 2003-04 because the full amount of the equity injection was recognised in the year it was received.

**1.11 Taxation**

The Office is exempt from taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST except for receivables and payables or where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the year ended 30 June 2004*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**1.12 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 the Government's Comcare Australia.

**1.13 Comparative Figures**

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

**1.14 Rounding**

Amounts have been rounded to the nearest dollar.

**Note 2 - Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-2006**

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the AASB Equivalents to International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime.

The purpose of issuing AASB Equivalents to IFRSs is to enable Australian entities reporting under the *Corporations Act 2001* to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

The Finance Minister will continue to require compliance with the Accounting Standards issued by the AASB, including the AASB Equivalents to IFRSs, in his Orders for the Preparation of Agency financial statements for 2005-06 and beyond.

The AASB Equivalents contain certain additional provisions which will apply to not-for-profit entities, including Australian Government agencies. Some of these provisions are in conflict with the IFRSs and therefore the Office will only be able to assert compliance with the AASB Equivalents to the IFRSs.

Existing AASB standards that have no IFRS equivalent will continue to apply, including in particular AAS 29 *Financial Reporting by Government Departments*.

Accounting Standard AASB 1047 *Disclosing the impact of Adopting Australian Equivalents to IFRSs* requires that the financial statements for 2003-04 disclose:

- An explanation of how the transition to the AASB Equivalents is being managed, and
- A narrative explanation of the key differences in accounting policies arising from the transition.

The purpose of this Note is to make these disclosures.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the year ended 30 June 2004*

**Note 2 Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-2006**  
**(continued)**

*Management of the transition to AASB Equivalents to IFRSs*

The Office's planned implementation of AASB Equivalents includes:

- Identification of all major accounting policy differences between current AASB standards and the AASB Equivalents to IFRSs progressively to 30 June 2004.
- Preparation of a transitional balance sheet as at 1 July 2004, under AASB Equivalents.
- Preparation of a AASB Equivalent balance sheet at the same time as the 30 June 2005 statements are prepared.

Consultants have been engaged where necessary to assist with each of the above steps.

*Major changes in accounting policy*

Changes in accounting policies under AASB Equivalents are applied retrospectively i.e. as if the new policy had always applied. This rule means that a balance sheet prepared under the AASB Equivalents must be made as at 1 July 2004, except as permitted in particular circumstances by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. This will enable the 2005-06 financial statements to report comparatives under the AASB Equivalents.

Changes to major accounting policies are discussed in the following paragraphs.

*Property plant and equipment*

It is expected that the Finance Minister's Orders will require property plant and equipment assets carried at valuation in 2003-04 to be measured at up-to-date fair value from 2005-06.

However, it is important to note that the Finance Minister requires these assets to be measured at up-to-date for values as at 30 June 2005. Further, the transitional provisions in AASB 1 will mean that the values at which assets are carried as at 30 June 2004 under existing standards will stand in the transitional balance sheet as at 1 July 2004.

*Employee Benefits*

The provision for long service leave is measured at the present value of estimated future cash outflows using market yields as at the reporting date on national government bonds.

Under the new AASB Equivalent standard, the same discount rate will be used.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2004

**Note 3 - Equity**

Item	Contributed equity		Asset Revaluation Reserve		Accumulated results		TOTAL EQUITY	
	2003-04 \$	2002-03 \$	2003-04 \$	2002-03 \$	2003-04 \$	2002-03 \$	2003-04 \$	2002-03 \$
Balance 1 July	66 000	66 000	-	-	(74 610)	(59 330)	(8 610)	6 670
Net revaluation increment	-	-	9 435	-	-	-	9 435	-
Operating result	-	-	-	-	(25 761)	(15 280)	(25 761)	(15 280)
Balance 30 June	66 000	66 000	9 435	-	(100 371)	(74 610)	(24 936)	(8 610)
Total equity attributable to the Commonwealth	66 000	66 000	9 435	-	(100 371)	(74 610)	(24 936)	(8 610)

