

# AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

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# AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

## Section 1: 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;
- receive, process and store information about companies and other bodies and ensure that this information is made available to the public as soon as practicable; 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.

**Table 1.1: Agency outcomes and output groups**

Outcome	Description	Output groups
<b>Outcome 1</b>		
A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers	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.	Output Group 1.1 Australian Securities and Investments Commission

## Section 2: Resources for 2006-07

### **2.1 APPROPRIATIONS AND OTHER RESOURCES**

The total appropriations (including capital appropriations) and other resources for the Australian Securities and Investments Commission (ASIC) in the 2006-07 Budget is \$312.3 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

**Table 2.1: Appropriations and other resources 2006-07**

	Departmental				Administered				Total \$'000
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation resources \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPPs \$'000	Other Appropriation \$'000	Special Appropriation resources \$'000	
<b>Australian Securities and Investments Commission</b>									
<b>Outcome 1</b>									
A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers	265,194	-	-	8,517	3,984	-	-	28,000	305,745
Equity injections	-	6,513	-	-	-	-	-	-	6,513
<b>Total</b>	<b>265,194</b>	<b>6,513</b>	<b>-</b>	<b>8,517</b>	<b>3,984</b>	<b>-</b>	<b>-</b>	<b>28,000</b>	<b>312,258</b>

## **2.2 2006-07 BUDGET MEASURES**

Budget measures relating to ASIC as explained in Budget Paper No. 2, *Budget Measures 2006-07* are summarised in Table 2.2. The table also identifies the relevant outcomes, administered items and outputs associated with each measure.

**Table 2.2 Australian Securities and Investments Commission measures**

Measure	Output groups affected	2006-07			2007-08			2008-09			2009-10		
		Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
		\$'000			\$'000			\$'000			\$'000		
<b>Expense measures</b>													
Australian Securities and Investments Commission - broadening surveillance capability	1.1	-	6,649	6,649	-	6,704	6,704	-	6,845	6,845	-	7,000	7,000
Australian Securities and Investments Commission - enforcement funding	1.1	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000
Australian Securities and Investments Commission - enhancement of information technology security and risk management	1.1	-	6,474	6,474	-	2,845	2,845	-	1,041	1,041	-	1,062	1,062
Australian Securities and Investments Commission - sustaining supervision and oversight capability	1.1	-	15,200	15,200	-	17,319	17,319	-	18,904	18,904	-	19,916	19,916
Australian Securities and Investments Commission - electronic registration of charges	1.1	-	237	237	-	(418)	(418)	-	(769)	(769)	-	(824)	(824)
<b>Total expense measures</b>		-	58,560	58,560	-	56,450	56,450	-	56,021	56,021	-	57,154	57,154

**Table 2.2 Australian Securities and Investments Commission measures (continued)**

Measure	Output groups affected	2006-07 \$'000			2007-08 \$'000			2008-09 \$'000			2009-10 \$'000		
		Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
<b>Capital measures</b>													
Australian Securities and Investments Commission - broadening surveillance capability	1.1	-	1,967	1,967	-	-	-	-	-	-	-	-	
Australian Securities and Investments Commission - enhancement of information technology security and risk management	1.1	-	2,771	2,771	-	-	-	-	-	-	-	-	
Australian Securities and Investments Commission - electronic registration of charges	1.1	-	1,775	1,775	-	-	-	-	-	-	-	-	
<b>Total capital measures</b>		-	6,513	6,513	-	-	-	-	-	-	-	-	
<b>Non-tax revenue measures</b>													
Business incorporation fee - reduction	1.1	(50,700)	-	(50,700)	(52,900)	-	(52,900)	(55,200)	-	(57,600)	-	(57,600)	
<b>Total non-tax revenue measures</b>		(50,700)	-	(50,700)	(52,900)	-	(52,900)	(55,200)	-	(57,600)	-	(57,600)	
<b>Total measures</b>		(50,700)	65,073	14,373	(52,900)	56,450	3,550	(55,200)	56,021	(57,600)	57,154	(446)	

Note: The above amounts show the fiscal balance impact.

## 2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by ASIC for provision of goods or services. These resources are approved for use by ASIC and are included in Table 2.1.

**Table 2.3: Other resources available to be used**

	Estimated receipts 2005-06 \$'000	Budget estimate 2006-07 \$'000
<b>Departmental resources</b>		
Services	3,349	3,396
Interest	2,603	2,450
Other	2,792	2,671
<b>Total departmental resources available to be used</b>	<b>8,744</b>	<b>8,517</b>

The Productivity Commission's cost recovery guidelines apply to the sale of imaging/printing services, which is estimated to be \$0.5 million in 2006-07.

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

Revenue for services includes seminar fees, imaging/printing services, sale of database information, reimbursement of ASIC's expenses in discharging its responsibilities under s1341 of the *Corporations Act 2001* in relation to companies unclaimed monies.

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

## 2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

**Table 2.4: Movement of administered funds from 2005-06 to 2006-07**

Movement of administered funding between years	\$'000
Corporate insolvency law reform - strengthening creditor protection and deterring misconduct by company officers	Unspent appropriation of \$1.0 million from 2005-06 to 2006-07 1,000

In 2005, the Government provided ASIC with \$1.5 million to establish a fund to finance preliminary investigations by expert liquidators of companies, selected by ASIC, that have been left insolvent with little or no assets. ASIC has estimated to spend \$0.5 million in 2005-06, and the balance of \$1 million has been re-profiled to 2006-07.

