

# 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.

### **1.1 SUMMARY OF AGENCY CONTRIBUTIONS TO OUTCOMES**

The products and services delivered by ASIC which contribute to the achievement of its outcome are summarised in Table 1.1 and Figure 2 on page 174.

*ASIC Budget Statement: Overview*

**Table 1.1: Contribution to outcomes**

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 2007-08

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

The total appropriation (including capital appropriation) and other resources for the Australian Securities and Investments Commission (ASIC) in the 2007-08 Budget is \$377.1 million.

Table 2.1 shows the total resources from all origins for 2007-08, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

**Table 2.1: Appropriations and other resources 2007-08**

	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 resources \$'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	291,566	-	-	7,099	5,206	-	-	36,000	339,921
Equity injections	-	37,210	-	-	-	-	-	-	37,210
<b>Total</b>	<b>291,566</b>	<b>37,210</b>	<b>-</b>	<b>7,099</b>	<b>5,206</b>	<b>-</b>	<b>-</b>	<b>36,000</b>	<b>377,131</b>

## 2.2 2007-08 BUDGET MEASURES

The following table summarises Budget measures relating to ASIC as explained in Budget Paper No. 2, *Budget Measures 2007-08*.

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

Measure	Output groups affected	Budget Estimate 2007-08 \$'000			Forward Estimate 2008-09 \$'000			Forward estimate 2009-10 \$'000			Forward estimate 2010-11 \$'000		
		Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
<b>Expense measures</b>													
ASIC - information technology security and risk mitigation phase 2 and application development	1.1	-	19,577	19,577	-	23,550	23,550	-	15,143	15,143	-	2,224	2,224
Cole Inquiry - possible criminal offences <sup>1</sup>	1.1	-	1,014	1,014	-	1,036	1,036	-	-	-	-	-	-
Global Integration - Australian Business Number and business names registration system <sup>2</sup>	1.1	-	69	69	-	149	149	-	31	31	-	32	32
ASIC - revised funding arrangements <sup>3</sup>	1.1	-	2,500	2,500	-	2,500	2,500	-	2,500	2,500	-	2,500	2,500
<b>Total expense measures</b>	1.1	-	23,160	23,160	-	27,235	27,235	-	17,674	17,674	-	4,756	4,756
<b>Related capital</b>													
ASIC - information technology security and risk mitigation phase 2 and application development	1.1	-	37,025	37,025	-	13,515	13,515	-	5,724	5,724	-	-	-
Global Integration - Australian Business Number and business names registration system <sup>2</sup>	1.1	-	185	185	-	443	443	-	-	-	-	-	-
<b>Total related capital</b>	1.1	-	37,210	37,210	-	13,958	13,958	-	5,724	5,724	-	-	-

1 This is a cross portfolio measure with the Attorney-General's portfolio.

2 This is a cross portfolio measure with the Industry, Tourism and Resources portfolio.

3 This measure was published in the *Mid-Year Economic and Fiscal Outlook 2006-07*.

## 2.3 OTHER RESOURCES AVAILABLE TO BE USED

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

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

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000
<b>Departmental other resources</b>		
Services	4,149	3,922
Interest	5,196	-
Other	5,233	3,177
<b>Total departmental other resources available to be used</b>	<b>14,578</b>	<b>7,099</b>

Revenue for services includes seminar fees, imaging/printing services, sale of database information, and the reimbursement of ASIC's expenses in discharging its responsibilities under section 1341 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.

Effective from 1 July 2007, ASIC will operate under the *Financial Management and Accountability Act 1997* (FMA Act). In accordance with the Government's Agency Banking Framework, all surplus cash will be invested for the benefit of the Commonwealth. The Government has determined that ASIC will receive adjustments to its appropriation to reflect this change (refer Table 2.2).

## 2.4 MOVEMENT OF ADMINISTERED FUNDS

**Table 2.4: Movement of administered funds between years**

<b>Movement of administered funds from 2006-07 to 2007-08</b>		<b>\$'000</b>
Corporate insolvency law reform - strengthening creditor protection and deterring misconduct by company officers	Unspent appropriation of \$2.0 million from 2006-07 to 2007-08	2,000

In 2005, the Government provided ASIC with funds to finance preliminary investigations by expert liquidators of companies, selected by ASIC, that have been left insolvent with little or no assets. The implementation phase has taken longer than originally anticipated. ASIC has provided extensive training and consultation to liquidators, and has visited over 140 liquidators in 2006-07. This programme of training will continue during the remainder of the 2006-07 financial year. ASIC expects

the number of large matters funded to increase as a result of a greater awareness of the objectives of this initiative.