**Note 4 - Cash Flow Reconciliation**

	2003-04 \$	2002-03 \$
<b>Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows:</b>		
• Cash at year end per Statement of Cash Flows	247 754	300 178
• Statement of Financial Position items comprising above cash - 'Financial Asset - Cash':		
a) Cash on Hand	159	73
b) Cash at Bank	247 595	300 105
	247 754	300 178
<b>Reconciliation of net surplus to net cash from operating activities:</b>		
Net surplus / (deficit)	(25 761)	(15 280)
Depreciation	16 173	2 379
Resources received free of charge capitalised	(55 976)	
Increase/(Decrease) in provision for employee liabilities	39 372	45 396
Increase/(Decrease) in supplier trade creditors	1 862	1 708
(Increase)/Decrease in other assets	(24 820)	595
(Increase)/Decrease in GST receivable	(3 274)	(41)
(Increase)/Decrease in accrued income	-	1 386
<b>Net cash flow from operating activities</b>	<b>(52 424)</b>	<b>36 143</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the year ended 30 June 2004*

**Note 5 – Appropriations**

Note 5 (A) – Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (Appropriations from Acts 1 and 3)

Particulars	2003-2004	
	Departmental Outputs \$	Total \$
<b>Year Ended 30 June 2004</b>		
Balance carried from previous year	234 549	234 549
Appropriation Act 1 – basic appropriation	709 000	709 000
Appropriation Act (No.3)	32 000	32 000
GST credits (FMA s 30A)	12 359	12 359
Annotations to 'net appropriations' (FMA s 31)	-	-
<b>Total Appropriations available for payments</b>	<b>987 908</b>	<b>987 908</b>
Payments made (GST inclusive)	802 509	802 509
<b>Balance carried to next year</b>	<b>185 399</b>	<b>185 399</b>
Represented by:		
Cash	181 754	181 754
Add: Receivables – Net GST Receivable from the ATO	3 645	3 645
<b>Total</b>	<b>185 399</b>	<b>185 399</b>

<b>Year Ended 30 June 2003</b>		
Balance carried from previous year	198 365	198 365
Total annual appropriation – basic appropriations	657 000	657 000
GST credits (FMA s 30A)	5 598	5 598
Annotations to 'net appropriations' (FMA s 31)	3 014	3 014
Available for payments	863 977	863 977
Payments made	629 428	629 428
<b>Balance carried to next year</b>	<b>234 549</b>	<b>234 549</b>
Represented by:		
Cash	234 178	234 178
Add: Receivables – Net GST Receivable from the ATO	371	371
<b>Total</b>	<b>234 549</b>	<b>234 549</b>

Note 5 (B) – Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (Appropriation) from Acts 2 and 4

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2004**

**Note 6 – Analysis of Plant and Equipment**

Note 6A – Reconciliation of the Opening and Closing Balances of Plant and Equipment

Item	Plant and Equipment
<b>As at 1 July 2003</b>	
Gross book value	58 247
Accumulated depreciation	(54 900)
<b>Net book value</b>	<b>3 347</b>
Additions	
by purchase	17 906
from resources received free of charge	55 976
Net revaluation increment	9 435
Depreciation Expense	(16 173)
<b>As at 30 June 2004</b>	
Gross book value	77 229
Accumulated depreciation	(16 173)
<b>Net book value</b>	<b>70 491</b>

Note 6B – Assets at Valuation

Item	Plant and Equipment
<b>As at 30 June 2004</b>	
Gross Value	9 435
Accumulated depreciation	-
<b>Net book value</b>	<b>9 435</b>
<b>As at 30 June 2003</b>	
Gross Value	-
Accumulated depreciation	-
<b>Net book value</b>	<b>-</b>

Revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.9. In 2003-04, the revaluations were conducted by an independent valuer A.F. Graham (Certified Practising Valuer).

**Note 7 Reporting of Outcomes**

There is only one outcome for this Office as detailed in the objectives in Note 1.1.

Note 7 (A) – Net Cost of Outcome Delivery

The net cost of that outcome to the budget outcome in 2003-04 was \$822 737 (Appropriation: \$741 000).

Note 7 (B) – Agency Revenue and Expenses by Output Group

The decision to attribute resources on a 60:40 basis, (60% monitoring and 40% conducting inquiries and providing a complaint resolution service), originated from the Samuel's Inquiry (1995) and has been reinforced by more recent legislative changes.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the year ended 30 June 2004*

**Note 7 - Reporting of Outcomes (continued)**

Note 7 (B) – Agency Revenue and Expenses by Output Group (continued)