## 2.5 SPECIAL APPROPRIATIONS

**Table 2.5: Estimates of expenses from special appropriations**

	Estimated expenses 2005-06 \$'000	Budget estimate 2006-07 \$'000
<b>Estimated expenses</b>		
<i>Banking Act 1959</i> - section 69	18,000	19,000
<i>Life Insurance Act 1995</i> - section 216	3,000	3,000
<b>Total estimated expenses</b>	21,000	22,000

*Banking Act 1959*: Approved Deposit Taking Institutions, being banks, building societies and credit unions, are required to remit to the 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 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 2001* are banked into consolidated revenue in accordance with Section 81 of the Constitution. In 2006-07 it is forecast that an amount of \$6.0 million of overpaid fees and charges will be refunded. This requires separate appropriation in accordance with Section 83 of the Constitution (appropriated under section 28 of the *Financial Management and Accountability Act 1997*).

## 2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each special account used by ASIC.

**Table 2.6: Estimates of special account flows and balances**

	Opening balance <b>2006-07</b> 2005-06 \$'000	Credits <b>2006-07</b> 2005-06 \$'000	Debits <b>2006-07</b> 2005-06 \$'000	Adjustments <b>2006-07</b> 2005-06 \$'000	Closing balance <b>2006-07</b> 2005-06 \$'000
Other Trust Moneys Account <sup>1</sup>	-	30,000	30,000	-	-
Services for other Governments and Non-Agency Bodies Account	-	-	-	-	-
<b>Total special accounts</b>					
<b>2006-07 Budget estimate</b>	-	30,000	30,000	-	-
Total special accounts 2005-06 estimated actual	-	-	-	-	-

1 A special account is expected to be determined in 2006-07 for \$30 million enforcement funding. Further information can be found in Budget Paper No. 2, *Budget Measures 2006-07*.

## **2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS**

ASIC will receive a departmental equity injection of \$6.5 million in the 2006-07 Budget to fund related capital costs for Budget measures shown in Table 2.2, which is summarised below:

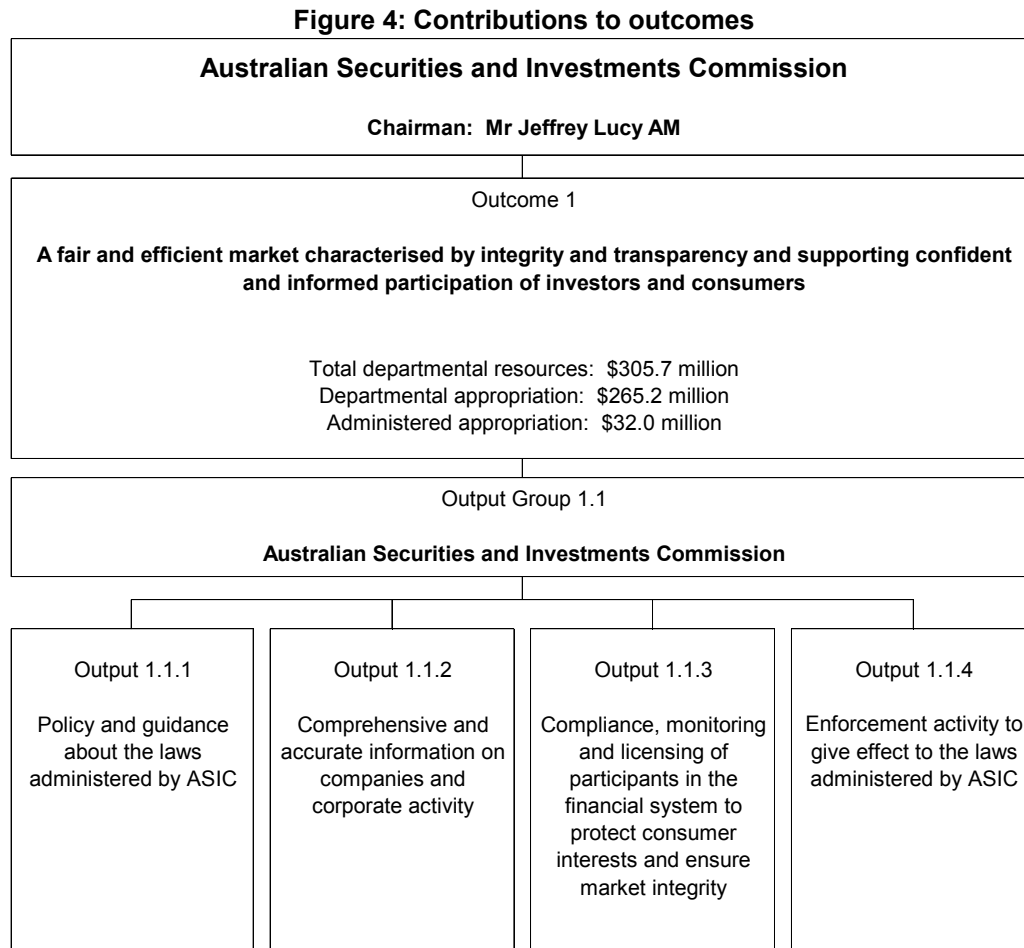
- Broadening ASIC's surveillance capability (\$2.0 million): surveillance software and fit out to accommodate additional staff;
- Enhanced information technology security and risk management (\$2.8 million): associated hardware and software; and
- Electronic registration of charges (\$1.8 million): associated hardware and software.

## Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items to contribute to the outcome for the Australian Securities and Investments Commission (ASIC).

