

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The Australian Securities and Investments Commission (ASIC) is an independent government body that enforces company and financial services laws to protect consumers, investors and creditors. The Commission is established under the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

The ASIC Act requires that the Commission:

- uphold the law uniformly, effectively and quickly;
- promote confident and informed participation by investors and consumers in the financial system;
- make information about companies and other bodies available to the public; and
- improve the performance of the financial system and the entities within it.

In performing its functions ASIC works closely with other financial, consumer and law enforcement bodies in Australia and internationally.

APPROPRIATIONS AND RESOURCING

The total appropriation for ASIC in the 2004-05 Budget is \$237.1 million. Table 1.1 details the total appropriation for ASIC. It includes details of agency revenue received from other sources, administered special appropriations provided by government and equity injections.

Table 1.2 details funding provided for new budget measures in 2004-05.

Australian Securities and Investments Commission — appropriations 2004-05
Table 1.1: Appropriations and other revenue

| Outcome | Agency (price of outputs) \$'000 | | | Administered \$'000 | | | \$'000 Total |
|---|---|---|--|-----------------------|---------------------------------------|-----------------------------------|---------------------------------|
| | Revenues from government (appropriations) | Revenue from other sources ⁽³⁾ | Price of outputs ⁽²⁾ | Annual appropriations | Special appropriations ⁽⁴⁾ | Total administered appropriations | |
| | Bill No. 1 | Special approps | Total | Bill No. 1 | Bill No. 2 (SPPs & NAOs) | (F) (G) | (I = F+G+H) (J = C+I) |
| | (A) | (B) | (C = A+B) (C1) ⁽¹⁾ | (F) | (G) | (H) | (I = F+G+H) (I1) ⁽¹⁾ |
| Outcome 1 - A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers | 199,842 | - | 199,842 | 6,820 | 206,662 | 26,000 | 225,842 |
| | | | | | | | |
| Total | 199,842 | - | 199,842 | 6,820 | 206,662 | 26,000 | 225,842 |
| | | | 97% | 3% | 100% | | |
| | | | (K1) ⁽¹⁾ | | | (K2) ⁽¹⁾ | (K3) ⁽¹⁾ |
| | | | Agency capital (equity injections and loans) | | | Administered capital | 11,300 |
| | | | | | | Total appropriations | 237,142 |

1. C1, E1 and I1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 and K2 refer to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance and Table 3.6, Note of Budgeted Financial Performance Administered on behalf of the Government, respectively. K3 refers to information provided in Table 3.4, Agency Capital Budget Statement.
 2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.
 3. Revenue from other sources includes other revenues from government (for example, resources free of charge) and revenue from other sources (for example, goods and services). Non-appropriated agency revenues are detailed in Table 1.3.
 4. Estimated expenses from special appropriations are shown in Table 1.5.
- Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

MEASURES — AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION SUMMARY

Table 1.2: Summary of measures disclosed in the 2004-05 Budget

| Measure | Outcome | Output Groups affected | 2004-05 appropriations budget \$'000 | | 2005-06 appropriations forward estimate \$'000 | | 2006-07 appropriations forward estimate \$'000 | | 2007-08 appropriations forward estimate \$'000 | | |
|---|---------|------------------------|--------------------------------------|----------------|--|----------------|--|----------------|--|----------------|--------|
| | | | Admin expenses | Agency outputs | Admin expenses | Agency outputs | Admin expenses | Agency outputs | Admin expenses | Agency outputs | Total |
| Australian Securities and Investments Commission - enhanced enforcement activities and consumer protection and corporate sector regulation | 1 | 1.1 | - | 13,500 | - | 14,900 | - | 15,400 | - | 16,300 | 16,300 |
| Australian Securities and Investments Commission - enhanced enforcement activities and consumer protection and corporate sector regulation <i>(Related capital)</i> | 1 | 1.1 | - | - | - | - | - | - | - | - | - |
| Superannuation Complaints Tribunal - relocation | 1 | 1.1 | - | 840 | - | 290 | - | 314 | - | 328 | 328 |

AGENCY REVENUES

Table 1.3: Agency revenues

| | 2003-04 estimated revenue \$'000 | 2004-05 estimated revenue \$'000 |
|--|---|---|
| ESTIMATED AGENCY REVENUES | | |
| Non-appropriation agency revenues | | |
| Services | 3,200 | 3,264 |
| Interest | 1,750 | 700 |
| Other | 2,800 | 2,856 |
| Total non-appropriation agency revenues | 7,750 | 6,820 |

Services

The Productivity Commission's cost recovery guidelines apply to the sale of imaging/printing services, which is estimated to be \$0.9 million in 2004-05.

ASIC's pricing of these services has been reviewed by the Productivity Commission and has been found to be consistent with its guidelines.

Revenues for services includes seminars/speakers fees, imaging/printing services and sale of database information.

Other revenue includes amounts recovered by ASIC for court costs and investigations and prosecution disbursement.