## 2.5 SPECIAL APPROPRIATIONS

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

	Estimated expenses 2006-07 \$'000	Budget estimate 2007-08 \$'000
<b>Estimated special appropriation expenses</b>		
<i>Banking Act 1959</i> - section 69	20,000	22,000
<i>Life Insurance Act 1995</i> - section 216	8,000	8,000
<b>Total estimated special appropriation expenses</b>	<b>28,000</b>	<b>30,000</b>

*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 Commonwealth of Australia Constitution Act (Constitution). In 2007-08 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 MOVEMENTS IN 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.

ASIC Budget Statement: Resources

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

	Opening balance	Credits	Debits	Adjustments	Closing balance
	<b>2007-08</b>	<b>2007-08</b>	<b>2007-08</b>	<b>2007-08</b>	<b>2007-08</b>
	2006-07	2006-07	2006-07	2006-07	2006-07
	\$'000	\$'000	\$'000	\$'000	\$'000
Enforcement Special Account	-	<b>30,000</b>	<b>30,000</b>	-	-
	-	-	-	-	-
Other Trust Moneys Account	-	-	-	-	-
	-	-	-	-	-
Services for other Governments and Non-Agency Bodies Account	-	-	-	-	-
	-	-	-	-	-
<b>Total special accounts</b>					
<b>2007-08 Budget estimate</b>	-	<b>30,000</b>	<b>30,000</b>	-	-
<i>Total special accounts</i>					
<i>2006-07 estimated actual</i>	-	-	-	-	-

## **Section 3: Outcomes**

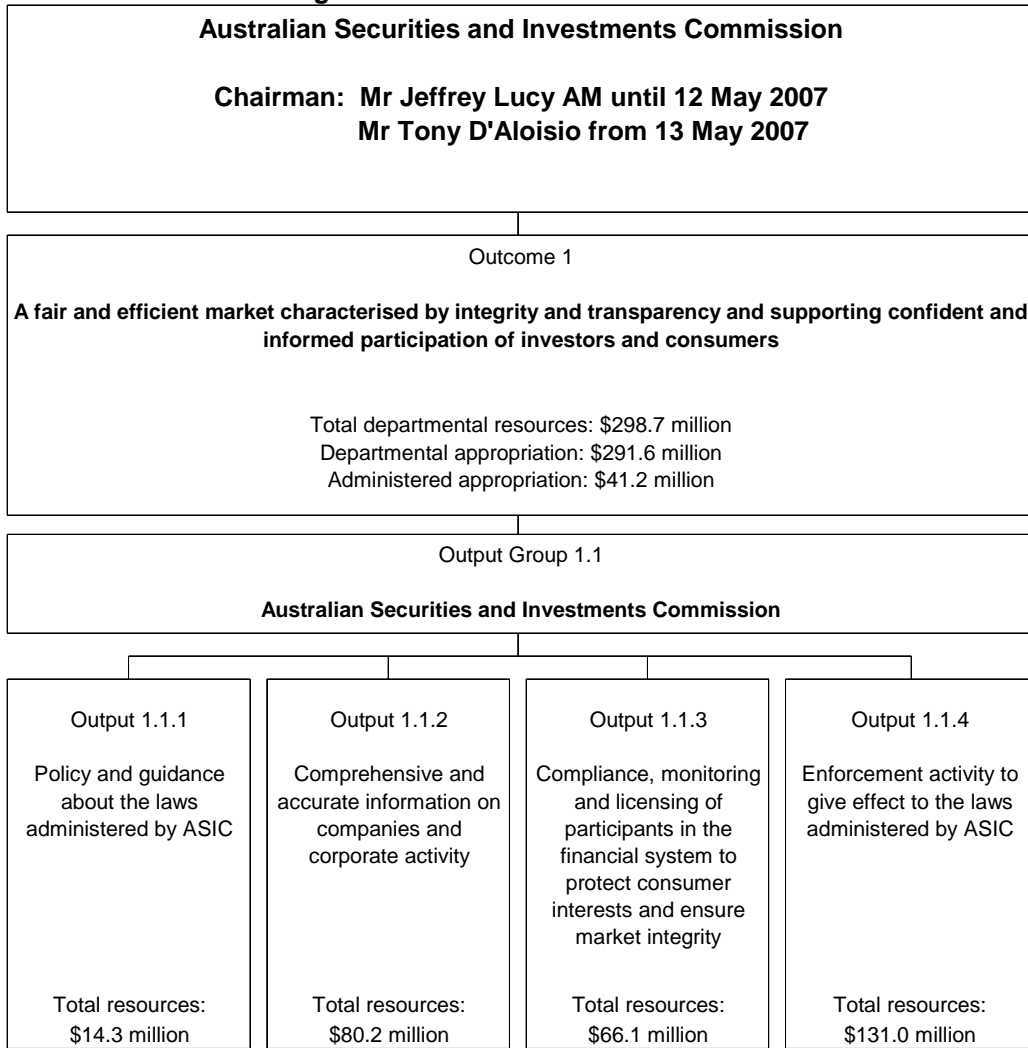
General government sector (GGS) agencies are required to plan, budget and report under an outcomes structure. GGS agencies produce outputs (departmental items) and also administer items on behalf of the Government (administered items).

