

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The purpose and intended outcome of the Australian Security Intelligence Organisation (ASIO) is to protect Australia, its people and its interests from threats to security through intelligence collection, assessment and advice to government. ASIO's outcome supports the government's policy aim of 'a secure Australia in a secure region'.

ASIO partners with Australian and international law enforcement, intelligence and security agencies, and relies on the support of Australian people from all communities, to engage in five broad activities that achieve ASIO's outcome:

- countering terrorism and the promotion of communal violence
- countering espionage, foreign interference and malicious insiders
- countering serious threats to Australia's border integrity
- providing protective security advice
- collecting foreign intelligence in Australia.

ASIO anticipates a series of challenges during 2016–17 relating to the high terrorism threat, the expanding harm from espionage and interference, growing hostile cyber activity, flow-on effects from the Syria and Iraq conflict in securing Australia's border, ongoing demand for protective security advice, and development of key intelligence capabilities.

ASIO and its partners cannot provide absolute guarantees of no terrorist incidents in Australia. The counter-terrorism challenge Australia faces is underscored by events: since the national terrorism threat level was raised on 12 September 2014, there have been three attacks and eight disruption operations in response to imminent attack planning in Australia. ASIO continues to build its capacity to meet this challenge through the resourcing provided by government under the *National Security – additional counter-terrorism funding* measure announced in the 2014–15 Mid-Year Economic and Fiscal Outlook (MYEFO). During 2016–17, ASIO's focus to implement this measure will continue to be on recruiting and retaining skilled people across assessment, investigation and analysis, human intelligence and technical collection, and operational support teams, and capital investment in technical capabilities.

Clandestine foreign actors are causing harm to Australia through espionage, interference and cyber activity that seeks to undermine our political and economic sovereignty. ASIO and its partners continue to work on detecting, defending and

degrading the activities of these actors. However, such activities are inherently difficult to detect, including in the cyber realm, and can carry consequences that may not be realised for decades. The gap is likely widening between the scale and scope of harm experienced to Australia's sovereignty, government systems, and commercial and intellectual property, and the ability of ASIO and partner agencies to successfully mitigate that harm.

ASIO's border security focus during 2016–17 will be on meeting priorities set by the Department of Immigration and Border Protection to deliver the migration program, including the additional 12,000 places allocated to Syrian refugees. ASIO will continue to manage downstream risks in this cohort through its security assessment regime and anticipates that there will be complex cases requiring resolution and some recommendations against visa grant on security grounds.

The demand from clients for security advice is anticipated to continue to be high, driven by the terrorism, espionage and cyber challenges of the security environment, requiring ASIO to continue to prioritise this work and manage expectations.

ASIO also anticipates challenges during 2016–17 to the development of some intelligence capabilities which underpin the five broad activities that achieve ASIO's outcome. The recruitment and retention of skilled knowledge workers, the diminishing value from increasingly encrypted content and datasets, the need for big data analytics to manage an increasing variety, velocity and volume of data, and the related information management adaptation, are ongoing capability challenges.

ASIO continues to refine its risk management and performance frameworks in an environment where adversaries consciously seek to avoid detection and learn from their experiences and those of others, and where the harm to Australia's security may be latent and not immediately manifest.

ASIO anticipates that the challenges of the security environment will persist into the foreseeable future. The variety of threat actors will likely expand and the pace of development of threats accelerate. In this environment, ASIO will continue to engage with its domestic and international partners, develop its own capacities, and pursue the best approaches to protect Australia, its people and its interests by enabling preventative action to mitigate the very real security threats the nation faces.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total funding from all sources available to ASIO for its operations and to deliver programs and services on behalf of the government.

Table 1.1 is prepared on a resourcing (appropriations and cash available) basis, while the outcome expenses table in section 2 and the financial statements in section 3 are prepared on an accrual basis.

Table 1.1: Entity resource statement—Budget estimates for 2016–17 as at Budget May 2016

	2015–16 Estimated actual \$'000	2016–17 Estimate \$'000
DEPARTMENTAL		
Annual appropriations—ordinary annual services(a)		
Prior year appropriations available	84,441	48,926
Departmental appropriations	381,081	403,020
s 74 retained revenue receipts(b)	22,085	21,398
Departmental capital budget(c)	32,100	28,092
Annual appropriations—other services—non-operating(d)		
Prior year appropriations available	–	3,100
Equity injection	13,973	14,103
Total net resourcing for entity	533,680	518,639

	2015–16	2016–17
Average staffing level (number)	1,740	1,812

Prepared on a resourcing (appropriations and cash available) basis.

