

# financial statements

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

In my opinion, the attached financial statements for the year ended 30 June 2008 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

3 September 2008



## INDEPENDENT AUDITOR'S REPORT

To the Special Minister of State

### Scope

I have audited the accompanying financial statements of the Office of the Inspector-General of Intelligence and Security for the year ended 30 June 2008, which comprise: a Statement by the Inspector-General of Intelligence and Security; Income Statement; Balance Sheet; Statement of Changes in Equity; Statement of Cash Flows; Statement of Commitments and Contingencies; and Notes to and forming part of the Financial Statements; including a Summary of Significant Accounting Policies.

### *The Responsibility of the Inspector-General of Intelligence and Security for the Financial Statements*

The Inspector-General of Intelligence and Security is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office of the Inspector-General of Intelligence and Security's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

GPO Box 707 CANBERRA ACT 2601  
19 National Circuit BARTON ACT  
Phone (02) 6203 7300 Fax (02) 6203  
7777

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office of the Inspector-General of Intelligence and Security's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Inspector-General of Intelligence and Security, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Independence***

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

### **Auditor's 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*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Office of the Inspector-General of Intelligence and Security's financial position as at 30 June 2008 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Simon Kidman

Executive Director

Delegate of the Auditor-General

Canberra

3 September 2007

**OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY**  
**INCOME STATEMENT**  
*for the year ended 30 June 2008*

<b>Income Statement</b>	<b>Notes</b>	<b>2007-08</b> \$	<b>2006-07</b> \$
<b>INCOME</b>			
Revenues from ordinary activities			
Revenues from Government	3A	1 746 000	1 485 000
<b>Total Revenues from ordinary activities</b>		<u>1 746 000</u>	<u>1 485 000</u>
Gains			
Resources received free of charge	3B	120 000	93 000
<b>Total Gains</b>		<u>120 000</u>	<u>93 000</u>
<b>TOTAL INCOME</b>		<u>1 866 000</u>	<u>1 578 000</u>
<b>EXPENSES</b>			
Employees			
Remuneration	4A	1 036 203	738 462
Superannuation		188 156	166 650
<b>Total employees</b>		<u>1 224 359</u>	<u>905 112</u>
Suppliers			
Resources received free of charge		120 000	93 000
Comcare premium	4B	2 917	2 750
Other goods and services	4B	343 047	337 123
<b>Total suppliers</b>		<u>465 964</u>	<u>432 873</u>
Net losses from sale of assets	4D	-	-
Assets written off	4E	7 196	9 676
Depreciation and Amortisation	4C	16 550	28 743
<b>TOTAL EXPENSES</b>		<u>1 714 069</u>	<u>1 376 404</u>
<b>OPERATING RESULT</b>		<u>151 931</u>	<u>201 596</u>

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

**BALANCE SHEET**  
as at 30 June 2008

Balance Sheet	Notes	2007-08 \$	2006-07 \$
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	5A	273 003	293 105
Receivables - current	5B		
Appropriations receivable		1 059 646	797 800
GST receivable		4 527	2 452
Other debtors		4 703	77 339
Total receivables		<u>1 068 876</u>	<u>877 591</u>
<b>Total financial assets</b>		<u>1 341 879</u>	<u>1 170 697</u>
<b>Non-financial assets</b>			
Infrastructure, plant and equipment	6A	67 687	31 200
Intangibles	6B	1 099	2 541
<b>Other non financial assets</b>			
Prepayments	6C	-	-
<b>Total non-financial assets</b>		<u>68 786</u>	<u>33 741</u>
<b>TOTAL ASSETS</b>		<u>1 410 665</u>	<u>1 204 438</u>
<b>LIABILITIES</b>			
<b>Provisions</b>			
Employee provisions	8A	673 924	596 148
<b>Total provisions</b>		<u>673 924</u>	<u>596 148</u>
<b>Payables</b>			
Suppliers	7A	22 921	46 036
<b>Total payables</b>		<u>22 921</u>	<u>46 036</u>
<b>TOTAL LIABILITIES</b>		<u>696 845</u>	<u>642 184</u>
<b>Net Assets</b>		<u>713 820</u>	<u>562 254</u>
<b>EQUITY</b>			
Asset revaluation reserve		2 146	2 511
Contributed equity		402 000	402 000
Retained Earnings		<u>309 674</u>	<u>157 743</u>
<b>TOTAL EQUITY</b>		<u>713 820</u>	<u>562 254</u>
<b>Current Assets</b>		1 341 879	1 170 697
<b>Non-Current Assets</b>		68 786	33 741
<b>Current Liabilities</b>		679 003	614 025
<b>Non-Current Liabilities</b>		17 842	28 159