MOVEMENT OF ADMINISTERED FUNDS FROM 2003-04 TO 2004-05

Table 1.4: Movement of administered funds from 2003-04 to 2004-05

| | |
|-----------------------------------|----------------|
| Movement of funding between years | \$ 2.0 million |
|-----------------------------------|----------------|

Banking Act 1959: The estimate for repayments to be made to claimants was revised upwards by \$2.0 million following a review of anticipated claims.

SPECIAL APPROPRIATIONS

Table 1.5: Estimates of expenses from special appropriations

| | 2003-04 estimated expenses \$'000 | 2004-05 estimated expenses \$'000 |
|---|--|--|
| ESTIMATED EXPENSES | | |
| Special appropriations | | |
| Estimated payments of banking unclaimed monies paid under the <i>Banking Act 1959</i> | 18,000 | 20,000 |
| Estimated payments of life insurance unclaimed monies paid under the <i>Life Insurance Act 1995</i> | 3,000 | 3,000 |
| Estimated refunds of overpayments for fees paid under the <i>Corporations Act 2001</i> | 3,000 | 3,000 |
| Total estimated expenses for special appropriations | 24,000 | 26,000 |

Note: For further details on each special appropriation refer to the following text.

Banking Act 1959: Approved Deposit Taking Institutions, being Banks, Building Societies and Credit Unions, are required to remit to the Australian Government, the balance in bank accounts that have remained dormant for seven years. This special appropriation covers repayments estimated to be made to claimants from the Banking Unclaimed Monies Account where the validity of the claim has been established by the relevant institution.

Life Insurance Act 1995: Life Insurance Companies and Friendly Societies are required to remit to the Australian Government amounts payable on matured life insurance policies that have remained unclaimed for seven years. This special appropriation covers estimated payments made to claimants from the Life Unclaimed Monies Account where the validity of the claim has been established by the relevant Life Insurance Companies.

Refund of overpayment of fees paid under the Corporations Act 2001: All fees and charges collected in accordance with the Corporations Act are banked into consolidated revenue in accordance with section 81 of the Constitution. The amount of \$3 million represents the estimated refund of overpaid fees and charges, which requires separate appropriation in accordance with section 83 of the Constitution.

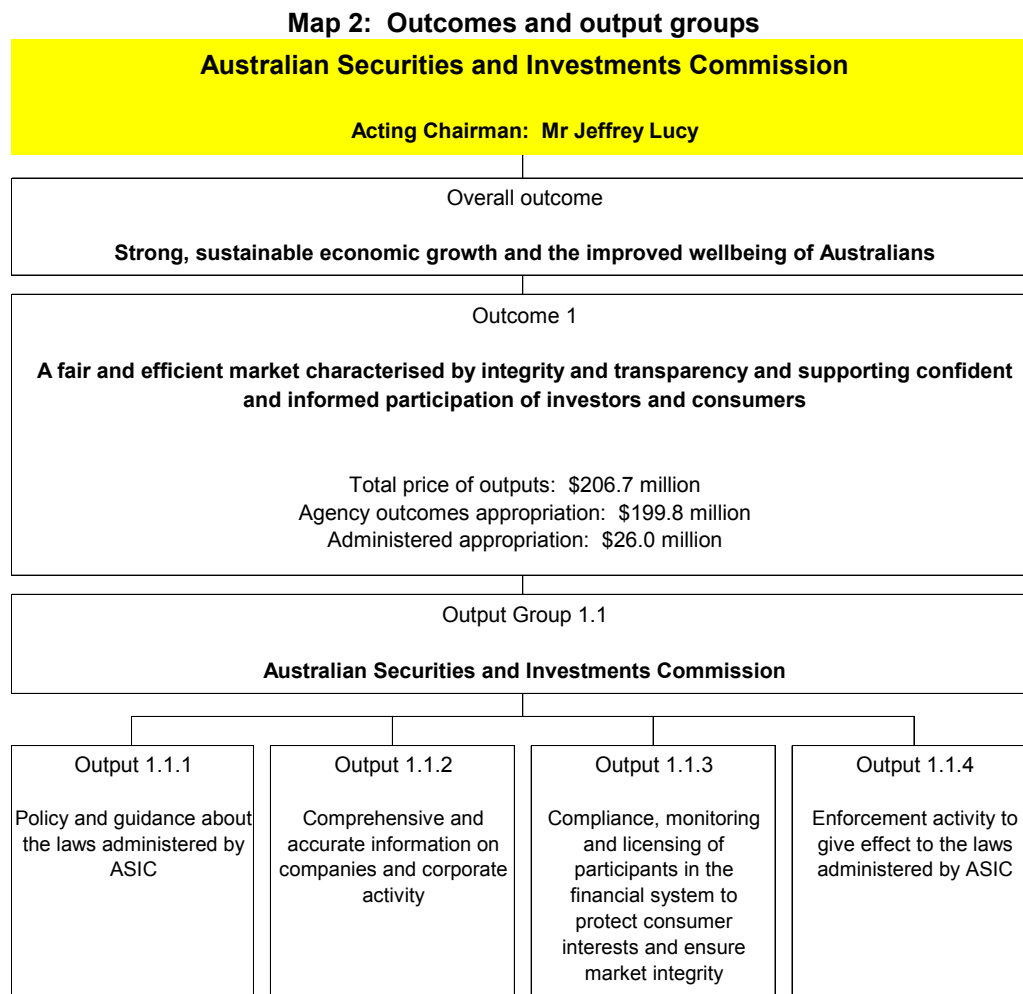
AGENCY EQUITY INJECTIONS AND LOANS

An equity injection of \$11.3 million in 2004-05 is proposed to address accumulated past year losses and expected losses in 2004-05 and will place ASIC's balance sheet in a positive equity position.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between government outcomes and the contributing outputs for the Australian Securities and Investments Commission (ASIC).