Note: All figures are GST exclusive and may not match figures in the cash flow statement.

(a) Appropriation Bill (No. 1) 2016–17.

(b) Estimated retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

(c) Departmental capital budgets are not separately identified in Appropriation Bill (No. 1) and form part of ordinary annual services items. See Table 3.5 for further details. For accounting purposes, this amount is designated as 'contributions by owners'.

(d) Appropriation Bill (No. 2) 2016–17.

1.3 BUDGET MEASURES

Measures announced in the 2015–16 MYEFO and other measures not previously reported in a portfolio statement are summarised in Part 2 of Table 1.2.

Table 1.2: Entity 2016–17 Budget measures

Part 1: Measures announced since the 2015–16 MYEFO

ASIO has no new post-MYEFO measures.

Part 2: MYEFO measures and other measures not previously reported in a portfolio statement

	Program	2015–16 \$'000	2016–17 \$'000	2017–18 \$'000	2018–19 \$'000	2019–20 \$'000
Expense measures						
Public Sector Savings—Shared and Common Services Programme(a)	1.1					
Departmental expenses		–	(70)	(141)	(141)	–
Total expense measures		–	(70)	(141)	(141)	–

Prepared on a Government Finance Statistics (fiscal) basis. Figures displayed as a negative represent a decrease in funds, and figures displayed as a positive represent an increase in funds.

(a) This is a cross-portfolio measure that was published in the 2015–16 MYEFO. The lead entity is the Department of Finance.

Section 2: Outcomes and planned performance

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

ASIO's outcome is described below together with its related program.

Note: From 1 July 2015, performance reporting requirements in the Portfolio Budget Statements sit alongside the requirements under the enhanced Commonwealth performance framework. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements – included in annual reports from October 2016 – to provide the entity's complete performance story.

2.1 BUDGETED EXPENSES AND PERFORMANCE FOR OUTCOME 1

Outcome 1: To protect Australia, its people and its interests from threats to security through intelligence collection, assessment and advice to Government

Linked programs

To deliver its security intelligence program, ASIO works with law enforcement, border and national security agencies in the Commonwealth and the states and territories. This collaboration contributes to ASIO's outcome by providing intelligence policy settings, agency capabilities and information flows. ASIO's security intelligence program contributes to the outcomes of other agencies through security advice, intelligence and services.

Budgeted expenses for Outcome 1

Table 2.1 shows how much ASIO intends to spend (on an accrual basis) on achieving Outcome 1, broken down by program and by departmental funding sources.

Table 2.1: Budgeted expenses for Outcome 1

	2015–16 Estimated actual \$'000	2016–17 Budget \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000	2019–20 Forward estimate \$'000
Program 1.1: Security Intelligence					
Departmental expenses					
Departmental appropriation	381,081	403,020	410,206	409,587	412,598
Section 74 retained revenue receipts(a)	20,795	21,573	22,388	23,244	24,144
Expenses not requiring appropriation in the budget year(b)	75,626	76,928	83,894	88,140	82,337
Total expenses for Outcome 1	477,502	501,521	516,488	520,971	519,079

	2015–16	2016–17
Average staffing level (number)	1,740	1,812

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

(a) Estimated expenses incurred in relation to receipts retained under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

(b) Expenses not requiring appropriation in the budget year are made up of depreciation and amortisation expenses and audit fees.

Performance criteria for Outcome 1

Table 2.2 details the performance criteria for the program associated with Outcome 1. It also summarises how the program is delivered.