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 2008*

Item	Retained Earnings		Asset Revaluation Reserve		Contributed Equity/Capital		Total Equity	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Opening Balance</b>	<b>157 743</b>	<b>(43 853)</b>	<b>2 511</b>	<b>9 435</b>	<b>402 000</b>	<b>402 000</b>	<b>562 254</b>	<b>367 582</b>
Net Operating Result	151 931	201 596			-	-	151 931	201 596
<b>Total income and expenses</b>	<b>151 931</b>	<b>201 596</b>			<b>-</b>	<b>-</b>	<b>151 931</b>	<b>201 596</b>
<b>Asset Revaluation Movements</b>			<b>(365)</b>	<b>(6,924)</b>			<b>(365)</b>	<b>(6,924)</b>
<b>Transactions with Owners</b>								
Distributions to owners	-	-	-	-	-	-	-	-
Returns of Capital	-	-	-	-	-	-	-	-
<b>Contributions by Owners</b>								
Appropriation (equity injection)	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Sub-total Transaction with Owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers between equity components</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance at 30 June</b>	<b>309 674</b>	<b>157 743</b>	<b>2 146</b>	<b>2 511</b>	<b>402 000</b>	<b>402 000</b>	<b>713 820</b>	<b>562 254</b>

**OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE AND SECURITY**  
**STATEMENT OF CASH FLOWS**  
*for the year ended 30 June 2008*

Cash Flows	Notes	2007-08 \$	2006-07 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		1 484 154	1 104 200
Net GST refunds		28 558	15 742
Other cash received		152 927	34 120
<b>Total cash received</b>		<u>1 665 639</u>	<u>1 154 062</u>
<b>Cash used</b>			
Employees		(1 194 728)	(892 840)
Suppliers		(363 061)	(259 283)
Other Cash Used		(68 796)	(74 934)
<b>Total cash used</b>		<u>(1 626 585)</u>	<u>(1 227 057)</u>
<b>Net cash used from operating activities</b>	9	<u>39 054</u>	<u>(72 995)</u>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of equipment		-	-
<b>Total cash received</b>		<u>-</u>	<u>-</u>
<b>Cash used</b>			
Purchase of equipment		(59 156)	(6 750)
<b>Total cash used</b>		<u>(59 156)</u>	<u>(6 750)</u>
<b>Net cash used from investing activities</b>		<u>( 59 156)</u>	<u>(6 750)</u>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Equity injection		-	-
<b>Total cash received</b>		<u>-</u>	<u>-</u>
<b>Cash used</b>			
Return of equity		-	-
<b>Total cash used</b>		<u>-</u>	<u>-</u>
<b>Net cash used from financing activities</b>		<u>-</u>	<u>-</u>
<b>Net increase/(decrease) in cash held</b>		<u>(20 102)</u>	<u>(79 745)</u>
Cash at beginning of reporting period		<u>293 105</u>	<u>372 850</u>
<b>Cash at the end of the reporting period</b>	9	<u>273 003</u>	<u>293 105</u>

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

## STATEMENT OF COMMITMENTS AND CONTINGENCIES

as at 30 June 2008

The Agency had no contingencies to report in either 2006-07 or in 2007-08.