This section summarises how the resources identified in Section 2 will be used to contribute to the outcome for the Australian Securities and Investments Commission (ASIC). Key performance measures and performance evaluation activities are specified for the outcome.

### **3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES**

The relationship between activities of ASIC and its outcome is summarised in Figure 2.

**Figure 2: Contributions to outcomes**



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 OUTCOME RESOURCES AND PERFORMANCE INFORMATION

### 3.2.1 Outcome 1 resourcing

Table 3.1 shows how the 2007-08 Budget appropriations translate to total resourcing for Outcome 1, including administered appropriation, departmental appropriation and revenue from other sources.

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

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'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	1,984	5,206
Special appropriation		
<i>Banking Act 1959</i> - Banking Unclaimed Monies	20,000	22,000
<i>Life Insurance Act 1959</i> - Life Unclaimed Monies	8,000	8,000
<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>35,984</b>	<b>41,206</b>
<b>Administered revenue from other sources</b>		
Interest	50	50
<b>Total administered revenue from other sources</b>	<b>50</b>	<b>50</b>
<b>Departmental appropriation</b>		
Output Group 1.1 - Australian Securities and Investments Commission		
Output 1.1.1 - Policy and guidance about the laws administered by ASIC	13,740	14,331
Output 1.1.2 - Comprehensive and accurate information on companies and corporate activity	54,721	80,211
Output 1.1.3 - Compliance, monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	63,873	66,059
Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC <sup>1</sup>	135,030	130,965
<b>Total departmental appropriation</b>	<b>267,364</b>	<b>291,566</b>
<b>Departmental revenue from other sources</b>		
Services	4,149	3,922
Interest	5,196	-
Other	5,233	3,177
<b>Total departmental revenue from other sources</b>	<b>14,578</b>	<b>7,099</b>
<b>Total resources</b>	<b>317,976</b>	<b>339,921</b>
	2006-07	2007-08
<b>Average staffing level (number)</b>	<b>1,594</b>	<b>1,586</b>

<sup>1</sup> Output 1.1.4 includes \$11.7 million of 2005-06 unspent appropriation for specific purpose enforcement tasks recognised in 2006-07.

ASIC has one outcome with a total departmental appropriation of \$291.6 million and a total administered appropriation of \$5.2 million.

### **3.2.2 Measures affecting Outcome 1**

The Budget measures for ASIC appear in Table 2.2. Details of these measures are included in Budget Paper No. 2, *Budget Measures 2007-08*.

### **3.2.3 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.

### **3.2.4 Performance information for Outcome 1**

Table 3.2 summarises the performance information for administered items, individual outputs and output groups relating to ASIC.

