

Financial Statements

STATEMENT BY THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY

In my opinion, the attached financial statements for the year ended 30 June 2006 are based on properly maintained financial records and 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

14 September 2006

OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY
INCOME STATEMENT
for the year ended 30 June 2006

Income Statement	Notes	2005-06 \$	2004-05 \$
INCOME			
Revenues from ordinary activities			
Revenues from Government		<u>1 124 000</u>	931 000
Total Revenues from ordinary activities	3A	<u>1 124 000</u>	<u>931 000</u>
Gains			
Resources received free of charge	1.4	72 925	72 735
Net gains from sale of assets	3B	-	700
Total Gains		<u>72 925</u>	<u>73 435</u>
TOTAL INCOME		<u>1 196 925</u>	<u>1 004 435</u>
EXPENSES			
Employees	1.5		
Remuneration		702 662	600 071
Superannuation		<u>140 949</u>	<u>122 684</u>
Total employees		<u>843 611</u>	<u>722 755</u>
Suppliers			
Resources received free of charge	1.4	72 925	72 735
Comcare premium		2 519	2 145
Other goods and services*		<u>219 223</u>	<u>147 076</u>
Total suppliers		<u>294 667</u>	<u>221 956</u>
Net losses from sale of assets	3B	2 099	68
Assets written-off		-	1 587
Equipment depreciation		<u>35 902</u>	<u>26 733</u>
TOTAL EXPENSES		<u>1 176 279</u>	<u>973 099</u>
OPERATING RESULT		<u>20 646</u>	<u>31 336</u>

* Other goods and services expense includes the contribution to DPMC for corporate services of \$46 000 in 2005-06 (GST exclusive).

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

OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY
BALANCE SHEET
as at 30 June 2006

Balance Sheet	Notes	2005-06 \$	2004-05 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	4	372 850	412 460
Receivables - current	1.7		
Appropriations receivable		417 000	308 000
GST receivable		2 444	3 590
Other debtors		22 140	489
Total receivables		<u>441 584</u>	<u>312 079</u>
Total financial assets		<u>814 434</u>	<u>724 539</u>
Non-financial assets			
Plant and equipment	6	72 336	108 881
Other Non Financial Assets			
Prepayments - current		494	-
Total non-financial assets		<u>72 830</u>	<u>108 881</u>
TOTAL ASSETS		<u>887 264</u>	<u>833 420</u>
LIABILITIES			
Provisions – employees			
Employee current liabilities			
Salaries and wages	1.5	5 030	1 966
Annual leave		133 016	107 435
Long service leave		313 457	259 983
Fringe Benefits Tax		317	-
Superannuation		31 012	33 646
Total employee current liabilities		<u>482 832</u>	<u>403 030</u>
Employee non current liabilities			
Long service leave	1.5	10 937	-
Total employee non current liabilities		<u>10 937</u>	<u>-</u>
Total provisions – employees		<u>493 769</u>	<u>403 030</u>
Payables			
Trade creditors (current)	1.7	25 913	17 454
Total payables		<u>25 913</u>	<u>17 454</u>
TOTAL LIABILITIES		<u>519 682</u>	<u>420 484</u>
Net Assets		367 582	412 936
EQUITY			
Asset revaluation reserve		9 435	9 435
Contributed equity		402 000	468 000
Accumulated results		(43 853)	(64 499)
TOTAL EQUITY		<u>367 582</u>	<u>412 936</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 2006

Cash Flows	Notes	2005-06 \$	2004-05 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		1 015 000	931 000
Net GST refunds		23 318	20 222
Total cash received		<u>1 038 318</u>	<u>951 222</u>
Cash used			
Employees		(755 390)	(667 506)
Suppliers		(254 960)	(146 931)
Cash transferred to Official Public Account		-	(308 000)
Total cash used		<u>(1 010 350)</u>	<u>(1 122 437)</u>
Net cash used from operating activities	4	<u>27 968</u>	<u>(171 216)</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of equipment		674	700
Total cash received		<u>674</u>	<u>700</u>
Cash used			
Purchase of equipment		(2 252)	(66 778)
Total cash used		<u>(2 252)</u>	<u>(66 778)</u>
Net cash used from investing activities		<u>(1 578)</u>	<u>(66 078)</u>
FINANCING ACTIVITIES			
Cash received			
Equity injection		-	402 000
Total cash received		<u>-</u>	<u>402 000</u>
Cash used			
Return of equity		(66 000)	-
Total cash used		<u>(66 000)</u>	<u>402 000</u>
Net cash used from financing activities		<u>(66 000)</u>	<u>402 000</u>
Net increase/(decrease) in cash held		<u>(39 610)</u>	<u>164 706</u>
Cash at beginning of reporting period		412 460	247 754
Cash at the end of the reporting period	4	<u>372 850</u>	<u>412 460</u>