	2008 \$	2007 \$
<b>BY TYPE</b>		
<b>Commitments Receivable</b>		
GST recoverable on commitments	5 308	7 682
<b>Total Commitments Receivable</b>	<u>5 308</u>	<u>7 682</u>
<b>Capital Commitments</b>		
Infrastructure, plant and equipment	-	58 295
<b>Total Capital Commitments</b>	<u>-</u>	<u>58 295</u>
<b>Other Commitments</b>		
Operating Leases	58 395	118 814
<b>Total Other Commitments</b>	<u>58 395</u>	<u>118 814</u>
<b>Net Commitments by Type</b>	<u>53 087</u>	<u>169 427</u>
<b>BY MATURITY</b>		
<b>Commitments Receivable</b>		
<b>Operating Lease income</b>		
One year or less	5 148	1 587
From one to five years	160	850
Over five years	-	-
<b>Total operating lease income</b>	<u>5 308</u>	<u>2 437</u>
<b>Other Commitments Receivable</b>		
One year or less	-	5 244
From one to five years	-	-
Over five years	-	-
<b>Total other commitments receivable income</b>	<u>-</u>	<u>5 244</u>
<b>Commitments Payable</b>		
<b>Capital Commitments</b>		
One year or less	-	58 295
From one to five years	-	-
Over five years	-	-
<b>Total Capital Commitments</b>	<u>-</u>	<u>58 295</u>
<b>Operating Lease Commitments</b>		
One year or less	56 635	63 460
From one to five years	1 760	55 353
Over five years	-	-
<b>Total Operating Lease Commitments</b>	<u>58 395</u>	<u>118 813</u>
<b>Net Commitments by Maturity</b>	<u>53 087</u>	<u>169 427</u>

No contingent rentals exist.

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

## **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:

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

The Agency has one output:

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

The Agency's activities contributing towards this output are classified as departmental. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the agency in its own right.

The continued existence of the Agency in its present form and with its present programs is dependant on government policy and on continuing appropriations by Parliament for the Agency's administration and programs.

### **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 Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMOs) for reporting periods ending on or after 1 July 2007; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, 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.

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.

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 Significant Accounting Judgments and Estimates**

In the process of applying the accounting policies listed in this note, the Agency has made the following judgments that have the most significant impact on the amounts recorded in the financial statements.

- Leave provisions involve assumptions on the likely tenure of existing staff, future salary movements and future discount rates.

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

### 1.4 Statement of Compliance

#### Adoption of new Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the effective date in the current period.

#### Financial Statement Disclosure

AASB 7 *Financial Instruments: Disclosures* is effective for reporting periods beginning on or after 1 January 2007 and amends the disclosure requirements for financial instruments. In general, AASB 7 requires greater disclosure than that previously required. Associated with the introduction of AASB 7 a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038). These changes have no financial impact but will affect the disclosure presented in future financial reports.

#### Other Effective Requirement Changes

The following new standards, amendments to standards or interpretations for the current financial years have no material financial impact or do not apply to the operations of the Agency:

- AASB 101 *Presentation of Financial Statements*
- AASB 1048 *Interpretation and Application of Standards*
- AASB 2007-5 *Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities* (AASB 102)
- 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and Erratum: Proportionate Consolidation*
- 2007-7 *Amendments to Australian Accounting Standards*
- UIG Interpretation 11 AASB 2 – *Group and Treasury Share Transactions and 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11*
- UIG Interpretation 10 *Interim Financial Reporting and Impairment*
- UIG Interpretation 1003 *Australian Petroleum Resource Rent Tax*
- ERR Erratum *Proportionate Consolidation* (AASB 101, AASB 107, AASB 121, AASB 127, Interpretation 113)

#### Future Australian Accounting Standard Requirements

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board effective for future reporting periods, but either are not applicable to the operations of the Agency or will not have a material impact:

- AASB 3 *Business Combinations*
- AASB 101 *Presentation of Financial Statements*
- AASB 123 *Borrowing Costs*
- AASB 127 *Consolidation and Separate Financial Statements*
- AASB 1004 *Contributions*
- AASB 1050 *Administered Items*
- AASB 1051 *Land Under Roads*
- AASB 1052 *Disaggregated Disclosures*
- AASB Interpretation 12 *Service Concession Arrangements and 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12.*
- AASB 8 *Operating Segments and 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.*

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

- 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 Borrowing Costs.
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 (AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139)
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101
- AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 (AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137)
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (AASB 2)
- AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation (AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2).
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107)
- AASB 2008-4 Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities (AASB 124)
- AASB Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- AASB Interpretation 4 Determining Whether an Arrangement Contains a Lease
- AASB Interpretation 13 Customer Loyalty Programmes.
- AASB Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- AASB Interpretation 1038 Contributions by Owners Made To Wholly-Owned Public Sector Entities
- AASB 1049 Whole of Government and General Government Sector Financial Reporting

**1.5 Revenue**

Revenues from Government

The full amount of the departmental appropriation for Agency outputs for the year is recognised as revenue. Appropriations receivable are recognised at their nominal amounts.