### 3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of ASIC and the outcome is summarised in Figure 4.



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.

### **3.2 OUTCOMES — DEPARTMENTAL AND ADMINISTERED**

#### **Figure 5: Departmental appropriations by outcome, 2006-07**

As ASIC has one outcome with a total departmental appropriation of \$265.2 million, this figure is not applicable.

#### **Figure 6: Administered appropriations by outcome, 2006-07**

As ASIC has one outcome with a total administered appropriation of \$4.0 million, this figure is not applicable.

### **3.3 OUTCOMES AND PERFORMANCE**

#### **Outcome 1 resourcing**

Table 3.1 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 1, including administered appropriations, departmental appropriations and revenue from other sources.

**Table 3.1: Total resources for Outcome 1**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
<b>Administered appropriations</b>		
Appropriation Bill No.1		
Output Group 1.1 - Australian Securities and Investments Commission		
Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC	460	3,984
Special appropriation		
<i>Banking Act 1959</i> - Banking Unclaimed Monies	18,000	19,000
<i>Life Insurance Act 1959</i> - Life Unclaimed Monies	3,000	3,000
<i>Corporations Act 2001</i> - refund of overpayment of <i>Corporations Act 2001</i> fees	6,000	6,000
<b>Total administered appropriations</b>	<b>27,460</b>	<b>31,984</b>
<b>Departmental appropriations</b>		
Output Group 1.1 - Australian Securities and Investments Commission		
Output 1.1.1 - Policy and guidance about the laws administered by ASIC	7,854	8,334
Output 1.1.2 - Comprehensive and accurate information on companies and corporate activity	59,904	70,082
Output 1.1.3 - Compliance, monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	62,472	76,703
Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC <sup>1</sup>	96,535	110,075
<b>Total departmental appropriations</b>	<b>226,765</b>	<b>265,194</b>
<b>Departmental revenue from other sources</b>		
Services	3,349	3,396
Interest	2,603	2,450
Other	2,792	2,671
<b>Total departmental revenue from other sources</b>	<b>8,744</b>	<b>8,517</b>
<b>Total resources</b>	<b>262,969</b>	<b>305,695</b>
	2005-06	2006-07
<b>Average staffing level (number)</b>	<b>1,476</b>	<b>1,578</b>

<sup>1</sup> The 2006-07 estimate includes \$30.0 million, funded through a special account, for investigation and litigation of exceptional matters of significant public interest (refer to Table 2.6).

### Measures affecting Outcome 1

A list of measures for ASIC appears in Table 2.2. Details of measures are included in Budget Paper No. 2, *Budget Measures 2006-07*.

### Contributions to achievement of Outcome 1

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 its Outcome.

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**

Performance information for administered items, individual outputs and output groups relating to ASIC are summarised in Table 3.2.

**Table 3.2: Performance information for Outcome 1**

<b>Performance information for agency outputs</b>	
<b>Output Group 1.1 - Australian Securities and Investment Commission</b>	
Output 1.1.1- Policy and guidance about the laws administered by ASIC	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>- Extent to which advice is approved by the Minister.</li> <li>- Extent to which consumers, investors and other stakeholders are consulted during policy formulation.</li> <li>- Consumer issues in financial services exposed and steps taken to address them.</li> <li>- Stakeholder liaison to ensure understanding of emerging consumer issues.</li> </ul>
<p>This includes:</p> <p>Effectiveness and timeliness of policy development and formulation.</p> <p>Liaison with overseas regulators.</p> <p>Provision of information about the Acts that come within ASIC's jurisdiction to consumers, companies and investors.</p>	<p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>- Press release to accompany all new policy statements, guidance notes and class orders.</li> <li>- 80% of advice to Minister on markets rule changes within 14 days of lodgement.</li> <li>- Number of information requests to and from overseas regulators.</li> <li>- Number of visits to FIDO (ASIC's consumer website - www.fido.gov.au)</li> <li>- Number of consumer publications distributed.</li> </ul> <p><b>Price: \$8.3 million</b></p>
Output 1.1.2 - Comprehensive and accurate information on companies and corporate activity	<p><b>Quality:</b></p> <ul style="list-style-type: none"> <li>- Percentage availability of the database.</li> <li>- Percentage of online paid searches to counter searches.</li> <li>- Calls answered &lt; 2 minutes.</li> <li>- % key documents processed &lt;48 hours of receipt.</li> <li>- % of documents requiring further details before entering onto database.</li> </ul>
<p>This includes:</p> <p>Utilisation of ASIC's range of channels for the provision of advice and assistance about both lodging and searching company information.</p> <p>Facilitation of annual review by all companies of that information currently held by ASIC, and the process to ensure all necessary updates.</p> <p>Targeted compliance actions against those companies failing to provide the necessary information within the prescribed timeframes.</p> <p>Providing stakeholders with information about their obligations under the <i>Corporations Act 2001</i>.</p>	<p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>- total use of the databases (free and paid) .</li> <li>- % of documents lodged electronically.</li> <li>- % of company data lodged on time.</li> <li>- number of companies targeted to ensure compliance.</li> <li>- number of companies deregistered for failing to pay their annual review fee.</li> <li>- number of civil actions undertaken to ensure lodgement of financial reports.</li> </ul> <p><b>Price: \$70.1 million</b></p>