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

OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2006

Item	Accumulated Results		Asset Revaluation Reserve		Contributed Equity/Capital		Total Equity	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	(64 499)	(95 835)	9 435	9 435	468 000	66 000	412 936	(20 400)
Net Operating Result	20 646	31 336	-	-	-	-	20 646	31 336
Total income and expenses	20 646	31 336	-	-	-	-	20 646	31 336
Transactions with Owners	-	-	-	-	-	-	-	-
Distributions to owners	-	-	-	-	-	-	-	-
Returns of Capital	-	-	-	-	(66 000)	-	(66 000)	-
Contributions by Owners	-	-	-	-	-	-	-	-
Appropriation (equity injection)	-	-	-	-	-	402 000	-	402 000
	-	-	-	-	-	-	-	-
Sub-total Transaction with Owners	-	-	-	-	(66 000)	402 000	-	402 000
Transfers between equity components	-	-	-	-	-	-	-	-
Closing balance at 30 June	(43 853)	(64 499)	9 435	9 435	402 000	468 000	367 582	412 936

STATEMENT OF COMMITMENTS AND CONTINGENCIES
as at 30 June 2006

The Office had no contingencies to report in either 2004-05 or in 2005-06.

At the end of the reporting period, the office had three commitments totalling \$76 050 for 2006-07. These commitments consist of:

- an operating leasing commitment of \$10 917 (2004-05: \$8 199) for the provision of a motor vehicle to the Inspector-General (the lease matures in less than 2 years)
- a consultancy contract of \$15 633 (the contract is for less than one year), and
- an agreement to contribute \$49 500 (2006-07) to DPMC for the increased cost of providing corporate services to the Office.

At the end of the reporting period, the Office was due a commitment receivable representing GST input tax credits from the Australian Taxation Office of:

- \$992 for the motor vehicle operating lease (2004-05: \$820)

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 2005

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 office is to meet the following outcome:

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

The office has one output:

Inspect, inquire into, and report on, the activities of the intelligence and security agencies.

In previous reporting periods, the office had two outputs (Output 1:- Inspect and report on the activities of the intelligence and security agencies, Output 2: - Conduct inquiries and provide a complaint resolution service) which were combined into one output as part of the 2005-06 Budget process.

The decision to change the output structure was made for three main reasons:

- to recognise that reporting responsibilities apply to inquiry activities, not just to inspection activities
- to recognise that complaints are handled as inquiries and are not a separate activity from inquiries, and
- to recognise that inspection activities can potentially lead to inquiries, and are in turn influenced by inquiries.

Under the revised output structure, the office will continue to carry out all the activities performed under the two former outputs, including complaints resolution.

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's Orders (being the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 1 July 2005)*)
- Australian Accounting Standards issued by the Australian Accounting Standards Board that apply for the reporting period, and
- Interpretations issued by the AASB and Urgent Issues Group that apply for the reporting period.

This is the first financial report to be prepared under the Australian Equivalents to International Financial Reporting Standards (AEIFRS). The impacts of adopting the AEIFRS are disclosed in Note 2.

The Income Statement and Balance Sheet have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which have been noted at fair value. No allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest dollar.

Assets and liabilities are recognised in the Balance Sheet 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 Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 1 - Summary of Significant Accounting Policies (continued)

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

1.3 Revenue

Revenues from Government

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

1.4 Gains

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.