	Output Group 1		Output Group 2		OUTCOME TOTAL	
	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$
Operating revenues						
Revenues from government	444 600	394 200	296 400	262 800	741 000	657 000
Other income	90 040	42 302	60 027	28 201	150 067	70 503
<b>Total operating revenues</b>	<b>534 640</b>	<b>436 502</b>	<b>356 427</b>	<b>291 001</b>	<b>891 067</b>	<b>727 503</b>
Operating expenses						
Employees	399 402	335 972	266 268	223 982	665 670	559 954
Suppliers	140 991	108 270	93 994	72 180	234 985	180 450
<b>Total operating expenses</b>	<b>540 393</b>	<b>444 242</b>	<b>360 262</b>	<b>296 162</b>	<b>900 655</b>	<b>740 404</b>

**Note 8 - Executives Remuneration – in excess of \$100 000**

	2003-04	2002-03
\$130 000 to \$139 999	1	-
\$200 000 to \$209 999	1	-
\$300 000 to \$309 999	-	1
	\$	\$
The aggregate amount of total remuneration of executives shown above	338 894	306 897
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above.	Nil	Nil

**Note 9 – Remuneration of Auditor**

Financial statement audit services are provided free of charge to the office. The fair value of audit services provided was: **13 000**      13 000

No other services were provided by the Auditor-General.

**Note 10 – Staffing Level**

The average staffing level for the office in 2003-04 was 5 (2002-03: 4.6).

**Note 11 - Act of Grace Payments, Waivers and Defective Administration Scheme**

No 'Act of Grace' payments were made during the reporting period (2002-03: nil).

No waivers of amounts owing to the Commonwealth were made during the reporting period (2002-03: nil).

No payments were made under the 'Defective Administration Scheme' during the reporting period (2002-03: nil).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2004

**Note 12 – Financial Instruments**

Note 12A – Interest Rate Risk

Financial Instruments (Recognised)	Floating interest rate		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
	03-04 \$	02-03 \$	03-04 \$	02-03 \$	03-04 \$	02-03 \$	03-04	02-03
<b>Financial Assets</b>								
Cash on hand	-	-	159	73	159	73	n/a	n/a
Cash at Bank	-	299 105	247 595	1 000	247 595	300 105	n/a	1.07%
Receivables for goods or services	-	-	29 492	-	29 492	-	n/a	n/a
<b>Total</b>		299 105	277 246	1 073	277 246	300 178		
<b>Total Assets</b>					347 737	304 923		
<b>Financial Liabilities</b>								
Trade Creditors	-	-	4 597	2 735	4 597	2 735	n/a	n/a
Other Payables	-	-	17 906	-	17 906	-	n/a	n/a
<b>Total</b>	-	-	22 503	2 735	22 503	2 735		
<b>Total Liabilities</b>					372 673	313 533		

No funds were invested at a fixed interest rate.

Note 12B – Net Fair Value of Financial Assets and Liabilities

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

Note 12C – Credit Risk Exposure

The office'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 office 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.

**Note 13 – Special Accounts**

The Office has two special accounts established under section 20 of the *Financial Management and Accountability Act 1997*. The accounts established are "Other Trust Moneys" and "Services for Other Government Non-Agency Bodies Account". These accounts have never been active.



## INDEPENDENT AUDIT REPORT

To the Prime Minister

### Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of the Office of the Inspector-General of Intelligence and Security for the year ended 30 June 2004. The Inspector-General is responsible for the integrity of both the annual report and its web site.

The audit report refers only to the financial statements, schedules and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Office of the Inspector-General of Intelligence and Security's annual report.

### Scope

The financial statements comprise:

- Statement by the Inspector-General;
- Statements of Financial Position, Financial Performance and Cash Flows;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

for the Office of the Inspector-General of Intelligence and Security for the year ended 30 June 2004.

The Inspector-General is responsible for the preparation and true and fair presentation of the financial statements in accordance with the Finance Minister's Orders. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

### *Audit approach*

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of the procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Office of the Inspector-General of Intelligence and Security's financial position, and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Inspector-General.

#### Independence

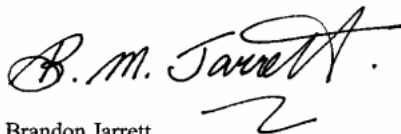
In conducting the audit, I have followed the independence requirements of the ANAO which incorporate Australian professional ethical pronouncements.

#### Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and applicable Accounting Standards; and
- (ii) give a true and fair view, of the matters required by applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the Finance Minister's Orders, of the financial position of the Office of the Inspector-General of Intelligence and Security as at 30 June 2004, and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Brandon Jarrett  
Executive Director

Delegate of the Auditor-General  
Canberra  
7 September 2004