Other Revenue

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any provisions for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

**1.6 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 2007-08 are office space (from the Department of the Prime Minister and Cabinet) and the installation and maintenance of the OIGIS owned internal secure computer network (from Defence Signals Directorate). Other resources received free of charge include auditor remuneration as disclosed in Note 12.

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

### **1.7 Transactions with the Government as Owner**

#### Equity Injection

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly to Contributed Equity in that year.

### **1.8 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 '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 Agency 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 Agency'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 2008. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### Superannuation

Staff of the Agency are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

The Agency makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost of the Government of the superannuation entitlements of the Agency's employees. The Agency accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

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

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.

#### **1.9 Financial Assets**

The Agency classifies its financial assets in the following categories:

- 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Loans and 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.

Credit terms are net 30 days (2006-07: 30 days).

##### Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

#### **1.10 Financial Liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

##### Supplier and other payables

Supplier and other payables are recognised at their amortised cost, 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).

Settlement is usually made net 30 days.

#### **1.11 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.

#### **1.12 Acquisition of Assets**

Assets are recorded at cost on acquisition.

#### **1.13 Infrastructure, Plant and Equipment**

##### Asset Recognition Threshold

Purchases of equipment are recognised initially 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).

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

Revaluations

Plant and equipment are carried at valuation. Fair values have been determined by market selling price.

Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. A full revaluation was conducted at 30 June 2008 by an independent valuer.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through operating result. Revaluation decrements for a class of assets are recognised directly through operating result except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation and Amortisation

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Agency 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.

Impairment

All assets were assessed for impairment at 30 June 2008 and remaining useful lives were reassessed as part of the revaluation exercise. There were no indications of impairment and the assets are valued at their fair value.

**1.14 Intangibles**

The Agency's intangibles consists of purchased software only. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life.

All software assets are assessed for indications of impairment as at 30 June 2008.

**1.15 Taxation**

The Agency 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.

**1.16 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2008

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

**1.17 Comparative Figures**

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

**Note 2 – Events after the Balance Sheet Date**

There are no significant events occurring after the Balance Sheet date requiring disclosure.

**Note 3 – Income**

**Revenue**

Note 3A – Revenues from Government

	2008	2007
	\$	\$
<u>Revenue from Government</u>		
Appropriations for outputs	1 746 000	1 485 000
<b>Total revenue from government</b>	<u>1 746 000</u>	<u>1 485 000</u>

**Gains**

Note 3B – Other Gains

	2008	2007
	\$	\$
<b>Other Gains</b>		
Resources Received free of charge	120 000	93 000
<b>Total Other Gains</b>	<u>120 000</u>	<u>93 000</u>

**Note 4 – Expenses**

	2008	2007
	\$	\$
<b>Note 4A – Employee Benefits</b>		
Wages and salaries	946 552	726 444
Superannuation	188 156	166 650
Leave and other entitlements	89 651	12 018
Separation and redundancies	-	-
<b>Total employee benefits</b>	<u>1 224 359</u>	<u>905 112</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2008

	2008	2007
	\$	\$
<u>Note 4B - Suppliers</u>		
Provision of goods – related entities	-	-
Provision of goods – external entities	15 614	236 845
Rendering of services – related entities	288 884	138 000
Rendering of services – external entities	158 549	55 278
Workers compensation premiums	2 917	2 750
<b>Total supplier expenses</b>	<b>465 964</b>	<b>432 873</b>

	2008	2007
	\$	\$
<u>Note 4C – Depreciation and Amortisation</u>		
Depreciation – Infrastructure, plant and equipment	15 108	27 301
Amortisation – Intangibles	1 442	1 442
<b>Total Depreciation and Amortisation</b>	<b>16 550</b>	<b>28 743</b>