**Table 3.2: Performance information for Outcome 1 (continued)**

Performance information for agency outputs (continued)	
<b>Output group 1.1: Australian Securities and Investment Commission</b>	
Output 1.1.3 - Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	<p><b>Quality</b></p> <ul style="list-style-type: none"> <li>- Feedback on extent to which market operators accept and implement ASIC's recommendations.</li> <li>- Extent to which serious compliance problems are identified &lt;12 months after licence granted.</li> <li>- Stakeholders acceptance and understanding with discretionary decision making (number of Administrative Appeals Tribunal appeals)</li> </ul>
This includes:	
Undertaking compliance activities on specific patterns, problems or risk areas and to respond to these problems using a range of regulatory tools.	<p><b>Quantity</b></p> <ul style="list-style-type: none"> <li>- 80% of findings on assessment of markets advised to Minister within 2 months of inspection.</li> <li>- 70% of applications for Australian Financial Services (AFS) licences and variations to AFS licences decided in 28 days.</li> <li>- 50% of managed investment schemes registered within 8 business days.</li> <li>- 70% of relief applications decided in principle within 15 business days.</li> <li>- Number of additional disclosures to the market obtained.</li> <li>- Number of disclosure documents reviewed: <ul style="list-style-type: none"> <li>- Product Disclosure Statements; and</li> <li>- Prospectuses.</li> </ul> </li> <li>- Percentage of documents reviewed where corrective disclosures achieved for: <ul style="list-style-type: none"> <li>- Product Disclosure Statements; and</li> <li>- Prospectuses.</li> </ul> </li> <li>- Number of compliance reviews of licensees.</li> </ul>
License participants in the financial services sector.	
Receive and consider applications for relief from the <i>Corporations Act 2001</i> , and provide the outcome of ASIC's determination as soon as practicable.	
	<b>Price: \$76.7 million</b>

**Table 3.2: Performance information for Outcome 1 (continued)**

<b>Performance information for agency outputs (continued)</b>	
<b>Output group 1.1: Australian Securities and Investment Commission</b>	
Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC	<b>Quality</b>
This includes:	- 50% of investigations resourced that led to a conclusion within 6 months of commencement.
Undertaking investigations and litigation covering a range of breaches across the full spectrum of ASIC's responsibilities.	- No more than 15% of investigations resourced that led to a conclusion after 12 months of their commencement.
Expediting enforcement actions to maintain corporate and public confidence in financial markets, and compliance with the <i>Corporations Act 2001</i> generally.	- 70% of investigations resourced that lead to an enforcement outcome.
Investigation of reports of crime and misconduct received from the public.	- 75% of litigation commenced that leads to a decision in ASIC's favour.
	- Enforcement outcomes that lead to changes in compliance and governance procedures and processes.
	- % of briefs accepted by the Commonwealth Director of Public Prosecution (DPP).
	- Number of matters that lead to significant legal precedent.
	- No less than 50% of criminal convictions lead to a custodial sentence.
	- Analysis of reports within agreed timeframes.
	- % of complaints resolved.
	- Successful implementation of Assetless Administration Fund leading to more investigation of assetless administrations & enforcement actions arising from them.
	<b>Quantity:</b>
	- Number of investigations commenced.
	- Number of litigation concluded.
	- Number of goaling and number of banning.
	- Number of officers disqualified/banned from managing corporations.
	- Number of briefs provided to the DPP.
	- Number of illegal schemes investment wound up.
	- Amount of funds frozen and recovered for investors from illegal investment schemes.
	- Number of complaints analysed and assessed by ASIC.
	- Number of liquidators, administrators and receivers reports processed by ASIC.
	- Number of reports of crime and misconduct received.
	<b>Price: \$110.1 million</b>

### Evaluations for Outcome 1

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.

## Section 4: Other reporting requirements

### **4.1 PURCHASER-PROVIDER ARRANGEMENTS**

#### **Cross agency overview**

Information contained within ASIC's databases are purchased by several Australian Government agencies, including the Australian Taxation Office.

### **4.2 COST RECOVERY ARRANGEMENTS**

ASIC does not carry out significant ongoing cost recovery arrangements.

### **4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE**

#### **Table 4.1: Australian Government Indigenous Expenditure**

ASIC does not have any specific indigenous expenditure.

## **Section 5: Budgeted financial statements**

The budgeted agency 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 (refer to Tables 5.1 to 5.9).

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 (incorporating the Australian Equivalents to International Financial Reporting Standards (AEIFRS)) and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

### **5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS**

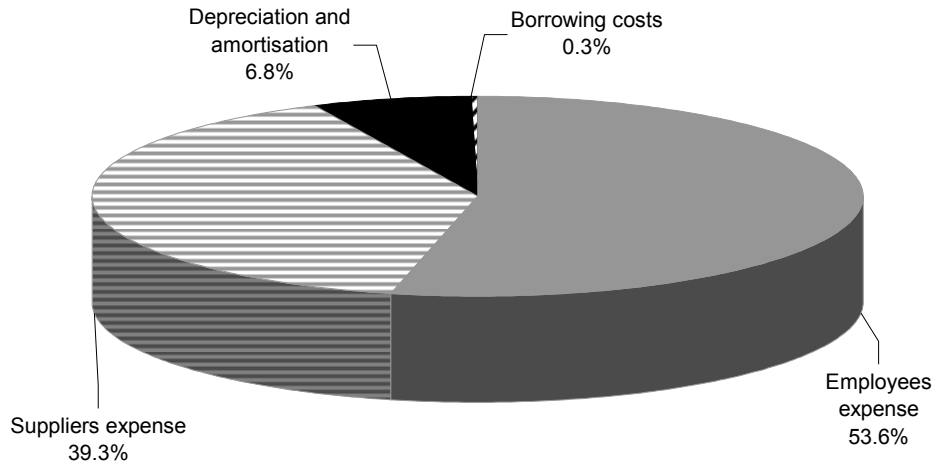
#### **Budgeted departmental statement of financial performance**

ASIC is budgeting for a break-even operating result for 2006-07 and for the remainder of the forward estimates.

