AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Section 1: Overview, Appropriations and Budget Measures Summary

OVERVIEW

The Australian Securities and Investments Commission (ASIC) is an independent government body that enforces and administers the Corporations Law and consumer protection law for investments, life and general insurance, superannuation and banking (except lending) throughout Australia. The Commission is established under the *Australian Securities and Investments Commission Act 1989*.

ASIC has the function of monitoring and promoting market integrity and consumer protection in relation to:

- the Australian financial system;
- the provision of financial services; and
- the payments system.

APPROPRIATIONS

Total appropriations for ASIC in the 1999-2000 Budget are $132.1 million (see Table 1.1).

Australian Securities and Investments Commission — Appropriations 1999-2000

Table 1.1: Appropriations ($'000)

Outcomes	Administered Expenses				Price of Outputs					Total Appropriations [e]	Total Estimated Expenses
	Special Appropriations [a]	Annual Appropriations		Total Administered Appropriations	Total Price of Outputs[c]	Revenue from Other Sources[d]	Revenue from Government (Appropriations)				
		Bill 1	Bill 2 (SPPs & NAOs)[b]				Special	Annual Bill 1	Total		
	(A)	(B)	(C)	(D=A+B+C)	(E)	(F)	(G)	(H=E-F-G)	(I=G+H)	(J=D+I)	(K=J+F)
Outcome 1 — A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers	-	-	-	-	137,163	5,085	-	132,078	132,078	132,078	137,163
Total	-	-	-	-	137,163	5,058	-	132,078	132,078	132,078	137,163
									Bill 2 Administered Capital[b]	-	
									Bill 2 Agency Equity Injections and Loans[b]	-	
									Total Appropriations	132,078	

(a) Estimated expenses from individual Special Appropriations are shown in Appendix 2.

(b) Under the proposed Appropriation Structure, Bill 2 includes Specific Purpose Payments (SPPs), New Agency Outcomes (NAOs), Administered Capital and Agency Capital via Agency Injections and Loans.

(c) Refer to Budget Statement of Revenue and Expenses for Application of Agency Revenue (see Table 3.1).

(d) Other Revenue includes other revenue from Government (eg resources free of charge) and revenue from other sources (eg sales of goods and services).

(e) Links from Appropriations to Budget Financial Statements include Budget Statement of Revenue and Expenses (see Table 3.1) and Capital Budget (see Tables 3.4 and 3.5).

BUDGET MEASURES — AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION SUMMARY

Table 1.2: Summary of Budget Measures in the 1999-2000 Budget

Measure	Outcome	Output Groups Affected	Appropriations ($'000) 1999-00			Appropriations ($'000) 2000-01			Appropriations ($'000) 2001-02			Appropriations ($'000) 2002-03		
			Admin Expenses	Agency Outputs	Total	Admin Expenses	Agency Outputs	Total	Admin Expenses	Agency Outputs	Total	Admin Expenses	Agency Outputs	Total
Corporate Law Economic Reform Program — Expense	1	1.1	-	2,750	2,750	-	1,978	1,978	-	3,480	3,480	-	936	936

Note: Administered revenue measures are not attributed to agencies and are reported in *Budget Paper No. 2*.

ADMINISTERED CAPITAL AND EQUITY INJECTIONS AND LOANS

ASIC does not have an appropriation for an equity injection or loan or an appropriation for administered capital in 1999-2000.

Section 2: Outcomes and Outputs Information

OUTCOMES AND OUTPUT GROUPS

The map on the following page shows the relationship between Government outcomes and the contributing outputs for the Australian Securities and Investments Commission. Financial detail for Outcome 1 by output appears in Table 2.2 while non-financial information for Outcome 1 appears in Table 2.3.

The activities contributing to each output include:

Policy and guidance about the laws administered by ASIC

- The design and drafting of policy statements, practice notes, guidance documents, class orders, applications for relief and modifications to the law, and all education and liaison activities.

Comprehensive and accurate information on companies and corporate activity

- All document registration and associated functions — ranging from annual returns, changes of directors, and substantial shareholder notices, to prospectuses and Part A or Part C statements of the Corporations Law — as well as the 'consequential' activities accompanying such registration, such as penalties, etc.

- Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity.

- Compliance checking, surveillance, managing complaints, analysis and targeting.

- Enforcement activity to give effect to the laws administered by ASIC.

- Investigations, civil and criminal litigation, administrative and banning action.