The main resources received free of charge in 2005-06 are office space (from the Department of the Prime Minister and Cabinet) and the installation and maintenance of the OIGIS owned internal secure computer networks (from Defence Signals Directorate). Other resources received free of charge include auditor remuneration as disclosed in Note 9.

1.5 Employee Benefits

As required by the Finance Minister's Orders, the Office has early adopted AASB 119 *Employee Benefits* as issued in December 2004.

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

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months are measured at their nominal amounts.

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

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits 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 liability for long service leave has been determined by using the short hand method per AASB 119 as at 30 June 2006. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Superannuation

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 are measured at their nominal amounts. Other employee benefits expected to be settled within 12 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.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

1.6 Statement of Compliance

The financial report complies with the Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

Australian Accounting Standards require the office to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective.

The AASB has issued amendments to existing standards, these amendments are denoted by year and then number, for example, 200501 indicates amendment 1 issued in 2005.

The table below illustrates standards that will become effective for the office in the future. The nature of the impending change within the table has been out of necessity abbreviated and users should consult the full version available on the AASB website to identify the full impact of the change. The expected impact on the financial report of adoption of these standards is based on the office's initial assessment at this date, but may change. The office intends to adopt all of the standards upon their application date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 1 - Summary of Significant Accounting Policies (continued)

1.6 Statement of Compliance (continued)

Title	Standard affected	Application date*	Nature of impending change	Impact expected on financial report
2005-1	AASB 139	1 Jan 2006	Amends hedging requirements for foreign currency risk of a highly probable intra-group transaction.	No expected impact.
2005-4	AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038	1 Jan 2006	Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132.	No expected impact.
2005-5	AASB 1 and AASB 139	1 Jan 2006	Amends AASB 1 to allow an entity to determine whether an arrangement is, or contains, a lease. Amends AASB 139 to scope out a contractual right to receive reimbursement (in accordance with AASB 137) in the form of cash.	No expected impact.
2005-6	AASB 3	1 Jan 2006	Amends the scope to exclude business combinations involving entities or businesses under common control.	No expected impact.
2005-9	AASB 4, AASB 1023, AASB 139 and AASB 132	1 Jan 2006	Amended standards in regards to financial guarantee contracts.	No expected impact.
2005-10	AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038	1 Jan 2007	Amended requirements subsequent to the issuing of AASB 7.	No expected impact.
2006-1	AASB 121	31 Dec 2006	Changes in requirements for net investments in foreign subsidiaries depending on denominated currency.	No expected impact.
	AASB7 Financial Instruments: Disclosures	1 Jan 2007	Revise the disclosure requirements for financial instruments from AASB132 requirements.	No expected impact.

* Application date is for annual reporting periods beginning on or after the date shown

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 1 - Summary of Significant Accounting Policies (continued)

1.7 Other 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 (2004–05: 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.

1.8 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.

1.9 Acquisition of Assets

Assets are recorded at cost on acquisition.

1.10 Plant and Equipment

The office's fixed assets comprise of office equipment only.

Asset Recognition Threshold

Purchases of equipment are recognised at cost in the Balance Sheet, 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 the one class of asset have been determined by market selling price.

Assets were recognised at fair value for the first time in 2003-04 (previously the deprival value was used).

Frequency and Conduct

2003-04 was the first year equipment has been revalued. The valuation was conducted by an independent qualified valuer.

The Finance Minister's Orders require that all property plant and equipment assets be measured at up-to-date fair values from 30 June 2005 onwards. The office is planning to relocate and refit new premises during 2006-07. A revaluation of assets will take place by 30 June 2007.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Depreciation and Amortisation

Depreciable equipment assets are written-off to their estimated residual values over their estimated useful lives to the office using in all cases, the straight-line method of depreciation.

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

Depreciation and amortisation rates are for 1 to 5 years for each class of depreciable assets.

1.11 Impairment of Non-Current Assets

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing.

The non-current assets carried at cost, which are not held to generate net cash inflows, have been assessed for indications of impairment. The office reviewed these assets in relation to the proposed move to new premises in 2007. The result of this review was that it had no financial impact on the carrying value of these assets as they will be depreciated to nil. (If indications of impairment did exist, assets would be written down to the higher of the net selling price and, if the entity would replace the asset's service potential, its depreciated replacement cost).