Departmental appropriations for 2006-07 is \$265.2 million, which is an increase of \$38.4 million on the amount recognised in 2005-06. The rise in appropriation is attributed to the Government's decision to fund ASIC to sustain its operational capability and to broaden its surveillance capability, to fund enhanced information technology security and risk management initiatives and to fund a 'reducing red tape' initiative that will provide for the electronic registration of charges. Included in the total departmental appropriation is \$30.0 million that has been set aside in a special account to fund investigation and litigation costs relating to exceptional matters of significant public interest (also refer Table 2.6). ASIC will also generate \$8.5 million in receipts from independent sources.

Total expenses including borrowing costs for 2006-07 are estimated to be \$273.7 million, an increase of \$38.2 million over the prior financial year. The expenditure will be used to fund activities that contribute towards achieving the objective outputs 1.1.1 to 1.1.4 appearing in Table 3.2.

### Budgeted total departmental expenses



### Budgeted departmental 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, and also shows the Government's remaining equity.

#### Equity

ASIC's budgeted equity (or net asset position) for 2006-07 is expected to be \$9.8 million. This includes additional capital funding of \$6.5 million associated with the following measures: Broadening ASIC's surveillance capability; Enhancement of information technology security and risk management; and Electronic registration of charges.

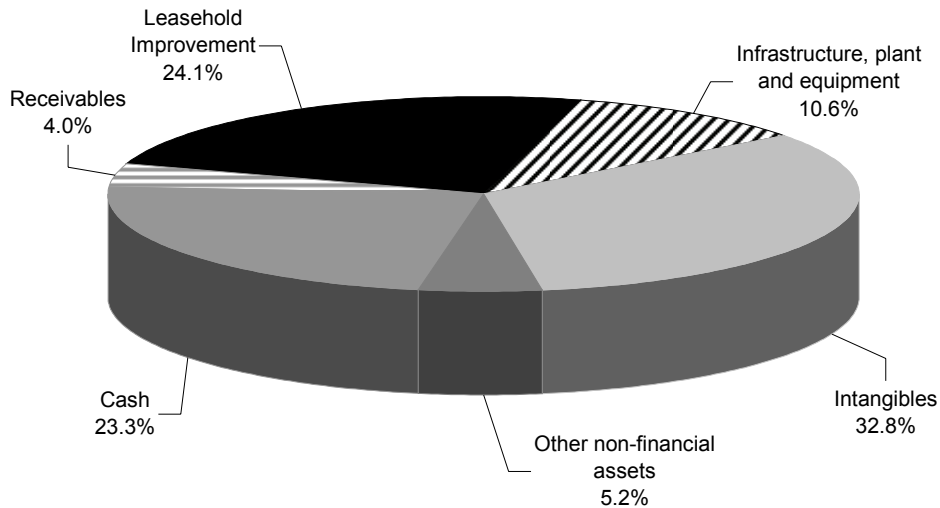
#### Financial Assets

ASIC's cash includes an amount of \$11.3 million which is a quarantined equity injection received in 2004-05. ASIC is required to keep a minimum cash level of \$11.3 million. Accounts receivable is expected to be \$2.7 million.

#### Non-Financial Assets

A formal revaluation of plant and equipment to fair value was undertaken in 2004-05 in accordance with ASIC's policy to revalue all classes of non-financial assets every three years, which is also required by Australian Equivalents to International Financial Reporting Standards (AEIFRS). Between formal valuations, plant and equipment assets are reviewed by the Australian Valuation Office to ensure that reported amounts are not materially different to their fair values.

### Budgeted total departmental assets



### 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. Other interest bearing liabilities consists of amortised property lease incentives, which decreases gradually over the expected life of the related property leases.

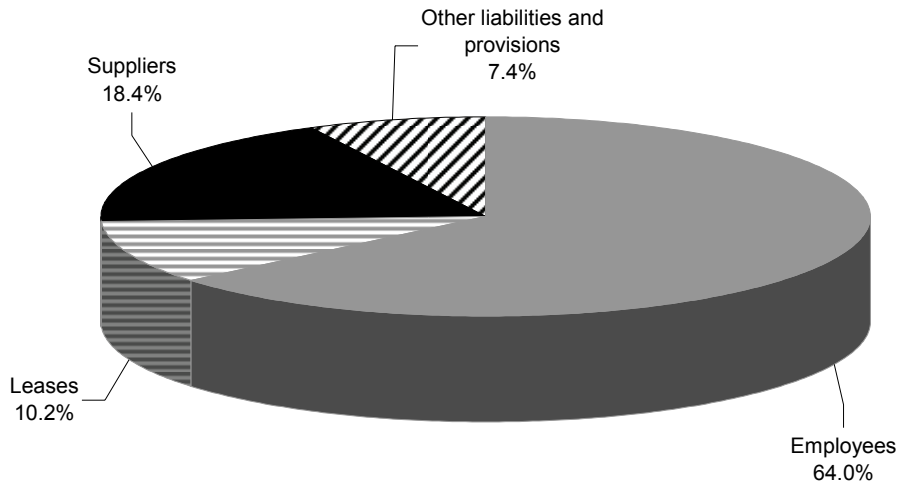
### Provisions and payables

The principal item under this heading is employee leave provisions and accruals which include annual and long service leave. Other provisions and payables consist of a make-good provision for leased premises, which decreases gradually over the expected life of the related property leases.