Australian Securities and Investments Commission

Chairperson: Mr Alan Cameron

Overall Outcome

Strong, sustainable economic growth and the improved wellbeing of Australians

Outcome 1

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

Total Price of Outputs: $137.163 million
Agency Outcomes Appropriation: $132.078 million

Output Group 1.1

Australian Securities and Investments Commission

Output 1.1.1	Output 1.1.2	Output 1.1.3	Output 1.1.4
Policy and guidance about the laws administered by ASIC	Comprehensive and accurate information on companies and corporate activity	Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	Enforcement activity to give effect to the laws administered by ASIC

OUTCOME 1

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

Table 2.1 shows the relationship between the programme structure for 1998-99 and the new outcome structure for the 1999-2000 Budget for Outcome 1.

Table 2.1: Relationship between Programme and Outcome Structure for Outcome 1

Programme Management Budgeting	Accrual Budgeting
Programme 8 — Business Affairs	**Outcome 1** A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers
Sub-programmes **Sub-programme 8.1** — Australian Securities and Investments Commission	**Output Groups** **Output Group 1.1** — Australian Securities and Investments Commission
Appropriations for Programme 8	**Appropriations for Outcome 1**
Appropriation Bill 1 Running costs, including Section 31 receipts (673-1) Appropriation Bill 2 Payments to or for the States, the Northern Territory and the Australian Capital Territory (977-1) Australian Securities Commission — for expenditure under *the Australian Securities Commission Act 1989* (977-1-01) Companies and Securities regulation — compensation for loss of revenue (977-1-02)	**Output Group 1.1**
	Outcome 1 Appropriation Bill 1 Agency Outputs Appropriation Bill 2

MEASURES IN THE 1999-2000 BUDGET

Corporate Law Economic Reform Program — Expense

Budget Measure Purpose

This measure will assist the Australian Securities and Investments Commission (ASIC) to develop and implement proposals under the second phase of the Government's Corporate Law Economic Reform Program (CLERP). This phase (CLERP 7) will focus on reducing the paper compliance burden of Australian companies and enabling ASIC to make greater use of communications technology. It will also look at a fundamental overhaul and review of the large range of paper-based documents that the law still requires companies to lodge.

The key reforms to be introduced under CLERP 7 include:

- the establishment of a Business Advisory Board to provide strategic advice on the direction and initiatives of the ASIC Information Division;
- the introduction of a 'no change, no lodge' policy which will provide that, from 1999-2000, companies and registered schemes will not need to lodge an annual return when there has been no change in the information held by ASIC;
- a review of fees set under the Corporations Law with the objective of reducing fees paid by small business and reducing the complexity of fee arrangements; and
- initiatives to assist ASIC in making optimal use of modern business practices and new communications technology.

RESOURCES FOR OUTCOME 1

Table 2.2 shows how the 1998-99 appropriation and programming structure relates to total resourcing for Outcome 1.

Table 2.2: Total Resources for Outcome

	Estimated Actual 1998-99 CASH $'000	Estimated Actual 1998-99 ACCRUAL $'000	Budget 1999-00 $'000
Price of Agency Outputs			
Output Group 1.1 — Australian Securities and Investments Commission			
Output 1.1.1 — Policy and guidance about the laws administered by ASIC	13,581	14,336	13,594
Output 1.1.2 — Comprehensive and accurate information on companies and corporate activity	39,795	42,008	39,834
Output 1.1.3 — Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	23,606	24,919	23,629
Output 1.1.4 — Enforcement activity to give effect to the laws administered by ASIC	60,047	63,387	60,106
Appropriation Structure 1998-99 (a)			
Sub-Programme 8.1 — Australian Securities and Investments Commission			
Subtotal Output Group 1.1	137,028	144,650	137,163
Revenue from Government (Appropriation) for Agency Outputs	134,830	137,028	132,078
Revenue from Other Sources	7,622	7,622	5,085
Total Price of Outputs	137,028	144,650	137,163
Total for Outcome 1	137,028	144,650	137,163

	1998-99	1999-00
Staff Years (Number)	1,267	1,272

(a) See Table 2.1 for details.

CONTRIBUTION OF OUTPUTS TO OUTCOME 1

The outputs reflect the programmes and activity that ASIC undertakes in fulfilling its function as a government regulatory authority and are essential for the achievement of the Government's outcome.

The Government seeks to ensure that consumers are adequately informed about the financial market and adequately protected from investing in improper and unfair financial products. To achieve this ASIC aims to reduce fraud and unfair practices in financial markets and financial products so consumers use them confidently and companies and markets perform effectively.