**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><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>- Number of new and amended policy statements guidance notes and class orders issued. Press release to accompany all new policy statements, guidance notes and class orders.</li> <li>- 80 per cent 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 - <a href="http://www.fido.gov.au">www.fido.gov.au</a>).</li> <li>- Number of consumer publications distributed.</li> </ul> <p><b>Price: \$14.3 million</b></p>
<p>This includes:</p> <p>Make recommendations to the Minister about market licence operating rules</p> <p>Guide regulated entities about how ASIC will apply the law and exercise the law and exercise the discretions that Parliament has given ASIC, by developing and issuing policy statements, guidance notes and class orders.</p> <p>Liaison with overseas regulators.</p> <p>Provision of information about the legislation that comes within ASIC's jurisdiction to consumers, companies and investors.</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>- Percentage of key documents processed &lt; 48 hours of receipt.</li> <li>- Percentage of documents requiring further details before entering onto database.</li> </ul> <p><b>Quantity:</b></p> <ul style="list-style-type: none"> <li>- Total use of the databases (free and paid).</li> <li>- Percentage of documents lodged electronically.</li> <li>- Percentage 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: \$80.2 million</b></p>
<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>	

**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 1.1.3 Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	<b>Quality</b>
	- Feedback on extent to which market operators accept and implement ASIC's recommendations.
	- Extent to which serious compliance problems are identified <12 months after licence granted.
	- Extent to which serious problems with scheme compliance plans and constitutions are identified.
	- Extent to which recommendations are approved by the Minister.
	- Stakeholders acceptance and understanding with discretionary decision making (number of Administrative Appeals Tribunal appeals).
This includes:	<b>Quantity</b>
Undertaking compliance activities on specific patterns, problems or risk areas and to respond to these problems using a range of regulatory tools.	- 80 per cent of findings on assessment of markets advised to Minister within two months of inspection.
	- 70 per cent of applications for Australian Financial Services (AFS) licences and variations to AFS licences decided in 28 days.
Assess whether Australian market licensees comply with the standards of supervision required by the law.	- 70 per cent of managed investment schemes registered within 8 business days.
	- 80 per cent of recommendations to Minister on new market licences made within 12 weeks of receiving an application.
Issue, amend or refuse licences to entities and individuals to sell and advise on financial products and services.	- 70 per cent of relief applications decided in principle within 21 days.
Approve new managed investment schemes.	- Number of additional disclosures to the market obtained.
Approve new Australian market licences.	- Number of disclosure documents reviewed: - Product Disclosure Statements; and - Prospectuses.
Respond to novel and standard applications from business to exercise our discretion to modify the law.	- Number of documents reviewed where corrective disclosures achieved for: - Product Disclosure Statements; and - Prospectuses.
	- Number of compliance surveillances.
	<b>Price: \$66.1 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 per cent 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 per cent of investigations resourced that lead to a enforcement outcome.
Investigation of reports of crime and misconduct received from the public.	Commonwealth Director of Public Prosecution (DPP).
	- Analysis of reports within agreed timeframes.
	- Percentage of complaints resolved.
	- Successful implementation of Assetless Administration Fund leading to more investigation of assetless administrations and 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.
	<b>Price: \$131.0 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 will be presented in its 2007-08 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 departmental financial statements, administered schedule to the financial statements and related notes for the Australian Securities and Investments Commission (ASIC) are presented in this section. The financial statements and schedule 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 and schedules contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework.

These budgeted financial statements and schedules also comply with Australian Accounting Standards, which include 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**

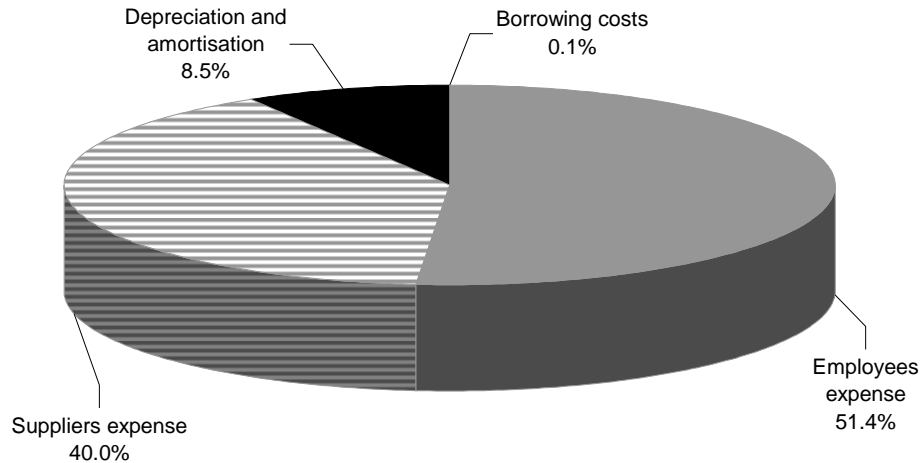
#### **Budgeted departmental statement of financial performance**

ASIC is budgeting for a break-even operating result for 2007-08 and for the remainder of the forward estimates.