Output cost attribution

Each programme of activity (cost centre) in ASIC is linked to one of the four outputs. Accordingly, expenses against these programmes accrue against the outputs as they occur.

Where an expense relates to more than one output, it is allocated using a predetermined formula. For example, property lease expenses are allocated using staff numbers attributed to each programme.

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs

OUTCOME 1 — DESCRIPTION

A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers.

Measures affecting Outcome 1

Australian Securities and Investments Commission — enhanced enforcement activities and consumer protection and corporate sector regulation

The Government will provide \$52.5 million over four years to the Australian Securities and Investments Commission (ASIC) to strengthen its ability to meet increased demand for its core operations, enhancing its enforcement activities and its capacity to protect consumers against investment scams.

The Government will also provide funding of \$7.6 million over four years to support ASIC's role in implementing reforms of Part 9 of the Corporate Law Economic Reform Programme (CLERP 9), to strengthen its surveillance and enforcement activities, and to ensure auditor compliance with auditing standards.

The cost of these initiatives will be offset by a \$12 increase in the annual review fee for proprietary companies and efficiencies created by changes to, and expansion of, the fee collection system. This is the first increase in this fee since 1997.

The review fee, which is imposed under the *Corporations (Review Fees) Act 2003*, is payable by proprietary companies required to undertake an annual review of their company details against information provided by ASIC. The fee increase will take effect from 1 July 2004.

Part C: Agency Budget Statements – ASIC

The Government will provide an equity injection of \$11.3 million to ASIC in 2004-05 to address cumulative operating losses in 2003-04 and previous years. The losses resulted from increases in enforcement costs, demand for services (notably in the number of complaints received), and staff costs. The provision of an equity injection is a financial transaction within the general government sector and consequently has no direct impact on the fiscal balance.

Superannuation Complaints Tribunal — relocation

The Government will provide \$1.7 million over four years to fund expenses associated with leasing new premises for the Superannuation Complaints Tribunal following expiry of its current lease.

The Tribunal is funded by levies on superannuation funds collected by the Australian Prudential Regulation Authority under the *Financial Institutions Supervisory Levies Collections Act 1998*. From 1 July 2004, these levies will be adjusted to offset the costs associated with fitting-out and leasing the new premises.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

| | 2003-04 estimated actual \$'000 | 2004-05 budget estimate \$'000 |
|---|--|---|
| Administered appropriations | | |
| Special appropriations | | |
| <i>Banking Act 1959</i> - Banking Unclaimed Monies | 18,000 | 20,000 |
| <i>Life Insurance Act 1995</i> - Life Unclaimed Monies | 3,000 | 3,000 |
| Reimbursement of overpayment of fees paid under the <i>Corporations Act 2001</i> | 3,000 | 3,000 |
| Total administered appropriations | 24,000 | (1) ⁽¹⁾ 26,000 |
| Agency appropriations | | |
| Output Group 1.1 - Australian Securities and Investments Commission | | |
| Output 1.1.1 - Policy and guidance about the laws administered by ASIC | 9,327 | 9,352 |
| Output 1.1.2 - Comprehensive and accurate information on companies and corporate activity | 44,250 | 48,002 |
| Output 1.1.3 - Compliance, monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity | 58,328 | 61,351 |
| Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC | 80,879 | 81,137 |
| Total revenues from government (appropriations) | 192,784 | (C1) ⁽¹⁾ 199,842 |
| Contributing to price of agency outputs | 96% | 97% |
| Revenue from other sources | | |
| Services | 3,200 | 3,264 |
| Interest | 1,750 | 700 |
| Other | 2,800 | 2,856 |
| Total revenue from other sources | 7,750 | 6,820 |
| Total price from agency outputs | | |
| (Total revenues from government and from other sources) | 200,534 | (E1) ⁽¹⁾ 206,662 |
| Total estimated resourcing for Outcome 1 | | |
| (Total price of outputs and administered appropriations) | 224,534 | 232,662 |
| | 2003-04 | 2004-05 |
| Average staffing level (number) | 1,498 | 1,573 |

1. C1, E1 and I1 show the links back to Table 1.1.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

ASIC has developed a framework to ensure that delivery of specified outputs meets or exceeds anticipated requirements. These outputs reflect the programmes and activities ASIC undertakes as a regulatory authority to meet the objective of Outcome 1.