In carrying out its responsibilities the Commission strives for:

- high quality regulation at a reasonable cost to the market; and

- responsive, intelligent and consistent customer service, clearly communicated and with a strong educative role.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.3: Performance Information 1999-2000

Performance Information for Agency Outputs

Output Group 1.1 — Australian Securities and Investments Commission

	ASIC's principal methods for measuring its performance are: • a biennial customer satisfaction survey (which will next occur in 2000) conducted by an external market research firm, and • internal monthly publication of key performance indicators. During 1999-2000 a performance measures strategy project will be used to refine our current range of quantitative and qualitative regulatory performance indicators, in consultation with our key stakeholders.
Output 1.1.1 — Policy and guidance about the laws administered by ASIC	The Department of Workplace Relations and Small Business has developed Regulatory Performance Indicators about which business regulation agencies, including ASIC, are required to provide information. In addition to these, we will measure: Extent to which policy and processes associated with new law are in place Extent to which consumers, investors and other stakeholders are consulted during policy formulation Extent to which compliance burden is placed on business Infoline calls resolved during first call Complaints to ASIC dealt with in 28 days
Output 1.1.2 — Comprehensive and accurate information on companies and corporate activity	Annual returns lodged electronically Searches conducted on-line Company information lodged on time

Table 2.3: Performance Information 1999-2000 (continued)

Performance Information for Agency Outputs (continued)

Output 1.1.3 — Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	ASIC's objective is to focus compliance activities on specific patterns, problems or risk areas and to respond to these problems with integrated national campaigns that use a range of regulatory tools. Generic performance indicators are not appropriate for this approach. Specific indicators will be developed for each campaign. In addition the following measures apply: Final securities industry licences issued within 60 business days of application Managed investment licence application — letter of offer/refusal sent within 30 business days Managed investment scheme registration - schemes registered within 18 business days (legislative timing 28 days)
Output 1.1.4 — Enforcement activity to give effect to the laws administered by ASIC	Investigations finalised within 12 months of resourcing

Evaluations

ASIC's new regulatory system will be subject to a review after five years by the Financial Sector advisory Council.

Information on evaluation activity that relates to this outcome is included in Table 2.3 above and the results will be shown in ASIC's Annual Report.

Competitive Tendering and Contracting

ASIC plans to outsource its staff recruitment function in the 1999-2000 financial year. Evaluations are also being undertaken to assess the feasibility of outsourcing other areas of non-core activity in the near future. These non-core activities include, travel management and property management.

Section 3: Budget Financial Statements

The budget financial statements will form the basis of the financial statements that will appear in the Australian Securities and Investments Commission's 1999-2000 Annual Report, and form the basis for the input into the Whole of Government Accounts.

Budget Statement of Revenues and Expenses (Budget Operating Statement)

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

Budget Statement of Assets and Liabilities (Budget Balance Sheet)

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

Budget Cash Flow Statement

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Capital Budget

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

Non-financial Assets — Summary of Movement

This statement shows the movement in ASIC's non-financial assets over the Budget year 1999-2000.

Table 3.1: Budget Statement of Revenue and Expenses

	Estimated Actual		Estimated		
	1998-99 $'000	1999-00 $'000	2000-01 $'000	2001-02 $'000	2002-03 $'000
Agency Revenue and Expenses					
Revenue					
Revenue from government					
Ordinary annual appropriations (net appropriations)	137,028	132,078	129,020	134,894	135,717
Resources received free of charge	540	500	500	500	500
Revenue from other sources					
Other revenue from other sources	7,082	4,585	4,275	4,275	4,275
Total Revenue	144,650	137,163	133,795	139,669	140,492
Expenses					
Employees	77,900	77,791	73,915	75,586	74,492
Depreciation and amortisation	5,582	6,910	8,435	9,475	10,474
Other costs of providing goods and services	55,864	51,796	51,004	54,167	55,085
Other	5,304	575	350	350	350
Total Expenses	144,650	137,072	133,704	139,578	140,401
Operating Result before Capital User Charge	-	91	91	91	91
Capital User Charge	-	91	91	91	91
Transfers and Dividends	-	-	-	-	-
Accumulated Results at Year End	-	-	-	-	-
Administered Revenue and Expenses					
Revenue	349,225	353,169	355,818	359,037	364,333
Total Revenue	349,225	352,169	355,818	359,037	364,333
Expenses	3,000	2,000	2,000	2,000	2,000
Total Expenses	3,000	2,000	2,000	2,000	2,000
Net contribution to government	346,225	351,169	353,818	357,037	362,333