Departmental appropriation for 2007-08 is \$291.6 million, which is an increase of \$24.1 million on the amount recognised in 2006-07. The increase in appropriation is primarily attributable to the Government's decision to fund ASIC for the programme of work associated with 2007-08 Budget measures (refer Table 2.2). Included in the total departmental appropriation is \$30.0 million that has been set aside by the Government in a special account to fund investigation costs relating to exceptional matters (refer also Table 2.6). ASIC will also generate \$7.1 million in revenue from independent sources.

Total expenses including borrowing costs for 2007-08 are estimated to be \$298.7 million, an increase of \$16.7 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 2007-08 is expected to be \$60.1 million. This includes additional capital funding of \$37.2 million associated with the 2007-08 Budget measures.

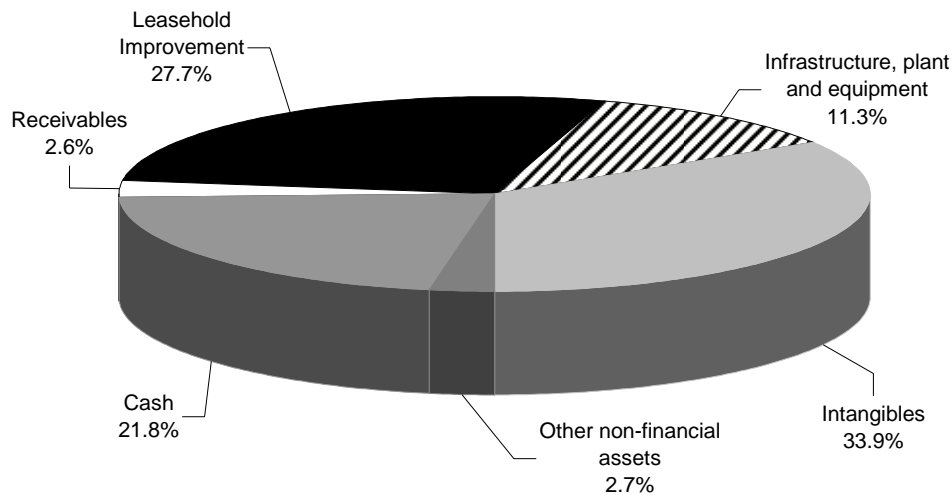
#### Financial assets

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 \$3.4 million.

#### Non-financial assets

A formal revaluation of leasehold improvement to fair value was undertaken in 2006-07 in accordance with ASIC's policy to revalue all classes of non-financial assets every three years, which is also required by 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.