	2008	2007
	\$	\$
<u>Note 4D – Net Losses from Sale of Assets</u>		
Infrastructure, plant and equipment:		
Proceeds from sale	-	-
Carrying value of assets sold	-	-
Selling expense	-	-
<b>Total losses from asset sales</b>	<b>-</b>	<b>-</b>

	2008	2007
<u>Note 4E – Assets Written Off</u>		
Infrastructure, plant and equipment	7 196	9 676
<b>Total Assets Written Off</b>	<b>7 196</b>	<b>9 676</b>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2008

**Note 5 – Financial Assets**

	2008	2007
	\$	\$
<u>Note 5A – Cash and cash equivalents</u>		
Cash on hand or on deposit	273 003	293 105
<b>Total cash and cash equivalents</b>	<b>273 003</b>	<b>293 105</b>
	2008	2007
	\$	\$
<u>Note 5B – Trade and other receivables</u>		
Appropriations Receivable:		
For existing outputs	1 059 646	797 800
<b>Total appropriations receivable</b>	<b>1 059 646</b>	<b>797 800</b>
GST receivable from the Australian Taxation Office	4 527	2 452
Other receivables	4 703	77 339
<b>Total other receivables</b>	<b>9 230</b>	<b>79 791</b>
<b>Total trade and other receivables (gross)</b>	<b>1 068 876</b>	<b>877 591</b>
Less Allowance for Doubtful Debts	-	-
<b>Total trade and other receivables (net)</b>	<b>1 068 876</b>	<b>877 591</b>
Receivables are aged as follows:		
Not overdue	1 068 876	877 591

All Receivables are current.

**Note 6 – Non-Financial Assets**

Note 6A – Infrastructure, plant and equipment

	2008	2007
	\$	\$
<b>Infrastructure, plant and equipment</b>		
Infrastructure, plant and equipment:		
- gross carrying value (at fair value)	67 687	31 200
- accumulated depreciation	-	-
Infrastructure, plant and equipment:		
- gross carrying value (at cost)		
- accumulated depreciation		
<b>Total Infrastructure, Plant and Equipment (non-current)</b>	<b>67 687</b>	<b>31 200</b>

Note 6B – Intangibles

Previously intangibles have been reported as Infrastructure, plant and equipment. Comparatives have been adjusted.

	2008	2007
	\$	\$
<b>Intangibles</b>		
Computer software at cost:		
Purchased	5 769	5 769
<b>Total computer software</b>	<u>5 769</u>	<u>5 769</u>
Accumulated amortisation	(4 670)	(3 228)
<b>Total intangibles (non-current)</b>	<u>1 099</u>	<u>2 541</u>

Note 6C – Other Non-Financial Assets

	2008	2007
	\$	\$
<b>Other Non-Financial Assets</b>		
Prepayments	-	-
<b>Total Other Non-Financial Assets</b>	<u>-</u>	<u>-</u>

Note 6D – Analysis of Infrastructure, plant and equipment

Table A – Reconciliation of the Opening and Closing Balances of Infrastructure, Plant and Equipment (2007-08)

Item	Infrastructure, Plant and Equipment
As at 1 July 2007	
Gross book value	31 200
Accumulated depreciation	-
Opening Net book value as at 1 July 2007	31 200
Additions	
by purchase	59 156
Depreciation expense	(15 108)
Disposals	
Net cost of disposals	(7 196)
Revaluations and impairments through equity	(365)
<b>Net Book Value 30 June 2008</b>	<b>67 687</b>
<b>Net Book Value as at 30 June 2008 represented by:</b>	
Gross book value	67 687
Accumulated depreciation	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2008

Table A – Reconciliation of the Opening and Closing Balances of Infrastructure, Plant and Equipment (2006-07)