### Supplier payables

Represents amounts owing to suppliers remaining unpaid at 30 June each year. The increase of \$1.9 million over 2005-06 is in line with the increase in operating expenditure.

**Budgeted total departmental liabilities**



## 5.2 BUDGETED FINANCIAL STATEMENTS TABLES

**Table 5.1: Budgeted departmental income statement for the period ended 30 June**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>INCOME</b>					
<b>Revenue</b>					
Revenues from Government	226,765	265,194	263,538	260,491	264,059
Goods and services	3,349	3,396	3,464	3,533	3,603
Interest	2,603	2,450	2,450	2,450	2,450
Other	2,792	2,671	2,731	2,792	2,848
<b>Total revenue</b>	<b>235,509</b>	<b>273,711</b>	<b>272,183</b>	<b>269,266</b>	<b>272,960</b>
<b>Total income</b>	<b>235,509</b>	<b>273,711</b>	<b>272,183</b>	<b>269,266</b>	<b>272,960</b>
<b>EXPENSE</b>					
Employees	131,037	146,794	146,650	147,649	150,114
Suppliers	88,758	107,645	106,358	101,758	102,337
Depreciation and amortisation	15,067	18,569	18,645	19,271	19,917
Finance costs	647	703	530	588	592
Other					
<b>Total expenses</b>	<b>235,509</b>	<b>273,711</b>	<b>272,183</b>	<b>269,266</b>	<b>272,960</b>
<b>Operating result from continuing operations</b>	-	-	-	-	-
<b>Operating result</b>	-	-	-	-	-
<b>Net surplus or (deficit) attributable to the Australian Government</b>	-	-	-	-	-

**Table 5.2: Budgeted departmental balance sheet  
as at 30 June**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	15,793	15,889	15,939	19,951	20,547
Receivables	2,747	2,719	2,735	2,752	2,769
<b>Total financial assets</b>	<b>18,540</b>	<b>18,608</b>	<b>18,674</b>	<b>22,703</b>	<b>23,316</b>
<b>Non-financial assets</b>					
Leasehold Improvements	8,844	16,438	15,140	12,213	10,748
Infrastructure, plant and equipment	9,473	7,237	8,949	9,338	8,266
Intangibles	19,780	22,366	19,889	21,006	20,579
Other	2,937	3,562	3,519	3,367	3,386
<b>Total non-financial assets</b>	<b>41,034</b>	<b>49,603</b>	<b>47,497</b>	<b>45,924</b>	<b>42,979</b>
<b>Total assets</b>	<b>59,574</b>	<b>68,211</b>	<b>66,171</b>	<b>68,627</b>	<b>66,295</b>
<b>LIABILITIES</b>					
<b>Interest bearing liabilities</b>					
Leases	9,318	5,958	4,214	7,424	4,584
Other	1,681	1,230	931	647	366
<b>Total interest bearing liabilities</b>	<b>10,999</b>	<b>7,188</b>	<b>5,145</b>	<b>8,071</b>	<b>4,950</b>
<b>Provisions</b>					
Employees	33,321	37,328	37,292	37,551	38,182
Other	3,049	3,088	3,256	2,987	3,087
<b>Total provisions</b>	<b>36,370</b>	<b>40,416</b>	<b>40,548</b>	<b>40,538</b>	<b>41,269</b>
<b>Payables</b>					
Suppliers	8,876	10,765	10,636	10,176	10,234
Other					
<b>Total payables</b>	<b>8,876</b>	<b>10,765</b>	<b>10,636</b>	<b>10,176</b>	<b>10,234</b>
<b>Total liabilities</b>	<b>56,245</b>	<b>58,369</b>	<b>56,329</b>	<b>58,785</b>	<b>56,453</b>
<b>EQUITY</b>					
Contributed equity	13,675	20,188	20,188	20,188	20,188
Reserves	5,254	5,254	5,254	5,254	5,254
Accumulated deficits	(15,600)	(15,600)	(15,600)	(15,600)	(15,600)
<b>Total equity</b>	<b>3,329</b>	<b>9,842</b>	<b>9,842</b>	<b>9,842</b>	<b>9,842</b>
<b>Current assets</b>	<b>21,477</b>	<b>22,170</b>	<b>22,193</b>	<b>26,070</b>	<b>26,702</b>
<b>Non-current assets</b>	<b>38,097</b>	<b>46,041</b>	<b>43,978</b>	<b>42,557</b>	<b>39,593</b>
<b>Current liabilities</b>	<b>38,946</b>	<b>42,048</b>	<b>40,945</b>	<b>42,213</b>	<b>41,254</b>
<b>Non-current liabilities</b>	<b>17,299</b>	<b>16,321</b>	<b>15,384</b>	<b>16,572</b>	<b>15,199</b>