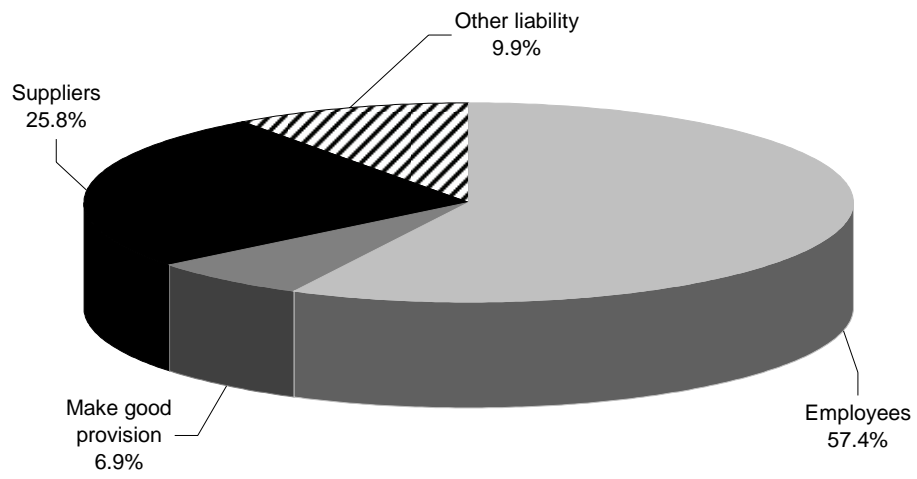
### Provisions and payables

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 \$0.7 million over 2006-07 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 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
<b>INCOME</b>					
<b>Revenue</b>					
Revenues from Government	267,364	291,566	303,411	305,580	282,547
Goods and services	4,149	3,922	4,000	4,080	4,162
Interest	5,196	-	-	-	-
Other	5,233	3,177	3,241	3,305	3,371
<b>Total revenue</b>	<b>281,942</b>	<b>298,665</b>	<b>310,652</b>	<b>312,965</b>	<b>290,080</b>
<b>Total income</b>	<b>281,942</b>	<b>298,665</b>	<b>310,652</b>	<b>312,965</b>	<b>290,080</b>
<b>EXPENSE</b>					
Employees	148,242	153,405	161,179	162,695	153,966
Suppliers	114,943	119,540	118,553	115,907	105,730
Depreciation and amortisation	18,569	25,456	30,655	34,075	30,074
Finance costs	188	264	265	288	310
<b>Total expenses</b>	<b>281,942</b>	<b>298,665</b>	<b>310,652</b>	<b>312,965</b>	<b>290,080</b>
<b>Surplus (or deficit) attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	26,742	28,181	22,002	35,296	37,798
Receivables	3,788	3,354	3,381	3,408	3,436
<b>Total financial assets</b>	<b>30,530</b>	<b>31,535</b>	<b>25,383</b>	<b>38,704</b>	<b>41,234</b>
<b>Non-financial assets</b>					
Leasehold Improvements	33,519	35,856	48,333	45,522	42,992
Infrastructure, plant and equipment	8,358	14,686	19,452	17,465	17,803
Intangibles	15,844	43,890	56,883	52,623	47,541
Other	3,448	3,584	3,553	3,476	3,171
<b>Total non-financial assets</b>	<b>61,169</b>	<b>98,016</b>	<b>128,221</b>	<b>119,086</b>	<b>111,507</b>
<b>Total assets</b>	<b>91,699</b>	<b>129,551</b>	<b>153,604</b>	<b>157,790</b>	<b>152,741</b>
<b>LIABILITIES</b>					
<b>Interest bearing liabilities</b>					
Leases	885	193	-	-	-
<b>Total interest bearing liabilities</b>	<b>885</b>	<b>193</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Provisions</b>					
Employees	38,543	39,883	41,900	42,301	40,031
Other	4,494	4,759	5,024	5,312	5,623
<b>Total provisions</b>	<b>43,037</b>	<b>44,642</b>	<b>46,924</b>	<b>47,613</b>	<b>45,654</b>
<b>Payables</b>					
Suppliers	17,241	17,922	17,765	17,382	15,855
Other	7,668	6,716	14,879	13,035	11,472
<b>Total payables</b>	<b>24,909</b>	<b>24,638</b>	<b>32,644</b>	<b>30,417</b>	<b>27,327</b>
<b>Total liabilities</b>	<b>68,831</b>	<b>69,473</b>	<b>79,568</b>	<b>78,030</b>	<b>72,981</b>
<b>Net assets</b>	<b>22,868</b>	<b>60,078</b>	<b>74,036</b>	<b>79,760</b>	<b>79,760</b>
<b>EQUITY</b>					
Contributed equity	20,595	57,805	71,763	77,487	77,487
Reserves	11,159	11,159	11,159	11,159	11,159
Accumulated deficits	(8,886)	(8,886)	(8,886)	(8,886)	(8,886)
<b>Total equity</b>	<b>22,868</b>	<b>60,078</b>	<b>74,036</b>	<b>79,760</b>	<b>79,760</b>
<b>Current assets</b>	<b>33,978</b>	<b>35,119</b>	<b>28,936</b>	<b>42,180</b>	<b>44,405</b>
<b>Non-current assets</b>	<b>57,721</b>	<b>94,432</b>	<b>124,668</b>	<b>115,610</b>	<b>108,336</b>
<b>Current liabilities</b>	<b>48,491</b>	<b>49,593</b>	<b>52,893</b>	<b>52,350</b>	<b>48,730</b>
<b>Non-current liabilities</b>	<b>20,340</b>	<b>19,880</b>	<b>26,675</b>	<b>25,680</b>	<b>24,251</b>