Through ASIC, the Government seeks to ensure that consumers and investors receive honest and competent financial advice that is untainted by conflicts of interest, and that information about corporations is current and accurate. ASIC also has an enforcement and regulatory role designed to deal with misconduct in order to promote a confident and informed market.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

| Performance information for agency outputs | |
|--|--|
| Output Group 1.1 - Australian Securities and Investment Commission | |
| Output 1.1.1 - Policy and guidance about the laws administered by ASIC | <p>In financial year 2004-05, ASIC will measure:</p> <p>The effectiveness of new policies to assist companies adjust to the financial services reform legislation; and</p> <p>The extent to which consumers, investors and other stakeholders are consulted during policy formulation.</p> |
| Output 1.1.2 - Comprehensive and accurate information on companies and corporate activity | <p>Successful transition to CLERP 7 requirements for ongoing and regular review by companies to verify the accuracy of their respective company record.</p> <p>Development and implementation of a variety of compliance programs to ensure that companies meet their responsibilities to lodge prescribed information under the CLERP 7 legislation.</p> <p>Increased public access to company information via a variety of accessible and useful channels.</p> |
| Output 1.1.3 - Compliance monitoring and licensing of FSR participants in the financial system to protect consumer interests and ensure market integrity | <p>ASIC's objective is to focus compliance activities on specific patterns, problems or risk areas and to respond to these problems with integrated national campaigns that use a range of regulatory tools.</p> <p>Specific indicators are developed for each campaign.</p> <p>FSR Licensing and surveillance</p> <p>- Stakeholders' satisfaction with discretionary decision-making as measured by survey;</p> |

Table 2.2: Performance information for Outcome 1 (continued)

| Performance information for agency outputs (continued) | |
|--|--|
| Output 1.1.3 - Compliance monitoring and licensing of FSR participants in the financial system to protect consumer interests and ensure market integrity (continued) | <ul style="list-style-type: none"> - Level and quality of guidance to industry as measured by a reduction in the number of requests for guidance over four years; - 70 per cent of targeted surveillances result in corrective action; - Surveillance of 40 per cent of licensed population over four years; and - 70 per cent of licence applications and variations reviewed within 15 business days measured over a period of four years. |
| Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC | <p>Investigations cover a range of breaches across the full spectrum of ASIC's responsibilities.</p> <p>Enhanced public confidence in, and awareness of, ASIC enforcement as measured by survey or stakeholder feedback, an increased level of provision of or attendance at seminars addressing compliance issues and increased media coverage.</p> <p>Increased percentage of complex investigations completed within 12 months.</p> <p>Increased number of enforcement actions arising from our investigations.</p> <p>Portion of public complaints actioned.</p> |

EVALUATIONS

ASIC regularly seeks feedback from consumers, investors and other stakeholders on the effectiveness of policy advice and administration of the law.

The results of ASIC's performance are presented in its Annual Report.

The Australian Government's financial sector reforms are due to be reviewed by the Financial Sector Advisory Council in the 2004-05 financial year.

Section 3: Budgeted financial statements

The budgeted agency and financial statements and related notes for the Australian Securities and Investments Commission (ASIC) are presented in this section. The financial statements should be read in conjunction with the accompanying notes. The Budget estimate and three forward years comprise the following statements.

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

The estimated actual operating result for 2003-04 is an approved loss of \$5.0 million, attributable to an increase in expenses arising from increased activity levels. The Australian Government has increased ASIC's funding in 2004-05 to address the expected loss.

Total expenses including borrowing costs for 2004-05 are estimated to be \$206.7 million, an increase of \$4.1 million over the prior financial year. The expenditure will be used to fund increased activity levels arising from the increasing demands for ASIC's services including actioning complaints and increased surveillance and enforcement activities.

ASIC is budgeting for a breakeven operating result for 2004-05 and for the remainder of the forward estimates.

Budgeted agency statement of financial position

This statement shows the financial position of ASIC. It helps decision-makers to track the management of ASIC's assets and liabilities.

Equity

ASIC's budgeted equity (or net asset position) for 2004-05 will increase by \$11.3 million to address accumulated past year losses.

This equity injection will place ASIC in a positive equity position and is reflected as an increase in cash and in total equity.

Financial Assets

The increase in cash arising from the equity injection of \$11.3 million referred to above, has resulted in total financial assets increasing by approximately the same amount.

Non-Financial Assets

A revaluation of leasehold improvements occurred during 2003-04 in accordance with ASIC's policy to revalue all classes of non-financial assets every three years. This revaluation increased the written down fair value of leasehold improvements by \$2.6 million.

The overall value of non-financial assets is not expected to materially increase in 2004-05.

Liabilities – Debt

The principal item under this heading is the estimated amount owing by ASIC in respect of finance leases for computer equipment and peripherals. The forward estimates assume that ASIC will continue to lease all future equipment acquisitions made in accordance with its asset replacement programme.

Provisions and payables

The principal item under this heading is employee leave provisions and accruals. The amount is expected to decline as a percentage of total salaries over the forward estimates as the provisions of the Certified Agreement take effect.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

This statement provides the expected financial results for ASIC by identifying full accrual expenses and revenues, which highlights whether the agency is operating at a sustainable level.

Budgeted agency statement of financial position

This statement shows the financial position of ASIC. It helps decision-makers to track the management of ASIC's assets and liabilities.