**Table 5.3: Budgeted departmental statement of cash flows for the period ended 30 June**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	3,575	3,365	3,448	3,568	3,586
Appropriations	223,161	265,194	263,538	260,491	264,059
Interest	2,603	2,450	2,450	2,450	2,450
Dividends					
Other	13,130	14,489	14,075	14,115	14,577
<b>Total cash received</b>	<b>242,469</b>	<b>285,498</b>	<b>283,511</b>	<b>280,624</b>	<b>284,672</b>
<b>Cash used</b>					
Employees	131,637	146,301	154,292	151,463	149,483
Suppliers	98,428	115,038	110,313	109,921	114,208
Grants					
Financing costs	647	703	530	588	592
Other					
<b>Total cash used</b>	<b>230,712</b>	<b>262,042</b>	<b>265,135</b>	<b>261,972</b>	<b>264,283</b>
<b>Net cash from or (used by) operating activities</b>	<b>11,757</b>	<b>23,456</b>	<b>18,376</b>	<b>18,652</b>	<b>20,389</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sales of property, plant and equipment					
Other	1,836	-	-	-	-
<b>Total cash received</b>	<b>1,836</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>					
Purchase of property, plant and equipment	11,082	25,863	13,962	10,650	16,303
Other					
<b>Total cash used</b>	<b>11,082</b>	<b>25,863</b>	<b>13,962</b>	<b>10,650</b>	<b>16,303</b>
<b>Net cash from or (used by) investing activities</b>	<b>(9,246)</b>	<b>(25,863)</b>	<b>(13,962)</b>	<b>(10,650)</b>	<b>(16,303)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	2,165	6,513	-	-	-
<b>Total cash received</b>	<b>2,165</b>	<b>6,513</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>					
Other	3,790	4,010	4,364	3,990	3,490
<b>Total cash used</b>	<b>3,790</b>	<b>4,010</b>	<b>4,364</b>	<b>3,990</b>	<b>3,490</b>
<b>Net cash from or (used by) financing activities</b>	<b>(1,625)</b>	<b>2,503</b>	<b>(4,364)</b>	<b>(3,990)</b>	<b>(3,490)</b>
<b>Net increase or (decrease) in cash held</b>	<b>886</b>	<b>96</b>	<b>50</b>	<b>4,012</b>	<b>596</b>
Cash at the beginning of the reporting period	14,907	15,793	15,889	15,939	19,951
<b>Cash at the end of the reporting period</b>	<b>15,793</b>	<b>15,889</b>	<b>15,939</b>	<b>19,951</b>	<b>20,547</b>

**Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)**

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2006</b>					
Balance carried forward from previous period	(15,600)	5,254	-	13,675	3,329
<b>Adjusted opening balance</b>	(15,600)	5,254	-	13,675	3,329
<b>Income and expense</b>					
Income and expenses recognised directly in equity:					
Gain/loss on revaluation of property	-	-	-	-	-
<b>Sub-total income and expense</b>	-	-	-	-	-
Net operating result	-	-	-	-	-
<b>Total income and expenses recognised directly in equity</b>	-	-	-	-	-
<b>Transactions with owners</b>					
Contribution by owners					
Appropriation (equity injection)	-	-	-	6,513	6,513
<b>Sub-total transactions with owners</b>	-	-	-	6,513	6,513
<b>Estimated closing balance as at 30 June 2007</b>	(15,600)	5,254	-	20,188	9,842

**Table 5.5: Departmental capital budget statement**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Total equity injections	2,165	6,513	-	-	-
<b>Total capital appropriations</b>	2,165	6,513	-	-	-
<b>Represented by:</b>					
Purchase of non-financial assets	2,165	6,513	-	-	-
Other	-	-	-	-	-
<b>Total represented by</b>	2,165	6,513	-	-	-
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation	2,165	6,513	-	-	-
Funded internally by departmental resources	8,917	19,350	13,962	10,650	16,303
<b>Total</b>	11,082	25,863	13,962	10,650	16,303

**Table 5.6: Departmental property, plant, equipment and intangibles - summary of movement (Budget year 2006-07)**

	Land	Investment	Leasehold	Specialist	Other	Heritage	Computer	Other	Total
	\$'000	\$'000	improve- ments	military equipment	infrastructure plant and equipment	and cultural assets	software	intangibles	\$'000
<b>As at 1 July 2006</b>									
Gross book value	-	-	31,576	-	15,293	-	41,338	-	88,207
Accumulated depreciation	-	-	(22,732)	-	(5,820)	-	(21,558)	-	(50,110)
<b>Opening net book value</b>	-	-	8,844	-	9,473	-	19,780	-	38,097
Additions:									
by purchase	-	-	11,107	-	3,431	-	11,325	-	25,863
by finance lease	-	-	-	-	650	-	-	-	650
internally developed	-	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	(3,513)	-	(6,317)	-	(8,739)	-	(18,569)
Other movements	-	-	-	-	-	-	-	-	-
<b>As at 30 June 2007</b>									
Gross book value	-	-	42,683	-	19,374	-	52,663	-	114,720
Accumulated depreciation	-	-	(26,245)	-	(12,137)	-	(30,297)	-	(68,679)
<b>Estimated closing net book value</b>	-	-	16,438	-	7,237	-	22,366	-	46,041

**Table 5.7: Schedule of budgeted income and expenses administered on behalf of government for the period ended 30 June**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Revenue</b>					
<b>Non-taxation</b>					
Interest	50	50	50	50	50
Other sources of non-taxation revenues	587,268	544,683	551,764	558,916	567,143
<b>Total non-taxation</b>	<b>587,318</b>	<b>544,733</b>	<b>551,814</b>	<b>558,966</b>	<b>567,193</b>
<b>Total revenues administered on behalf of Government</b>	<b>587,318</b>	<b>544,733</b>	<b>551,814</b>	<b>558,966</b>	<b>567,193</b>
<b>Total income administered on behalf of Government</b>	<b>587,318</b>	<b>544,733</b>	<b>551,814</b>	<b>558,966</b>	<b>567,193</b>
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Suppliers	460	3,984	3,196	3,416	3,416
Write down and impairment of assets	27,254	27,527	27,810	28,096	28,385
Other	21,000	22,000	24,000	25,000	26,000
<b>Total expenses administered on behalf of Government</b>	<b>48,714</b>	<b>53,511</b>	<b>55,006</b>	<b>56,512</b>	<b>57,801</b>