Table 3.2: Budget Statement of Assets and Liabilities

	Estimated Actual		Estimated		
	1998-99 $'000	1999-00 $'000	2000-01 $'000	2001-02 $'000	2002-03 $'000
Agency Assets and Liabilities					
Debt					
Leases	4,990	5,360	3,811	2,966	2,395
Other	4,822	2,772	-	-	-
Total Debt	9,812	8,132	3,811	2,966	2,395
Provisions and Payables					
Employees	21,609	22,703	23,648	24,647	25,619
Suppliers	1,500	1,500	1,500	1,500	1,500
Other	385	224	-	-	-
Total Provisions and Payables	33,306	32,559	28,959	29,113	29,514
Equity					
Accumulated results	443	443	443	443	443
Reserves	314	314	314	314	314
Total Equity	757	757	757	757	757
Total Liabilities and Equity	34,063	33,316	29,716	29,870	30,271
Financial Assets					
Cash	7,751	7,891	4,896	10,440	16,213
Receivables	1,585	1,375	1,375	1,375	1,375
Total Financial Assets	9,336	9,266	6,271	11,815	17,588
Non-financial Assets					
Land and buildings	7,466	6,554	7,744	4,944	2,144
Infrastructure, plant and equipment	15,414	15,616	13,917	11,368	8,819
Other	1,847	1,880	1,784	1,743	1,720
Total Non-financial Assets	24,727	24,050	23,445	18,055	12,683
Total Assets	34,063	33,316	29,716	29,870	30,271
Administered Assets and Liabilities					
Provisions and Payables					
Other	800	700	700	700	700
Total Provisions and Payables	800	700	700	700	700
Accumulated results	30,385	32,554	35,772	35,809	36,342
Total Equity	30,385	32,554	35,772	35,809	36,342
Total Liabilities and Equity	31,185	33,254	36,472	36,509	37,042
Financial Assets					
Cash	3,500	3,600	4,100	3,600	3,800
Receivables	12,000	13,000	14,000	14,500	14,500
Accrued revenues	15,685	16,654	18,372	18,409	18,742
Total Financial Assets	31,185	33,254	36,472	36,509	37,042
Non-financial Assets					
Total Non-financial Assets					
Total Assets	65,248	66,570	66,188	66,379	67,313

Table 3.3: Budget Cash Flow Statement

	Estimated Actual		Estimated		
	1998-99 $'000	1999-00 $'000	2000-01 $'000	2001-02 $'000	2002-03 $'000
Agency Cash Flows					
Operating Activities					
Cash Received					
Appropriations	137,028	132,078	129,020	135,894	135,717
Sales of goods and services	5,103	3,070	2,650	2,650	2,650
Other	1,610	1,500	1,400	1,400	1,400
Total Cash Received	143,741	136,648	133,070	138,944	139,767
Cash Used					
Employees	-76,340	-76,289	-72,561	-74,180	-73,111
Suppliers	-57,994	-51,844	-52,682	-54,970	-55,633
Total Cash Used	-134,334	-128,133	-125,243	-129,150	-128,744
Net Cash from Operating Activities	9,407	8,5150	7,827	9,794	11,023
Investing Activities					
Cash Received					
Proceeds from sale of property, plant and equipment	125	125	125	125	125
Total Cash Received	125	125	125	125	125
Cash Used					
Purchase of property, plant and equipment	-7,938	-6,450	-8,175	-4,375	-5,375
Total Cash Used	-7,938	-6,450	-8,175	-4,375	-5,375
Net Cash from Investing Activities	-7,813	-6,325	-8,050	-4,250	-5,250
Financing Activities					
Cash Received					
Total Cash Received	-	-	-	-	-
Cash Used					
Repayment of borrowings	-1,678	-2,050	-2,772	-	-
Total Cash Used	-1,678	-2,050	-2,772	-	-
Net Cash from Financing Activities	-1,678	-2,050	-2,772	-	-
Net increase/decrease in cash held	-84	140	-2,995	5,544	5,773
Add cash as at 1 July	7,835	7,751	7,891	4,896	10,440
Cash as at 30 June	7,751	7,891	4,896	10,440	16,213
Administered Cash Flows					
Operating Activities					
Cash Received					
Other	346,192	351,200	353,100	358,500	364,000
Total Cash Received	346,192	351,200	353,100	358,500	364,000
Cash Used					
Other	346,460	351,100	352,600	359,000	363,800
Total Cash Used	346,460	351,100	352,600	359,000	363,800
Net cash from Operating Activities	-268	100	500	-500	200
Cash at the end of Reporting Period	3,500	3,600	4,100	3,600	3,800

CAPITAL BUDGET

Table 3.4: Capital Budget

Capital Appropriation	1999-00 $'000	Estimated 2000-01 $'000	2001-02 $'000	2002-03 $'000
Total Equity Injections	-	-	-	-
Total Loans	-	-	-	-
Total Capital Appropriations	-	-	-	-
Represented by	-	-	-	-
Purchase of non-current assets	6,450	8,175	4,375	5,375
Total	6,450	8,175	4,375	5,375

Note: ASIC has an annual non-current asset replacement programme in place which enables it to update its IT equipment and office machines on a cyclical basis.