Table 2.2: Performance criteria for Outcome 1

Outcome 1: To protect Australia, its people and its interests from threats to security through intelligence collection, assessment and advice to Government		
Program 1.1: Security Intelligence This program contributes to the outcome through obtaining, correlating and evaluating security intelligence; communicating intelligence and security assessments; and providing security advice, including in relation to protective security.		
Delivery	Provide intelligence and advice on security matters to Commonwealth, state and territory governments, to law enforcement, border and national security agencies, and to Australian businesses.	
Performance information(a)		
Year	Performance criteria(b)	Targets
2015–16	<p>1. The contribution of ASIO's action and advice to the management and reduction of risk to people and property; government business and national infrastructure; and special events of national and international significance.</p> <p>Expected achievement against criterion 1: ASIO's advice will continue to inform government policy-making on national security; action by law enforcement, border and national security agencies to manage and mitigate security threats; and action by Australian businesses to secure their current operations and future sustainability.</p> <p>2. The security of ASIO's activities.</p> <p>Expected achievement against criterion 2: ASIO will continue to meet the requirements of the government's Protective Security Policy Framework.</p>	<p>ASIO's stakeholder survey showed that clients in government, law enforcement, border and national security agencies in the Commonwealth and states and territories have overall high levels of satisfaction with the quality of advice as well as enthusiasm for greater engagement with ASIO, with particular emphasis on timeliness and accessibility.</p> <p>[Against targets of government satisfaction and positive client feedback on quality and timeliness.]</p> <p>ASIO's resources have continued to be heavily focused on countering terrorism and espionage, in line with the priorities set by the government.</p> <p>[Against a target of resource use against priorities and cost-effectiveness.]</p> <p>ASIO has continued to enhance its security culture through a range of measures, including mandatory security and safety training, and continued to protect information, IT and resources in line with the Protective Security Policy Framework. ASIO continues to ensure that its policies and procedures are updated to meet the requirements of the security environment it operates in.</p> <p>[Against targets of positive security performance and maintenance of ASIO's security integrity.]</p>
2016–17	Effective advice, reporting and services that assist the Australian Government <i>and ASIO's partners</i> to manage security risks and disrupt activities that threaten Australia's security.	<p>ASIO's advice informs the Australian Government's responses to security matters and supports related policy development.</p> <p>Law enforcement, border and other national security partners use ASIO's advice to manage and disrupt security risks.</p> <p>Business and industry adopt ASIO's security advice and are satisfied with their engagement.</p>
2017–18 and beyond	Same as for 2016–17.	Same as for 2016–17.
Purpose	To protect Australia, its people and its interests from threats to security.	

(a) Reporting of ASIO's performance information necessarily avoids any information that would prejudice the performance of its statutory national security functions.

(b) New or modified performance criteria are shown in italics. Changes have been made to better align the criteria to the performance information in ASIO's corporate plan.

Section 3: Budgeted financial statements

This section presents budgeted financial statements that provide a comprehensive snapshot of entity finances for the 2016–17 budget year, including the impact of budget measures and resourcing.

3.1 DIFFERENCES BETWEEN ENTITY RESOURCING AND FINANCIAL STATEMENTS

There is no material difference between the entity resourcing and financial statements.

3.2 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Income statement

Total expenses are estimated to be \$501.521m in 2016–17, an increase of \$24.019m from 2015–16. The increase is primarily a result of increased employee expenses related to the *National Security – additional counter-terrorism* measure and associated supplier costs.

ASIO's revenue from government will increase from \$381.081m in 2015–16 to \$403.020m in 2016–17. This is due to funding received under the *National Security – additional counter-terrorism* measure in 2014–15.

Balance sheet

ASIO's estimated net asset position is \$339.682m in 2016–17, a decrease of \$33.971m from 2015–16. This is attributable to a decrease in fixed assets due to the depreciation of assets associated with the new ASIO headquarters.

Capital budget statement

ASIO is estimating capital outlays of \$56.237m in 2016–17, a decrease of \$7.120m from 2015–16. This is in line with ASIO's asset replacement program.

3.3 BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.1: Comprehensive income statement (showing net cost of services) for the period ended 30 June

	2015–16 Estimated actual \$'000	2016–17 Budget \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000	2019–20 Forward estimate \$'000
EXPENSES					
Employee benefits	218,660	229,425	240,291	245,295	245,281
Suppliers	183,978	195,930	193,065	188,298	192,223
Depreciation and amortisation	74,864	76,166	83,132	87,378	81,575
Total expenses	477,502	501,521	516,488	520,971	519,079
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	17,760	18,386	19,042	19,731	20,455
Other	3,035	3,187	3,346	3,513	3,689
Total own-source revenue	20,795	21,573	22,388	23,244	24,144
Gains					
Other	762	762	762	762	762
Total gains	762	762	762	762	762
Total own-source income	21,557	22,335	23,150	24,006	24,906
Net cost of (contribution by) services	455,945	479,186	493,338	496,965	494,173
Revenue from government	381,081	403,020	410,206	409,587	412,598
Surplus (deficit) attributable to the Australian Government	(74,864)	(76,166)	(83,132)	(87,378)	(81,575)
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation surplus	–	–	–	–	–
Total other comprehensive income	–	–	–	–	–
Total comprehensive income (loss)	(74,864)	(76,166)	(83,132)	(87,378)	(81,575)
Total comprehensive income (loss) attributable to the Australian Government	(74,864)	(76,166)	(83,132)	(87,378)	(81,575)