**Table 5.8: Schedule of budgeted assets and liabilities administered on behalf of government as at 30 June**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash	3,939	3,989	4,039	4,089	4,139
Receivables	77,502	84,582	91,723	98,925	106,189
<b>Total financial assets</b>	<b>81,441</b>	<b>88,571</b>	<b>95,762</b>	<b>103,014</b>	<b>110,328</b>
<b>Total assets administered on behalf of Government</b>					
	81,441	88,571	95,762	103,014	110,328
<b>Payables</b>					
Other payables	5,600	5,600	5,600	5,600	5,600
<b>Total payables</b>	<b>5,600</b>	<b>5,600</b>	<b>5,600</b>	<b>5,600</b>	<b>5,600</b>
<b>Total liabilities administered on behalf of Government</b>					
	5,600	5,600	5,600	5,600	5,600

**Table 5.9: Schedule of budgeted administered cash flows for the period ended 30 June**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Interest	50	50	50	50	50
Other	558,452	516,438	523,104	529,929	537,805
<b>Total cash received</b>	<b>558,502</b>	<b>516,488</b>	<b>523,154</b>	<b>529,979</b>	<b>537,855</b>
<b>Cash used</b>					
Suppliers	460	3,984	3,196	3,416	3,416
Other	27,042	28,362	30,291	31,311	32,311
<b>Total cash used</b>	<b>27,502</b>	<b>32,346</b>	<b>33,487</b>	<b>34,727</b>	<b>35,727</b>
<b>Net cash from or (used by) operating activities</b>	<b>531,000</b>	<b>484,142</b>	<b>489,667</b>	<b>495,252</b>	<b>502,128</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Cash from Official Public Account	27,460	31,984	33,196	34,416	35,416
<b>Total cash received</b>	<b>27,460</b>	<b>31,984</b>	<b>33,196</b>	<b>34,416</b>	<b>35,416</b>
<b>Cash used</b>					
Cash to Official Public Account	559,000	516,076	522,813	529,618	537,494
<b>Total cash used</b>	<b>559,000</b>	<b>516,076</b>	<b>522,813</b>	<b>529,618</b>	<b>537,494</b>
<b>Net cash from or (used by) financing activities</b>	<b>(531,540)</b>	<b>(484,092)</b>	<b>(489,617)</b>	<b>(495,202)</b>	<b>(502,078)</b>
<b>Net increase or (decrease) in cash held</b>	<b>(540)</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
Cash at beginning of reporting period	4,479	3,939	3,989	4,039	4,089
<b>Cash at end of reporting period</b>	<b>3,939</b>	<b>3,989</b>	<b>4,039</b>	<b>4,089</b>	<b>4,139</b>

**Table 5.10: Schedule of administered capital budget**

ASIC does not have any administered capital.

**Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)**

ASIC does not have any administered property, plant, equipment and intangibles.

### **5.3 NOTES TO THE FINANCIAL STATEMENTS**

#### **Basis of accounting**

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

#### **Budgeted departmental 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 that 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;

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- 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**

ASIC has adopted fair value as a basis for valuing plant and equipment and leasehold improvements, which occurs on a three yearly revaluation cycle. Intangible assets include capitalised software and work in progress and are shown at cost.

**Asset recognition threshold**

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition.

**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 lower of the fair value or the present value of minimum lease payments at the inception of the lease, and a liability is 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 leasehold improvements, plant and equipment assets are written down to their estimated residual values over their estimated useful lives to ASIC.

*Plant and equipment*

Computer equipment is depreciated using the declining-balance method whilst, for all other plant and equipment, the straight-line method of depreciation is applied. Depreciation of computer equipment was changed to the declining balance method for the first time in 2004-05. This change was made as the resultant depreciation pattern from the declining balance method more accurately reflects the reduction in fair value over the life of these assets.

#### *Leasehold improvements*

Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

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.

#### Receivables

A provision is raised for any doubtful debts based on a review of the collectability of all outstanding accounts as at year end.

Bad debts are written off during the year in which they are identified.

#### Provisions and payables

Provisions and payables represent liabilities for miscellaneous accruals and employee benefits, including accrued salary and leave entitlements and provisions for making-good leased premises. No provision for sick leave is required as all sick leave is non-vesting.

### **Schedule of budgeted revenues and expenses administered on behalf of Government**

#### Revenues

Non-taxation revenues are predominately comprised of revenues from government, required for refunds paid under the *Banking Act 1959* and the *Life Insurance Act 1995*, and Corporations Act fees and charges.

#### Write down and impairment of assets

Write down and impairment of assets represents waivers and write-offs of Corporations Law fees.

### **Schedule of budgeted assets and liabilities administered on behalf of Government**

#### Financial assets

The financial assets include Corporations Law debt invoiced and still outstanding at year-end.

### **Schedule of budgeted administered cash flows**

All cash collected by ASIC for Corporations Law revenue, is transferred to the Official Public Account (OPA) at the close of business each day. Cash collected for Banking Act unclaimed monies and Life Insurance Act unclaimed monies is transferred to the OPA when received.