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

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	3,263	4,356	4,025	4,053	4,134
Appropriations	255,694	291,566	303,411	305,580	282,547
Interest	5,196	-	-	-	-
Other	26,287	21,659	30,548	16,409	15,211
<b>Total cash received</b>	<b>290,440</b>	<b>317,581</b>	<b>337,984</b>	<b>326,042</b>	<b>301,892</b>
<b>Cash used</b>					
Employees	143,244	152,065	159,162	162,294	156,236
Suppliers	113,802	118,601	118,822	116,494	106,951
Financing costs	904	692	193	-	-
Other	15,642	19,135	18,860	14,667	13,403
<b>Total cash used</b>	<b>273,592</b>	<b>290,493</b>	<b>297,037</b>	<b>293,455</b>	<b>276,590</b>
<b>Net cash from or (used by) operating activities</b>	<b>16,848</b>	<b>27,088</b>	<b>40,947</b>	<b>32,587</b>	<b>25,302</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	31,309	62,167	60,891	25,017	22,800
<b>Total cash used</b>	<b>31,309</b>	<b>62,167</b>	<b>60,891</b>	<b>25,017</b>	<b>22,800</b>
<b>Net cash from or (used by) investing activities</b>	<b>(31,309)</b>	<b>(62,167)</b>	<b>(60,891)</b>	<b>(25,017)</b>	<b>(22,800)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	6,513	37,210	13,958	5,724	-
<b>Total cash received</b>	<b>6,513</b>	<b>37,210</b>	<b>13,958</b>	<b>5,724</b>	<b>-</b>
<b>Cash used</b>					
Other	883	692	193	-	-
<b>Total cash used</b>	<b>883</b>	<b>692</b>	<b>193</b>	<b>-</b>	<b>-</b>
<b>Net cash from or (used by) financing activities</b>	<b>5,630</b>	<b>36,518</b>	<b>13,765</b>	<b>5,724</b>	<b>-</b>
<b>Net increase or (decrease) in cash held</b>	<b>(8,831)</b>	<b>1,439</b>	<b>(6,179)</b>	<b>13,294</b>	<b>2,502</b>
Cash at the beginning of the reporting period	35,573	26,742	28,181	22,002	35,296
<b>Cash at the end of the reporting period</b>	<b>26,742</b>	<b>28,181</b>	<b>22,002</b>	<b>35,296</b>	<b>37,798</b>

**Table 5.4: Departmental statement of changes in equity — summary of movement (Budget year 2007-08)**

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Estimated opening balance as at 1 July 2007</b>					
Balance carried forward from previous period	(8,886)	11,159	-	20,595	22,868
<b>Estimated opening balance</b>	(8,886)	11,159	-	20,595	22,868
<b>Income and expense</b>					
Surplus (deficit) for the period	-	-	-	-	-
<b>Total income and expenses recognised directly in equity</b>	-	-	-	-	-
<b>Transactions with owners</b>					
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	37,210	37,210
<b>Sub-total transactions with owners</b>	-	-	-	37,210	37,210
<b>Estimated closing balance as at 30 June 2008</b>	(8,886)	11,159	-	57,805	60,078

**Table 5.5: Departmental capital budget statement**

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Total equity injections	6,513	37,210	13,958	5,724	-
Total loans	-	-	-	-	-
<b>Total capital appropriations</b>	6,513	37,210	13,958	5,724	-
<b>Represented by:</b>					
Purchase of non-financial assets	6,513	37,210	13,958	5,724	-
Other	-	-	-	-	-
<b>Total represented by</b>	6,513	37,210	13,958	5,724	-
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation	6,153	37,210	13,958	5,724	-
Funded internally by departmental resources	25,156	24,957	46,933	19,293	22,800
<b>Total</b>	31,309	62,167	60,891	25,017	22,800

**Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2007-08)**

	Land	Investment	Leasehold	Specialist	Other	Heritage	Computer	Other	Total
	\$'000	property	Improvements	military	infrastructure	and cultural	software	intangibles	\$'000
	\$'000	\$'000	\$'000	equipment	plant and	assets	\$'000	\$'000	\$'000
					equipment				
<b>As at 1 July 2007</b>									
Gross book value	-	-	43,002	-	21,311	-	43,965	-	108,278
Accumulated depreciation	-	-	(9,483)	-	(12,953)	-	(28,121)	-	(50,557)
<b>Estimated opening net book value</b>	-	-	33,519	-	8,358	-	15,844	-	57,721
Additions:									
by purchase	-	-	7,074	-	13,174	-	9,751	-	29,999
internally developed	-	-	-	-	-	-	32,168	-	32,168
Depreciation/amortisation expense	-	-	(4,737)	-	(6,846)	-	(13,873)	-	(25,456)
<b>As at 30 June 2008</b>									
Gross book value	-	-	50,076	-	34,485	-	85,884	-	170,445
Accumulated depreciation	-	-	(14,220)	-	(19,799)	-	(41,994)	-	(76,013)
<b>Estimated closing net book value</b>	-	-	35,856	-	14,686	-	43,890	-	94,432