Budgeted agency statement of cash flows

Budgeted cash flows, as reflected in the statement of cash flows, provide important information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded through the Budget as appropriation or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in ASIC's non-financial assets during the budget year.

NOTE OF ADMINISTERED ACTIVITY

The financial results from revenue and special appropriations administered by ASIC on behalf of the Australian Government are shown in the following notes to the financial statements.

Note of budgeted administered financial performance

The statement of financial performance shows the revenue and expenses associated with the collection of revenue under the *Corporations Act 2001*, and ASIC's responsibilities in administering unclaimed monies under the *Banking Act 1959*, the *Life Insurance Act 1995* and the *Corporations Act 2001*.

Revenues from government include the budgeted amount of appropriation required to pay claimants for unclaimed monies previously transferred to consolidated revenue and refunds for overpaid fees and charges under the *Corporations Act 2001*.

Expenses represent the budget estimate for the payment of unclaimed monies and overpayments referred to above and the budgeted estimate for bad debt expense.

Other revenue represents the amount of fees and charges budgeted to be levied under the *Corporations Act 2001*. The increase in 2004-05 is the result of an increase in the number of companies being incorporated and an increase in the annual review fee of \$12.00. This is the first increase in the annual review fee since 1997.

Note of budgeted administered financial position

Financial Assets

The amount shown for receivables in 2003-04 and in the forward estimates is the estimated amount of fees and charges under the *Corporations Act 2001* remaining unpaid.

Liabilities — payables

The amounts shown in the forward estimates represent the estimated amount of refunds relating to over payments of annual review and other fees under the *Corporations Act 2001*.

Note of budgeted administered cash flows

Budgeted administered cash flows provide important information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.

**Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June**

| | 2003-04 estimated actual \$'000 | 2004-05 budget estimate \$'000 | 2005-06 forward estimate \$'000 | 2006-07 forward estimate \$'000 | 2007-08 forward estimate \$'000 |
|--|--|---|--|--|--|
| REVENUES | | | | | |
| Revenues from ordinary activities | | | | | |
| Revenue from government | 192,784 | (K1) ⁽¹⁾ 199,842 | 188,226 | 187,701 | 190,231 |
| Services | 3,200 | 3,264 | 3,329 | 3,396 | 3,464 |
| Interest | 1,750 | 700 | 700 | 700 | 700 |
| Other | 2,800 | 2,856 | 2,913 | 2,971 | 3,031 |
| Total revenues from ordinary activities | 200,534 | 206,662 | 195,168 | 194,768 | 197,426 |
| EXPENSES | | | | | |
| Expenses from ordinary activities (excluding borrowing costs expense) | | | | | |
| Employees | 117,700 | 126,222 | 124,622 | 124,555 | 126,072 |
| Suppliers | 70,534 | 65,997 | 55,690 | 54,933 | 56,074 |
| Depreciation and amortisation | 13,500 | 13,791 | 14,148 | 14,572 | 14,572 |
| Write-down of assets | 100 | - | - | - | - |
| Total expenses from ordinary activities (excluding borrowing costs expense) | 201,834 | 206,010 | 194,460 | 194,060 | 196,718 |
| Borrowing costs expense | 700 | 652 | 708 | 708 | 708 |
| Operating surplus or (deficit) from ordinary activities | (2,000) | - | - | - | - |
| Less dividend paid ⁽²⁾ | 3,000 | - | - | - | - |
| Net surplus or (deficit) | (5,000) | - | - | - | - |

1. K1 shows the link back to Table 1.1.

2. An amount of \$3 million appropriated in 2003-04 has been reprofiled to 2004-05 and is reflected in the statement of financial performance as a dividend payment to government in 2003-04 and corresponding increase in ASIC's 2004-05 appropriation.

**Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June**

| | 2003-04 estimated actual \$'000 | 2004-05 budget estimate \$'000 | 2005-06 forward estimate \$'000 | 2006-07 forward estimate \$'000 | 2007-08 forward estimate \$'000 |
|---|--|---|--|--|--|
| ASSETS | | | | | |
| Financial assets | | | | | |
| Cash | 6,297 | 15,817 | 13,901 | 12,386 | 12,890 |
| Receivables | 1,794 | 1,830 | 1,867 | 1,904 | 1,942 |
| Total financial assets | 8,091 | 17,647 | 15,768 | 14,290 | 14,832 |
| Non-financial assets | | | | | |
| Leasehold improvements | 11,473 | 11,159 | 10,790 | 10,490 | 10,415 |
| Infrastructure, plant and equipment | 11,552 | 12,745 | 12,205 | 12,904 | 11,847 |
| Intangibles | 12,382 | 11,835 | 11,997 | 12,747 | 12,247 |
| Other | 1,036 | 1,036 | 1,036 | 1,036 | 1,036 |
| Total non-financial assets | 36,443 | 36,775 | 36,028 | 37,177 | 35,545 |
| Total assets | 44,534 | 54,422 | 51,796 | 51,467 | 50,377 |
| LIABILITIES | | | | | |
| Interest bearing liabilities | | | | | |
| Leases | 10,352 | 11,402 | 10,701 | 11,239 | 10,018 |
| Other | 2,258 | 1,711 | 1,182 | 773 | 515 |
| Total interest bearing liabilities | 12,610 | 13,113 | 11,883 | 12,012 | 10,533 |
| Provisions | | | | | |
| Employees | 27,939 | 26,593 | 26,338 | 26,235 | 26,621 |
| Total provisions | 27,939 | 26,593 | 26,338 | 26,235 | 26,621 |
| Payables | | | | | |
| Suppliers | 7,419 | 6,850 | 5,709 | 5,354 | 5,357 |
| Total payables | 7,419 | 6,850 | 5,709 | 5,354 | 5,357 |
| Total liabilities | 47,968 | 46,556 | 43,930 | 43,601 | 42,511 |
| EQUITY | | | | | |
| Parent entity interest | | | | | |
| Contributed equity | 2 | 11,302 | 11,302 | 11,302 | 11,302 |
| Reserves | 7,850 | 7,850 | 7,850 | 7,850 | 7,850 |
| Retained surpluses or accumulated deficits | (11,286) | (11,286) | (11,286) | (11,286) | (11,286) |
| Total parent entity interest | (3,434) | 7,866 | 7,866 | 7,866 | 7,866 |
| Total equity | (3,434) | 7,866 | 7,866 | 7,866 | 7,866 |
| Current assets | 9,127 | 18,683 | 16,804 | 15,326 | 15,868 |
| Non-current assets | 35,407 | 35,739 | 34,992 | 36,141 | 34,509 |
| Current liabilities | 27,122 | 26,268 | 24,517 | 24,277 | 23,798 |
| Non-current liabilities | 20,846 | 20,288 | 19,413 | 19,324 | 18,713 |

**Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June**

| | 2003-04 estimated actual \$'000 | 2004-05 budget estimate \$'000 | 2005-06 forward estimate \$'000 | 2006-07 forward estimate \$'000 | 2007-08 forward estimate \$'000 |
|--|--|---|--|--|--|
| OPERATING ACTIVITIES | | | | | |
| Cash received | | | | | |
| Appropriations | 189,786 | 199,842 | 188,226 | 187,701 | 190,231 |
| Services | 2,970 | 3,078 | 3,142 | 3,300 | 3,426 |
| Interest | 1,750 | 700 | 700 | 700 | 700 |
| GST recovered | 4,553 | 4,491 | 4,501 | 4,411 | 4,411 |
| Other | 2,800 | 2,856 | 2,913 | 2,971 | 3,031 |
| Total cash received | 201,859 | 210,967 | 199,482 | 199,083 | 201,799 |
| Cash used | | | | | |
| Employees | 126,916 | 128,065 | 123,042 | 124,549 | 126,224 |
| Suppliers | 64,974 | 70,957 | 63,546 | 60,158 | 60,202 |
| Borrowing costs | 700 | 652 | 708 | 708 | 708 |
| Total cash used | 192,590 | 199,674 | 187,296 | 185,415 | 187,134 |
| Net cash from or (used by) operating activities | 9,269 | 11,293 | 12,186 | 13,668 | 14,665 |
| INVESTING ACTIVITIES | | | | | |
| Cash used | | | | | |
| Purchase of property, plant and equipment | 8,926 | 6,569 | 6,380 | 7,432 | 8,940 |
| Total cash used | 8,926 | 6,569 | 6,380 | 7,432 | 8,940 |
| Net cash from or (used by) investing activities | (8,926) | (6,569) | (6,380) | (7,432) | (8,940) |
| FINANCING ACTIVITIES | | | | | |
| Cash received | | | | | |
| Appropriations - contributed equity | - | 11,300 | - | - | - |
| Total cash received | - | 11,300 | - | - | - |
| Cash used | | | | | |
| Repayments of finance lease principal | 5,234 | 6,504 | 7,722 | 7,751 | 5,221 |
| Total cash used | 5,234 | 6,504 | 7,722 | 7,751 | 5,221 |
| Net cash from or (used by) financing activities | (5,234) | 4,796 | (7,722) | (7,751) | (5,221) |
| Net increase/(decrease) in cash held | (4,891) | 9,520 | (1,916) | (1,515) | 504 |
| Cash at the beginning of the reporting period | 11,188 | 6,297 | 15,817 | 13,901 | 12,386 |
| Cash at the end of the reporting period | 6,297 | 15,817 | 13,901 | 12,386 | 12,890 |

Table 3.4: Agency Capital Budget Statement

| | 2003-04 estimated actual \$'000 | 2004-05 budget estimate \$'000 | 2005-06 forward estimate \$'000 | 2006-07 forward estimate \$'000 | 2007-08 forward estimate \$'000 |
|---------------------------------------|--|---|--|--|--|
| CAPITAL APPROPRIATIONS | | | | | |
| Total equity injections | 2 | (K3) ⁽¹⁾ 11,300 | - | - | - |
| Total | 2 | 11,300 | - | - | - |
| Represented by | | | | | |
| Purchase of non-current assets | 2 | - | - | - | - |
| Other | - | 11,300 | - | - | - |
| Total | 2 | 11,300 | - | - | - |
| PURCHASE OF NON-CURRENT ASSETS | | | | | |
| Funded by capital appropriations | 2 | - | - | - | - |
| Funded internally by agency resources | 8,924 | 6,569 | 6,380 | 7,432 | 8,940 |
| Total | 8,926 | 6,569 | 6,380 | 7,432 | 8,940 |