1.12 Transactions by the Government as Owner

Equity Injections

Amounts appropriated 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.

1.13 Taxation

The office is exempt from all forms of taxation except fringe benefits tax (FBT) and goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST except for:

- receivables and payables, and
- where the amount of GST incurred is not recoverable from the Australian Taxation Office.

1.14 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.

1.15 Comparative Figures

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 1 - Summary of Significant Accounting Policies (continued)

1.16 Rounding

Amounts have been rounded to the nearest dollar.

Note 2 – The impact of the transition to AEIFRS from previous AGAAP

Reconciliation	2005	2004
	\$	\$
Reconciliation of total equity as presented under previous AGAAP to that under AEIFRS		
Total Equity under AGAAP	408 582	(24 936)
Adjustments to retained earnings:		
Employee provisions	4 354	4 535
Total Equity translated to AEIFRS	412 936	(20 401)
Reconciliation of profit or loss as presented under previous AGAAP to AEIFRS		
Prior year profit as previously reported	31 517	-
Adjustments:		
Employee provisions	181	-
Prior year profit translated to AEIFRS	31 336	-

Employee entitlements were recorded at their nominal values under the previous AGAAP. AEIFRS requires entitlements to be recorded taking into account the probability of when the leave may be taken, and discounting the nominal value to reflect the estimated future cash flows.

Note 3 – Income

Note 3A – Revenues from Government

Revenue from Government	2005	2004
	\$	\$
Appropriations for outputs	1 124 000	931 000
Total revenue from government	1 124 000	931 000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 3 – Income (continued)

Gains

Note 3B – Net Gain/(Loss) from Sale of Assets

Net Gain/(Loss) from Sale of Assets	2005	2004
	\$	\$
Plant and equipment:		
Proceeds from disposal	832	700
Less net book value of assets disposed	2 690	68
Selling expenses	241	-
Net gain/(loss) from disposal of plant and equipment	(2 099)	632
Total proceeds from disposals	832	700
Less total value of assets disposed and selling expenses	2 931	68
Total net gain/(loss) from disposal of assets	(2 099)	632

Note 4 - Cash Flow Reconciliation

Reconciliation	2005-06	2004-05
	\$	\$
Reconciliation of Cash per Income Statement to Statement of Cash Flows:		
• Cash at year end per Statement of Cash Flows	372 850	412 460
• Statement of Financial Position items comprising above cash - 'Financial Asset - Cash':		
a) Cash on Hand	36	87
b) Cash at Bank	372 814	412 373
	372 850	412 460
Reconciliation of net surplus to net cash from operating activities:		
Operating result	20 646	31 517
Depreciation	35 902	26 733
Gain/Loss on disposal of assets	2 221	(632)
Write-off of assets	-	1 587
Increase/(Decrease) in provision for employee liabilities	90 740	57 214
Increase/(Decrease) in supplier trade creditors	8 459	(5 049)
(Increase)/Decrease in appropriations receivables	(109 000)	-
(Increase)/Decrease in other assets	(22 146)	25 358
(Increase)/Decrease in GST receivable	1 146	56
(Increase)/Decrease in transfers to the Official Public Account	-	(308 000)
Net cash flow from operating activities	27 968	(171 216)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 5 – Appropriations

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

Particulars	Departmental	Total
Year Ended 30 June 2006	\$	\$
Balance carried from previous year	322 827	322 827
Appropriation Act (No.1) 2005-2006	1 058 000	1 058 000
Appropriation Act (No.3) 2005-2006	66 000	66 000
Section 31 receipts (FMA Act)	674	674
GST credits (FMA s30A)	23 113	23 113
Total Appropriations available for payments	1 470 614	1 470 614
Payments made (GST inclusive)	1 011 495	1 011 495
Balance carried to next year	459 119	459 119
Represented by:		
Cash	347 675	347 675
Add: Receivables – Net GST Receivable from the ATO	2 444	2 444
Receivables – departmental appropriations	109 000	109 000
Total	459 119	459 119
Year Ended 30 June 2005		
Balance carried from previous year	185 399	185 399
Appropriation Act (No.1) 2004-05	759 000	759 000
Appropriation Act (No.3) 2004-2005	172 000	172 000
GST credits (FMA s30A)	13 544	13 544
Section 31 receipts (FMA Act)	700	700
Total Appropriations available for payments	1 130 643	1 130 643
Payments made (GST inclusive)	807 816	807 816
Balance carried to next year	322 827	322 827
Represented by:		
Cash	319 238	319 238
Add: Receivables – Net GST Receivable from the ATO	3 589	3 589
Total	322 827	322 827