Item	Infrastructure Plant and Equipment
As at 1 July 2006	
Gross book value	139 322
Accumulated depreciation	(70 970)
Opening Net book value as at 1 July 2006	68 352
Additions	
by purchase	6 750
Depreciation expense	(27 301)
Disposals	
Net cost of disposals	(9 677)
Revaluations and impairments through equity	(6,924)
<b>Net Book Value 30 June 2007</b>	<b>31 200</b>
<b>Net Book Value as at 30 June 2007 represented by:</b>	
Gross book value	31 200
Accumulated depreciation	-

Note 6E – Analysis of Intangibles

Table A – Reconciliation of the Opening and Closing Balances of Intangibles (2007-08)

Item	Computer Software Purchased
As at 1 July 2007	
Gross book value	5 769
Accumulated depreciation	(3 228)
Opening Net book value as at 1 July 2007	2 541
Additions	
by purchase or internally developed	-
Amortisation expense	(1 442)
Disposals	
Net cost of disposals	-
Revaluations and impairments through equity	-
<b>Net Book Value 30 June 2008</b>	<b>1 099</b>
<b>Net Book Value as at 30 June 2008 represented by:</b>	
Gross book value	5 769
Accumulated amortisation & impairment	(4 670)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2008

Table A – Reconciliation of the Opening and Closing Balances of Intangibles (2006-07)

Item	Computer Software Purchased
As at 1 July 2006	
Gross book value	5 769
Accumulated depreciation	(1 785)
Opening Net book value as at 1 July 2006	3 984
Additions by purchase or internally developed	
Amortisation expense	(1 442)
Disposals	
Net cost of disposals	
Revaluations and impairments through equity	
<b>Net Book Value 30 June 2007</b>	<b>2 542</b>
<b>Net Book Value as at 30 June 2007 represented by:</b>	
Gross book value	5 769
Accumulated depreciation	(3 228)

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1. In 2007-08, the revaluations were conducted by an independent valuer Peter Dorrough FAPI (Certified Practising Valuer).

**Note 7 – Payables**

	2008 \$	2007 \$
<u>Note 7A – Suppliers</u>		
Trade creditors	22 921	46 036
<b>Total Suppliers</b>	<b>22 921</b>	<b>46 036</b>

Supplier payables are represented by:

Current	22 921	46 036
Non-current	-	-
<b>Total supplier payables</b>	<b>22 921</b>	<b>46 036</b>

**Note 8 – Provisions**

	2008 \$	2007 \$
<u>Note 8A – Employee provisions</u>		
Salaries and wages	11 131	7 016
Leave	616 436	545 353
Superannuation	46 357	41 795
Other – Fringe Benefits Tax	-	1 984
<b>Total Employee Provisions</b>	<b>673 924</b>	<b>596 148</b>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2008

Employee provisions are represented by:

Current	656 082	567 989
Non-current	17 842	28 159
Total employee provisions	673 924	596 148

The classification of current includes amounts for which there is not an unconditional right to defer settlement by one year, hence in the case of employee provisions the above classification does not represent the amount expected to be settled within one year of the reporting date. Employee provisions expected to be settled in twelve months from the reporting date are \$132,934 (2007: \$139,891), and in excess of one year \$523,148 (2007: \$428,098).

**Note 9 – Cash Flow Reconciliation**

	2007-08 \$	2006-07 \$
<b>Reconciliation of Cash and cash equivalents as per Balance Sheet to Cash flow statement</b>		
<b>Report cash and cash equivalents as per:</b>		
Cash Flow Statement	273 003	293 105
Balance Sheet	273 003	293 105
Difference	-	-
<b>Reconciliation of net surplus to net cash from operating activities:</b>		
Operating result	151 931	201 596
Depreciation	16 550	28 743
Gain/Loss on disposal of assets	7 196	9 676
Write-off of assets	-	-
Increase/(Decrease) in provision for employee liabilities	77 776	102 376
Increase/(Decrease) in supplier trade creditors	(23 114)	20 126
(Increase)/Decrease in appropriations receivables	(261 846)	(380 800)
(Increase)/Decrease in other assets	72 636	(55 198)
(Increase)/Decrease in other prepayments	-	494
(Increase)/Decrease in GST receivable	(2 075)	(8)
(Increase)/Decrease in transfers to the Official Public Account	-	-
<b>Net cash flow from operating activities</b>	<b>39 054</b>	<b>(72 995)</b>

**Note 10 – Contingent Liabilities and Assets**

The Agency had no contingent liabilities or contingent assets at the reporting date.