1. K3 shows the link back to Table 1.1.

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

| | Land | Leasehold | Specialist | Other | Heritage | Computer | Other | Total |
|---------------------------------------|--------|-----------|------------|----------------|--------------|----------|-------------|----------|
| | \$'000 | \$'000 | military | infrastructure | and cultural | software | intangibles | \$'000 |
| | | | equipment | plant and | assets | | | \$'000 |
| | | | | equipment | | | | |
| Carrying amount at the start of year | - | 11,473 | - | 11,552 | - | 12,382 | - | 35,407 |
| Additions | - | 3,139 | - | 8,651 | - | 2,333 | - | 14,123 |
| Disposals | - | - | - | - | - | - | - | - |
| Net revaluation increments/decrements | - | - | - | - | - | - | - | - |
| Recoverable amount write-downs | - | - | - | - | - | - | - | - |
| Depreciation/amortisation expense | - | (3,453) | - | (7,458) | - | (2,880) | - | (13,791) |
| Other movements | - | - | - | - | - | - | - | - |
| Carrying amount at the end of year | - | 11,159 | - | 12,745 | - | 11,835 | - | 35,739 |
| Represented by | | | | | | | | |
| Self funded | - | 3,139 | - | 8,651 | - | 2,333 | - | 14,123 |
| Appropriations | - | - | - | - | - | - | - | - |
| Total represented by | - | 3,139 | - | 8,651 | - | 2,333 | - | 14,123 |

Table 3.6: Note of Budgeted Financial Performance Administered on behalf of Government for the period ended 30 June

| | 2003-04 estimated actual \$'000 | 2004-05 budget estimate \$'000 | 2005-06 forward estimate \$'000 | 2006-07 forward estimate \$'000 | 2007-08 forward estimate \$'000 |
|--|--|---|--|--|--|
| REVENUES | | | | | |
| Non-taxation | | | | | |
| Revenues from government | 24,000 | (K2) ⁽¹⁾ 26,000 | 28,000 | 30,000 | 34,000 |
| Interest | 140 | 140 | 140 | 140 | 140 |
| Other | 471,696 | 499,500 | 507,700 | 515,200 | 522,300 |
| Total non-taxation | 495,836 | 525,640 | 535,840 | 545,340 | 556,440 |
| Total revenues administered on behalf of Government | 495,836 | 525,640 | 535,840 | 545,340 | 556,440 |
| EXPENSES | | | | | |
| Other | 45,200 | 39,600 | 42,000 | 40,500 | 49,000 |
| Total expenses administered on behalf of Government | 45,200 | 39,600 | 42,000 | 40,500 | 49,000 |

1. K2 shows the link back to Table 1.1.

Table 3.7: Note of Budgeted Financial Position Administered on behalf of Government as at 30 June

| | 2003-04 estimated actual \$'000 | 2004-05 budget estimate \$'000 | 2005-06 forward estimate \$'000 | 2006-07 forward estimate \$'000 | 2007-08 forward estimate \$'000 |
|---|--|---|--|--|--|
| ASSETS | | | | | |
| Financial assets | | | | | |
| Cash | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Receivables | 60,196 | 65,426 | 68,014 | 71,410 | 71,748 |
| Total financial assets | 62,196 | 67,426 | 70,014 | 73,410 | 73,748 |
| Total assets administered on behalf of Government | 62,196 | 67,426 | 70,014 | 73,410 | 73,748 |
| LIABILITIES | | | | | |
| Payables | | | | | |
| Other | 1,500 | 4,300 | 5,300 | 5,300 | 5,700 |
| Total Payables | 1,500 | 4,300 | 5,300 | 5,300 | 5,700 |
| Total liabilities administered on behalf of Government | 1,500 | 4,300 | 5,300 | 5,300 | 5,700 |
| Current assets | 62,196 | 67,426 | 70,014 | 73,410 | 73,748 |
| Non-current assets | - | - | - | - | - |
| Current liabilities | 1,500 | 4,300 | 5,300 | 5,300 | 5,700 |
| Non-current liabilities | - | - | - | - | - |

**Table 3.8: Note of Budgeted Administered Cash Flows
for the period ended 30 June**

| | 2003-04 estimated actual \$'000 | 2004-05 budget estimate \$'000 | 2005-06 forward estimate \$'000 | 2006-07 forward estimate \$'000 | 2007-08 forward estimate \$'000 |
|--|--|---|--|--|--|
| OPERATING ACTIVITIES | | | | | |
| Cash received | | | | | |
| Cash from Official Public Account | 24,000 | 26,000 | 28,000 | 30,000 | 34,000 |
| Other | 402,422 | 483,610 | 492,252 | 501,444 | 507,502 |
| Total cash received | 426,422 | 509,610 | 520,252 | 531,444 | 541,502 |
| Cash used | | | | | |
| Cash to Official Public Account | 405,800 | 483,610 | 492,252 | 501,444 | 507,502 |
| Other | 24,000 | 26,000 | 28,000 | 30,000 | 34,000 |
| Total cash used | 429,800 | 509,610 | 520,252 | 531,444 | 541,502 |
| Net cash from or (used by) operating activities | (3,378) | - | - | - | - |
| Net increase/(decrease) in cash held | | | | | |
| Cash at beginning of reporting period | 5,378 | 2,000 | 2,000 | 2,000 | 2,000 |
| Cash at end of reporting period | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention.