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 5 – Appropriations (continued)

Note 5B – Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund for Other than Ordinary Annual Services Appropriations (Acts 2 and 4)

Particulars	Departmental \$	Total \$
Year Ended 30 June 2006		
Balance carried from previous year	401 222	401 222
Appropriation Act (No.2) 2005-2006	-	-
Appropriation Act (No.4) 2005-2006	-	-
Reallocation of prior year appropriation ¹	(66 000)	(66 000)
GST credits (FMA Act s30A)	205	205
Total Appropriations available for payments	335 427	335 427
Payments made (GST inclusive)	2 252	2 252
Balance carried to next year	333 175	333 175
Represented by:		
Cash	25 175	25 175
Add: Receivables – Receivable from the Official Public Account	308 000	308 000
Total	333 175	333 175
Year Ended 30 June 2005		
Balance carried from previous year	66 000	66 000
Appropriation Act (No.2) 2004-05	200 000	200 000
Appropriation Act (No.4) 2004-05	202 000	202 000
GST credits (FMA Act s30A)	6 678	6 678
Total Appropriations available for payments	474 678	474 678
Payments made (GST inclusive)	73 456	73 456
Balance carried to next year	401 222	401 222
Represented by:		
Cash	93 222	93 222
Add: Receivables – Receivable from the Official Public Account	308 000	308 000
Total	401 222	401 222

1. An equity injection of \$66 000 was received in the financial year ended 30 June 2001. The office did not spend any of this appropriation during prior years. The \$66 000 was reallocated to departmental operating expenses in 2005-06 by appropriating \$66 000 through Appropriation Act No.3, 2005-06 and applying to the Minister for Finance for an equivalent reduction in equity in 2005-06.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 5 – Appropriations (continued)

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

The office received \$402 000 as an equity injection in the financial year ended 30 June 2005. The office holds \$308 000 of this amount in the Official Public Account to partially fund the non-current portion of accrued leave liabilities. The office spent \$2 252 in 2005-06 and \$73 456 in 2004-05 (GST inclusive) from these appropriations.

Note 6 – Analysis of Plant and Equipment

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

Item	Plant and Equipment
As at 1 July 2005	
Gross book value	147 895
Accumulated depreciation	(39 014)
Opening Net book value as at 1 July 2005	108 881
Additions	
by purchase	2 047
Depreciation expense	(35 902)
Disposals	
Book value of disposals	(4 850)
Accumulated depreciation on disposals	2 160)
As at 30 June 2006	
Gross book value	145 092
Accumulated depreciation	(72 756)
Net book value as at 30 June 2006	72 336

Note 6B – Assets at Valuation

Item	Plant and Equipment
As at 30 June 2006	
Gross value	2 385
Accumulated depreciation	(1 765)
Net book value as at 30 June 2006	620
As at 30 June 2005	
Gross value	7 235
Accumulated depreciation	(2 750)
Net book value as at 30 June 2005	4 485

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1. In 2003-04, the revaluations were conducted by an independent valuer A.F. Graham (Certified Practising Valuer).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 7 - Reporting of Outcomes

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

Note 7A – Net Cost of Outcome Delivery

The net cost of this outcome in 2005-06 was \$1 103 354 (Appropriation: \$1 124 000).

Note 7B – Agency Revenue and Expenses by Output Group

As part of the 2005-06 Budget process the office combined the previous two output structure into one output, as detailed in the objectives in Note 1.1. For comparative purposes the figures reported under the 2004-05 Output Group 1 below reflect the revised output reporting structure adopted in 2005-06.