**Note 11 – Executive Remuneration**

Executive Remuneration	2007-08	2006-07
Number of executives in the range \$385 000 to \$399 999:	1	1
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above:	Nil	Nil

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2008

**Note 12 – Remuneration of Auditor**

Financial statement audit services are provided free of charge to the Agency. No other services were provided by the Auditor-General.

Remuneration of Auditor	2007-08	2006-07
The fair value of audit services provided was:	<b>\$16 000</b>	\$14 100

**Note 13 – Staffing Level**

The average staffing level for the Agency in 2007-08 was 9.37 (2006-07: 7).

**Note 14 – Financial Instruments**

Note 14A – Categories of Financial Instruments

Financial Instruments	2007-08	2006-07
<b>Loans and Receivables</b>		
Loans and Receivables		
Cash and cash equivalents	273 003	293 105
Trade receivables	4 703	77 339
<b>Carrying amounts of financial assets</b>	<u>277 706</u>	<u>370 444</u>
<b>Financial Liabilities</b>		
Other Liabilities measured at amortised cost		
Payables – Suppliers	22 921	46 036
<b>Carrying amounts of financial liabilities</b>	<u>22 921</u>	<u>46 036</u>

Note 14B – Net Income and Expense from Financial Assets

Loans and Receivables	2007-08	2006-07
Interest Revenue	-	-
<b>Net gain (loss) from financial assets</b>	<u>-</u>	<u>-</u>

Note 14C – Net Income and Expense from Financial Liabilities

Other Liabilities	2007-08	2006-07
Interest Expense	-	-
<b>Net gain (loss) from financial liabilities</b>	<u>-</u>	<u>-</u>

Note 14D – Fair Value of Financial Instruments

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2008

Note 14E – Credit Risk

The Agency has endorsed policies and procedures for debt management (including the provision of credit terms), to reduce the incidence of credit risk. In most instances debtors for the Agency are other government entities and therefore represent minimal credit risk.

The carrying amount of financial assets, net of impairment losses, reported in the balance sheet represents the Agencies maximum exposure to credit risk.

	<b>Not Past Due Nor Impaired 2008</b>	Not Past Due Nor Impaired 2007	<b>Past due or Impaired 2008</b>	Past due or Impaired 2007
<b>Loans &amp; Receivables</b>				
Cash and cash equivalents	<b>273 003</b>	293 105		
Trade receivables	<b>4 703</b>	77 339		
<b>Total</b>	<b>277 706</b>	370 444		

Note 14F – Liquidity Risk

The Agency's financial liabilities only include payables. Any exposure to liquidity risk is based on the notion that the Agency will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The following table illustrates the maturities for financial liabilities.

	On Demand 2008	Within 1 year 2008	1 to 5 years 2008	Greater than 5 years 2008	Total 2008
<b>Other Liabilities at amortised cost</b>					
Payables - Suppliers		22 921			22 921
<b>Total</b>		<b>22 921</b>			<b>22 921</b>
	On Demand 2007	Within 1 year 2007	1 to 5 years 2007	Greater than 5 years 2007	Total 2007
<b>Other Liabilities at amortised cost</b>					
Payables - Suppliers		46 036			46 036
<b>Total</b>		<b>46 036</b>			<b>46 036</b>

Note 14G - Market Risk

The Agency does not participate in any transactions in foreign currencies and as such is not exposed to market risk as a result of changes in exchange rates. The Agency also only has indirect exposure in interest rates and as such the impact on supplier costs is not significant.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

**Note 15 – Special Accounts**

The Agency 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.