Budgeted agency financial statements

Under the Australian Government's accrual budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies control (departmental transactions) are separately budgeted for and reported on from transactions agencies do not have control over (administered transactions). This ensures that agencies are only held fully accountable for the transactions over which they have control.

Departmental items are those assets, liabilities, revenues and expenses in relation to an agency or authority that are controlled by the agency. Departmental expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services.

Administered items are revenues, expenses, assets and liabilities that are managed by an agency or authority on behalf of the Australian Government according to set government directions. Administered expenses and administered revenues include taxes, fees, fines and expenses that have been earmarked for a specific purpose by government.

Appropriations in the accrual budgeting framework

Under the Australian Government's accrual budgeting framework, separate annual appropriations are provided for:

- departmental price of outputs appropriations representing the Australian Government's purchase of outputs from agencies;
- departmental capital appropriations for investments by the Australian Government for either additional equity or loans in agencies;
- administered expense appropriations for the estimated administered expenses relating to an existing outcome or a new outcome; and
- administered capital appropriations for increases in administered equity through funding non-expense administered payments.

Asset valuation

From 1 July 2002, Australian Government agencies and authorities are required to use either the cost basis or the fair value basis to value infrastructure, plant and equipment and leasehold improvements on a three yearly revaluation cycle. ASIC has adopted fair value as a basis for valuing its non-current assets.

Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the statement of financial performance on a basis that is representative of the pattern of benefits derived from the lease assets.

Depreciation and amortisation

Depreciable plant and equipment and leased information technology assets are written off to their estimated residual values over their estimated useful lives using in all cases the straight line method of depreciation. Leasehold improvements are amortised on a straight line basis over the lesser of the estimated life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates (useful lives) are reviewed at each balance date and necessary adjustments are recognised.

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Australian and Securities and Investments Commission (ASIC) is not party to any cross agency purchaser/provider arrangements.

COST RECOVERY ARRANGEMENTS

Cost Recovery Impact Statement: Sustaining ASIC's Operations

Reason for preparing a Cost Recovery Impact Statement (CRIS)

It is proposed to offset the increase in expenses associated with sustaining ASIC's operations by an increase to the annual review fee. Corporations fees form part of an existing arrangement whereby fees are collected from companies and other corporations and paid into consolidated revenue. These monies assist the Australian Government to fund the various costs of the national corporate regulation scheme, including the operations of ASIC.

The policy for setting corporations fees, including the annual review fee, will be subject to a comprehensive review under the Commonwealth Cost Recovery Guidelines in 2007-08.

Description of proposed cost recovery arrangement

The annual review fee increase will offset funding for ASIC to deal with pressing financial issues that threaten its continued ability to meet its mandate. These include several unavoidable cost increases in litigation, and an increase in demand for ASIC's services (notably complaints received from the public requiring investigation).

There will also be resourcing to fund consumer protection initiatives to provide targeted consumer education and to deal with an expanding range of scams including wealth creation seminars, property schemes, mortgage brokers, and unsolicited offers to shareholders at below market prices. Most of the funding for this initiative will be available from 2005-06.

Details of compliance with cost recovery policy

The longstanding policy of successive governments has been that, over time, the total corporation fees paid will cover the total costs of the corporate regulatory scheme. These scheme costs include: ASIC’s costs of collecting the fees, ASIC’s annual appropriation, the cost in running the Corporations and Markets Advisory Committee, the Australian Accounting Standards Board, Commonwealth compensation payments to the States and the Northern Territory, and contribution towards the costs incurred by Australian Government agencies such as the Director of Public Prosecutions, the Federal Court and the Administrative Appeals Tribunal.

The proposed annual review fee increase is consistent with the existing funding arrangements so that the increase in ASIC’s costs will be funded from corporations fee revenues. The estimated revenue recouped by the increase equates to the costs in each year, and is shown below:

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---------|---------|---------|---------|
| | \$m | \$m | \$m | \$m |
| Proposed expenditure | 11.7 | 13.0 | 13.5 | 14.3 |
| Proposed revenue from annual review fee increase ⁽¹⁾ | 11.7 | 13.0 | 13.5 | 14.3 |

1. Allowance has been made for bad debts and for the effect of the introduction of credit card and EFTPOS facilities.

Review

The Australian Government has announced that ASIC’s funding arrangements, which form part of the broader funding arrangements for corporate regulation, will be reviewed for consistency with the Commonwealth Cost Recovery Guidelines in 2007-08.