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

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Revenue</b>					
<b>Non-taxation</b>					
Interest	50	50	50	50	50
Other non-taxation revenues	553,198	560,028	568,233	576,511	584,866
<b>Total non-taxation</b>	<b>553,248</b>	<b>560,078</b>	<b>568,283</b>	<b>576,561</b>	<b>584,916</b>
<b>Total revenues administered on behalf of Government</b>	<b>553,248</b>	<b>560,078</b>	<b>568,283</b>	<b>576,561</b>	<b>584,916</b>
<b>Total income administered on behalf of Government</b>	<b>553,248</b>	<b>560,078</b>	<b>568,283</b>	<b>576,561</b>	<b>584,916</b>
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Suppliers	1,984	5,206	3,423	3,426	3,494
Write down and impairment of assets	21,482	24,224	24,515	24,809	25,107
Other	28,000	30,000	32,000	33,000	34,000
<b>Total expenses administered on behalf of Government</b>	<b>51,466</b>	<b>59,430</b>	<b>59,938</b>	<b>61,235</b>	<b>62,601</b>

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

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash	3,768	3,817	3,867	3,917	3,967
Receivables	71,570	68,757	67,826	68,799	69,700
<b>Total financial assets</b>	<b>75,338</b>	<b>72,574</b>	<b>71,693</b>	<b>72,716</b>	<b>73,667</b>
<b>Total assets administered on behalf of Government</b>	<b>75,338</b>	<b>72,574</b>	<b>71,693</b>	<b>72,716</b>	<b>73,667</b>
<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>	<b>5,600</b>	<b>5,600</b>	<b>5,600</b>	<b>5,600</b>	<b>5,600</b>

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

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Interest	50	50	50	50	50
Other	535,139	538,909	544,962	551,042	559,177
<b>Total cash received</b>	<b>535,189</b>	<b>538,959</b>	<b>545,012</b>	<b>551,092</b>	<b>559,227</b>
<b>Cash used</b>					
Suppliers	1,984	5,206	3,423	3,426	3,494
Other	28,362	30,292	32,313	33,313	34,319
<b>Total cash used</b>	<b>30,346</b>	<b>35,498</b>	<b>35,736</b>	<b>36,739</b>	<b>37,813</b>
<b>Net cash from or (used by) operating activities</b>	<b>504,843</b>	<b>503,461</b>	<b>509,276</b>	<b>514,353</b>	<b>521,414</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Cash from Official Public Account	35,984	41,206	41,423	42,426	43,494
<b>Total cash received</b>	<b>35,984</b>	<b>41,206</b>	<b>41,423</b>	<b>42,426</b>	<b>43,494</b>
<b>Cash used</b>					
Cash to Official Public Account	540,021	544,618	550,649	556,729	564,858
<b>Total cash used</b>	<b>540,021</b>	<b>544,618</b>	<b>550,649</b>	<b>556,729</b>	<b>564,858</b>
<b>Net cash from or (used by) financing activities</b>	<b>(504,037)</b>	<b>(503,412)</b>	<b>(509,226)</b>	<b>(514,303)</b>	<b>(521,364)</b>
<b>Net increase or (decrease) in cash held</b>	<b>806</b>	<b>49</b>	<b>50</b>	<b>50</b>	<b>50</b>
Cash at beginning of reporting period	2,962	3,768	3,817	3,867	3,917
<b>Cash at end of reporting period</b>	<b>3,768</b>	<b>3,817</b>	<b>3,867</b>	<b>3,917</b>	<b>3,967</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 2007-08)**

ASIC does not have any administered property, plant, equipment or 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.

### **Budgeted departmental income statement**

#### Revenues

Revenue from external sources (refer Section 2.3).

#### 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.

## **Budgeted departmental balance sheet**

### **Non financial assets**

#### **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 income statement 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.

##### **(i) 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.

##### **(ii) 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.

*ASIC Budget Statement: Budgeted financial statements*

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.

**Financial assets**

**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.