Note: Impact of net cash appropriation arrangements

	2015–16 \$'000	2016–17 \$'000	2017–18 \$'000	2018–19 \$'000	2019–20 \$'000
Total comprehensive income (loss) excluding depreciation/amortisation expenses previously funded through revenue appropriations	–	–	–	–	–
Less depreciation/amortisation expenses previously funded through revenue appropriations	74,864	76,166	83,132	87,378	81,575
Total comprehensive income (loss) as per the statement of comprehensive income	(74,864)	(76,166)	(83,132)	(87,378)	(81,575)

Prepared on Australian Accounting Standards basis.

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	2015–16 Estimated actual \$'000	2016–17 Budget \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000	2019–20 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	12,956	10,851	10,809	12,412	11,972
Trade and other receivables	86,265	84,323	78,100	77,837	80,003
Other financial assets	6,246	6,664	7,057	7,124	7,483
Total financial assets	105,467	101,838	95,966	97,373	99,458
Non-financial assets					
Land and buildings	158,330	147,394	133,129	139,078	128,064
Property, plant and equipment	150,120	147,744	150,623	140,269	121,625
Intangibles	52,268	45,651	57,577	62,413	56,838
Other non-financial assets	15,136	12,864	15,328	15,328	15,328
Total non-financial assets	375,854	353,653	356,657	357,088	321,855
Total assets	481,321	455,491	452,623	454,461	421,313
LIABILITIES					
Payables					
Suppliers	20,059	25,752	21,451	20,847	21,314
Other payables	17,056	17,259	15,745	14,595	13,449
Total payables	37,115	43,011	37,196	35,442	34,763
Interest-bearing liabilities					
Lease incentives	644	117	–	–	–
Total interest-bearing liabilities	644	117	–	–	–
Provisions					
Employee provisions	63,911	66,953	69,962	72,969	75,968
Other provisions	5,998	5,728	5,470	5,224	4,989
Total provisions	69,909	72,681	75,432	78,193	80,957
Total liabilities	107,668	115,809	112,628	113,635	115,720
Net assets	373,653	339,682	339,995	340,826	305,593
EQUITY					
Parent entity interest					
Contributed equity	626,449	668,644	752,089	840,298	886,640
Reserves	17,931	17,931	17,931	17,931	17,931
Retained surplus (accumulated deficit)	(270,727)	(346,893)	(430,025)	(517,403)	(598,978)
Total parent entity interest	373,653	339,682	339,995	340,826	305,593
Total equity	373,653	339,682	339,995	340,826	305,593

Prepared on Australian Accounting Standards basis.

Table 3.3: Departmental statement of changes in equity—summary of movement (budget year 2016–17)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2016				
Balance carried forward from previous period	(270,727)	17,931	626,449	373,653
Adjustment for changes in accounting policies	–	–	–	–
Adjusted opening balance	(270,727)	17,931	626,449	373,653
Comprehensive income				
Surplus (deficit) for the period	(76,166)	–	–	(76,166)
Total comprehensive income	(76,166)	–	–	(76,166)
Transactions with owners				
Contributions by owners				
Equity injection—appropriation	–	–	14,103	14,103
Departmental capital budget	–	–	28,092	28,092
Sub-total transactions with owners	–	–	42,195	42,195
Estimated closing balance as at 30 June 2017	(346,893)	17,931	668,644	339,682
Closing balance attributable to the Australian Government	(346,893)	17,931	668,644	339,682

Prepared on Australian Accounting Standards basis.