Revenue and Expenses	Output Group 1		OUTCOME TOTAL	
	2005-06	2004-05	2005-06	2004-05
	\$	\$	\$	\$
Operating revenues				
Revenues from government	1 124 000	931 000	1 124 000	931 000
Other income	72 925	73 435	72 925	73 435
Total operating revenues	1 196 925	1 004 435	1 196 925	1 004 435
Operating expenses				
Employees	843 611	722 755	843 611	722 755
Suppliers	294 667	221 956	294 667	221 956
Assets written-off	-	1 587	-	1 587
Net losses from sale of assets	2 099	68	2 099	68
Equipment depreciation	35 902	26 733	35 902	26 733
Total operating expenses	1 176 279	973 099	1 176 279	973 099

Note 8 - Executives Remuneration – in excess of \$130 000

Executive Remuneration	2005-06	2004-05
Number of executives in the range \$340 000 to \$354 999:	1	1
For privacy reasons the aggregate amount of executive remuneration is not shown		
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. No other services were provided by the Auditor-General.

Remuneration of Auditor	2005-06	2004-05
The fair value of audit services provided was:	\$16 500	\$16 500

Note 10 – Staffing Level

The average staffing level for the office in 2005-06 was 6 (2004-05: 5).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 11 – Compensation and Debt Relief

No 'Act of Grace' payments were made during the reporting period, (2004-05: nil).

No waivers of amounts owing to the Commonwealth were made during the reporting period, (2004-05: nil).

No payments were made under the 'Defective Administration Scheme' during the reporting period, (2004-05: nil).

No payments were made under section 73 of the *Public Service Act 1999*, (2004-05: nil).

Note 12 – Financial Instruments

Note 12A – Interest Rate Risk

Financial Instruments (Recognised)	Floating interest rate		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash on hand	-	-	36	87	36	87	n/a	n/a
Cash at Bank	-	-	372 814	412 373	372 814	412 373	n/a	n/a
Receivables for goods or services (gross)	-	-	441 584	312 079	441 584	312 079	n/a	n/a
Total			814 434	724 539	814 434	724 539		
Total Assets					887 264	833 420		
Financial Liabilities								
Trade Creditors	-	-	25 913	17 454	25 913	17 454	n/a	n/a
Other Payables	-	-	-	-	-	-	n/a	n/a
Total	-	-	25 913	17 454	25 913	17 454		
Total Liabilities					519 683	420 484		

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 Balance Sheet. The office has no significant exposure to any concentrations of credit risk.

Note 13 – Special Accounts

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

- Other Trust Moneys Account (s20 FMA Act 1997). The purpose of this account is for expenditure of moneys temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth, and
- Services for Other Governments and Non-Agency Bodies Account (s20 FMA Act 1997). The purpose of this account is for expenditure in connection with services performed on behalf of other Governments and bodies that are not FMA agencies.

These accounts have zero balances and 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 Inspector-General of Intelligence and Security for the year ended 30 June 2006. The Inspector-General of Intelligence and Security is responsible for the integrity of both the annual report and the 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 Inspector-General of Intelligence and Security's annual report.

Scope

The financial statements and Inspector-General of Intelligence and Security's responsibility

The financial statements comprise:

- Statement by the Inspector-General of Intelligence and Security;
- Income Statement, Balance Sheet and Statements of Cash Flows and Changes in Equity;
- Statement of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

of the Office of the Inspector-General of Intelligence and Security for the year ended 30 June 2006.

The Inspector-General of Intelligence and Security is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Office of the Inspector-General and Intelligence and Security, and that comply 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. The Inspector-General of Intelligence and Security is also responsible 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.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit 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 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 of Intelligence and Security.

Independence

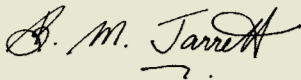
In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the financial statements of the Office of the Inspector-General of Intelligence and Security:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (b) give a true and fair view of the Office of the Inspector-General of Intelligence and Security's financial position as at 30 June 2006 and of its performance and cash flows for the year then ended, in accordance with:
 - (i) the matters required by the Finance Minister's Orders; and
 - (ii) applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



Brandon Jarrett
Executive Director

Delegate of the Auditor-General

Canberra
14 September 2006