Purchase of non-current assets	1999-00 $'000	Estimated 2000-01 $'000	2001-02 $'000	2002-03 $'000
Funded by capital appropriations	-	-	-	-
Funded internally by Agency resources	6,450	8,175	4,375	5,375
Total	6,450	8,175	4,375	5,375

Table 3.5: Non-financial Assets — Summary of Movement

Budget year 1999-2000

	Land	Buildings	Total Land and Buildings	Other Infrastructure, Plant and Equipment	Total Infrastructure, Plant and Equipment	Intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross Value							
As at 1 July 1999 (opening)	30	9,129	9,159	18,427	18,427	-	27,586
Additions	-	1,075	1,075	5,375	5,375	-	6,450
Disposals	-	-	-	-2,175	-2,175	-	-2,175
Other movements	-	-	-	-	-	-	-
As at 30 June 2000	30	10,204	10,234	21,627	21,627	-	31,861
Accumulated Depreciation							
As at 1 July 1999 (opening)	-	1,693	1,693	3,013	3,013	-	4,706
Disposals	-	-	-	-1,925	-1,925	-	-1,925
Charge for the reporting period	-	1,987	1,987	4,924	4,924	-	6,911
Other movements	-	-	-	-	-	-	-
As at 30 June 2000	-	3,680	3,680	6,012	6,012	-	9,692
Net Book Value as at 30 June 2000 (Closing Book Value)	30	6,524	6,554	15,615	15,615	-	22,169
Net Book Value as at 1 July 1999 (Opening Book Value)	30	7,436	7,466	15,414	15,414	-	22,880

Total Additions

	Land	Buildings	Total Land and Buildings	Other Infrastructure, Plant and Equipment	Total Infrastructure, Plant and Equipment	Intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Self funded	-	1,075	1,075	5,375	5,375	-	6,450
Appropriations	-	-	-	-	-	-	-
Total	-	1,075	1,075	5,275	5,375	-	6,450

NOTES TO THE FINANCIAL STATEMENTS

Budget Statement of Revenue and Expenses

Revenue

Ordinary Annual Appropriations (Net Appropriations)

The amount appropriated in 1998-99 is higher than in subsequent years. This is predominantly due to non-recurring implementation costs of the Financial System Inquiry recommendations which were provided in the 1989-99 appropriation. To a lesser extent, the 1998-99 financial year discloses a cash based appropriation whereas all subsequent appropriations are accrual based.

Revenue from Other Sources

This revenue is higher in 1998-99 compared to subsequent years as it includes Business Names Register usage fees. These fees will no longer be a significant revenue stream after 1998-99 as the States will have implemented their own Business Names systems from 1 July 1999.

Expenses

Employee Expenses

There is a decline in 2000-01 primarily because the funding for initiatives associated with the Managed Investments Bill ceases at the end of 1999-2000. This is subject to a Parliamentary review in 2000-01. Secondary reasons include savings in salaries and package costs associated with voluntary redundancies undertaken in prior years. There is also a reduction in funding provided for initiatives associated with the Corporations Law Economic Reform Project, relative to prior years.

Other Costs of Providing Goods and Services

These expenses decline in 1999-2000 in direct proportion to the drop in funding from 1998-99 to 1999-2000. Funding was provided in 1998-99 for non-recurring implementation costs of the Financial System Inquiry recommendations.

Other Expenses

In 1998-99 these expenses primarily reflect losses associated with decrements arising from the revaluation of assets and the writedown of assets. Other expenses in the forward years are related to the writedown of assets.

Budget Statement of Assets and Liabilities

Debt

This balance relates to borrowings made out of future Parliamentary appropriations. It will be repaid by the end of June 2000.

Appendix 1

Non-Appropriation Departmental and Administered Revenue

	Estimated Revenue 1998-99 $	Estimated Revenue 1999-00 $
External Departmental Revenue	346,225,000	351,169,000
Total Estimated Revenue	346,225,000	351,169,000