Table 3.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2015–16 Estimated actual \$'000	2016–17 Budget \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000	2019–20 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	382,766	405,137	416,613	410,043	410,635
Sale of goods and rendering of services	22,085	21,398	22,204	23,051	23,941
Net GST received	19,651	18,289	18,052	17,937	18,013
Other	1,945	1,151	1,142	1,132	1,122
Total cash received	426,447	445,975	458,011	452,163	453,711
Cash used					
Employees	224,921	226,383	237,282	242,288	242,282
Suppliers	173,434	187,981	201,141	189,720	192,559
s 74 retained revenue receipts transferred to Official Public Account	19,875	19,674	23,403	18,952	19,310
Total cash used	418,230	434,038	461,826	450,960	454,151
Net cash from (used by) operating activities	8,217	11,937	(3,815)	1,203	(440)
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	63,357	56,237	79,672	87,809	46,342
Total cash used	63,357	56,237	79,672	87,809	46,342
Net cash from (used by) investing activities	(63,357)	(56,237)	(79,672)	(87,809)	(46,342)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	46,073	42,195	83,445	88,209	46,342
Total cash received	46,073	42,195	83,445	88,209	46,342
Net cash from (used by) financing activities	46,073	42,195	83,445	88,209	46,342
Net increase (decrease) in cash held	(9,067)	(2,105)	(42)	1,603	(440)
Cash and cash equivalents at the beginning of the reporting period	22,023	12,956	10,851	10,809	12,412
Cash and cash equivalents at the end of the reporting period	12,956	10,851	10,809	12,412	11,972

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement (for the period ended 30 June)

	2015–16 Estimated actual \$'000	2016–17 Budget \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000	2019–20 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget—Bill 1 (DCB)	32,100	28,092	69,904	88,209	46,342
Equity injections—Bill 2	13,973	14,103	13,541	–	–
Total new capital appropriations	46,073	42,195	83,445	88,209	46,342
Provided for:					
Purchase of non-financial assets	46,073	42,195	83,445	88,209	43,342
Total items	46,073	42,195	83,445	88,209	43,342
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations(a)	13,973	14,103	13,541	–	–
Funded by capital appropriation—DCB(b)	32,100	28,092	66,131	87,809	46,342
Funded internally from departmental resources(c)	17,284	14,042	–	–	–
Total purchases of non-financial assets	63,357	56,237	79,672	87,809	46,342
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	63,357	56,237	79,672	87,809	46,342
Total cash used to acquire assets	63,357	56,237	79,672	87,809	46,342

Prepared on Australian Accounting Standards basis.

DCB = departmental capital budget.

(a) Includes both current Bill 2 and prior year Act 2, 4 and 6 appropriations and special capital appropriations.

(b) Does not include annual finance lease costs. Includes purchases from current and previous years' DCBs.

(c) Includes funding from current Bill 1 and prior year Act 1, 3 and 5 appropriations (excluding amounts from the DCB), section 74 retained revenue receipts, and proceeds from the sale of assets.

Table 3.6: Statement of asset movements (budget year 2016–17)

	Land \$'000	Buildings \$'000	Other property, plant & equipment \$'000	Computer software & intangibles \$'000	Total \$'000
As at 1 July 2016					
Gross book value	1,565	206,812	256,360	108,366	573,103
Accumulated depreciation/ amortisation and impairment	–	(50,047)	(106,240)	(56,098)	(212,385)
Opening net book balance	1,565	156,765	150,120	52,268	360,718
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new or replacement assets					
By purchase—appropriation equity(a)	–	–	14,103	–	14,103
By purchase—appropriation ordinary annual services(b)	–	7,145	27,724	7,265	42,134
Total additions	–	7,145	41,827	7,265	56,237
Other movements					
Depreciation/amortisation expense	–	(18,081)	(44,203)	(13,882)	(76,166)
Total other movements	–	(18,081)	(44,203)	(13,882)	(76,166)
As at 30 June 2017					
Gross book value	1,565	213,957	298,187	115,631	629,340
Accumulated depreciation/ amortisation and impairment	–	(68,128)	(150,443)	(69,980)	(288,551)
Closing net book balance	1,565	145,829	147,744	45,651	340,789

Prepared on Australian Accounting Standards basis.

(a) 'Appropriation equity' refers to equity injection appropriations provided through Appropriation Bill (No. 2) 2016–17.

(b) 'Appropriation ordinary annual services' refers to funding provided through Appropriation Bill (No. 1) 2016–17 for depreciation and amortisation expenses, departmental capital budgets or other operational expenses.