**Note 16 – Appropriations**

Note 16A – Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations (Acts 1 and 3)

Particulars	Total
<b>Year Ended 30 June 2008</b>	<b>\$</b>
Balance carried from previous year	766 318
Appropriation Act (No.1) 2007-2008	1 754 000
Appropriation Act (No.3) 2007-2008	-
Subsection 9(1) Appropriation Act (No.1) 2007-2008 determination to reduce appropriation	(8 000)
Section 31 receipts (FMA Act)	150 147
Section 30 receipts (FMA Act)	2 636
GST credits (FMA s30A)	28 558
Total Appropriations available for payments	2 693 659
Payments made (GST inclusive)	1 683 522
<b>Balance carried to next year</b>	<b>1 010 137</b>
Represented by:	
Cash	253 964
Add: Receivables – Net GST Receivable from the ATO	4 527
Receivables – departmental appropriations	751 646
<b>Total</b>	<b>1 010 137</b>
<b>Year Ended 30 June 2007</b>	
Balance carried from previous year	459 119
Appropriation Act (No.1) 2006-2007	1 485 000
Appropriation Act (No.3) 2006-2007	-
GST credits (FMA s30A)	15 128
Section 31 receipts (FMA Act)	
Total Appropriations available for payments	1 959 247
Payments made (GST inclusive)	1 192 929
<b>Balance carried to next year</b>	<b>766 318</b>
Represented by:	
Cash	274 066
Add: Receivables – Net GST Receivable from the ATO	2 452
Receivables – departmental appropriations	489 800
<b>Total</b>	<b>766 318</b>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2008

**Note 16 – Appropriations (continued)**

Note 16B – Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund for Other than Ordinary Annual Services Appropriations (Acts 2 and 4)

Particulars	Total \$
<b>Year Ended 30 June 2008</b>	
Balance carried from previous year	327 039
Appropriation Act (No.2) 2007-2008	-
Appropriation Act (No.4) 2007-2008	-
GST credits (FMA Act s30A)	-
Total Appropriations available for payments	327 039
Payments made (GST inclusive)	-
<b>Balance carried to next year</b>	<b>327 039</b>
Represented by:	
Cash	19 039
Add: Receivables – Receivable from the Official Public Account	308 000
<b>Total</b>	<b>327 039</b>
<b>Year Ended 30 June 2007</b>	
Balance carried from previous year	333 175
Appropriation Act (No.2) 2006-2007	-
Appropriation Act (No.4) 2006-2007	-
GST credits (FMA Act s30A)	614
Total Appropriations available for payments	333 789
Payments made (GST inclusive)	6 750
<b>Balance carried to next year</b>	<b>327 039</b>
Represented by:	
Cash	19 039
Add: Receivables – Receivable from the Official Public Account	308 000
<b>Total</b>	<b>327 039</b>

The Agency received \$402 000 as an equity injection in the financial year ended 30 June 2005. The Agency holds \$308 000 of this amount in the Official Public Account to partially fund the non-current portion of accrued leave liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2008

**Note 17 - Reporting of Outcomes**

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

Note 17A – Net Cost of Outcome Delivery

The net cost of this outcome in 2007-08 was \$1 594 069 (Appropriation: \$1 746 000).

Note 17B – Agency Revenue and Expenses by Output Group

Revenue and Expenses	Output Group 1		OUTCOME TOTAL	
	2007-08	2006-07	2007-08	2006-07
	\$	\$	\$	\$
Operating revenues				
Revenues from government	1 746 000	1 485 000	1 746 000	1 485 000
Other income	120 000	93 000	120 000	93 000
<b>Total operating revenues</b>	<b>1 866 000</b>	<b>1 578 000</b>	<b>1 866 000</b>	<b>1 578 000</b>
Operating expenses				
Employees	1 224 359	905 112	1 224 359	905 112
Suppliers	465 964	432 873	465 964	432 873
Net losses from sale of assets	-	-	-	-
Assets written off	7 196	9 676	7 196	9 676
Equipment depreciation	16 550	28 743	16 550	28 743
<b>Total operating expenses</b>	<b>1 714 069</b>	<b>1 376 404</b>	<b>1 714 069</b>	<b>1 376 404</b>

**Note 18 – Compensation and Debt Relief**

No 'Act of Grace' payments were made during the reporting period, (2006-07: nil).

No waivers of amounts owing to the Commonwealth were made during the reporting period, (2006-07: nil).

No payments were made under the 'Defective Administration Scheme' during the reporting period, (2006-07: nil).

No payments were made under section 73 of the *Public Service Act 1999*, (2006-07: nil).