AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

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

The ASIC Act requires that the Commission:

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

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

APPROPRIATIONS AND RESOURCING

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

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

Australian Securities and Investments Commission — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) $'000					Administered $'000				$'000
	Revenues from government (appropriations)			Revenue from other sources[3]	Price of outputs[2]	Annual appropriations		Special appropriations[4]	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps	Total			Bill No. 1	Bill No. 2 (SPPs & NAOs)			
	(A)	(B)	(C = A+B)	(D)	(E = C+D)	(F)	(G)	(H)	(I = F+G+H)	(J = C+I)
			(C1)[1]		(E1)[1]				(I1)[1]	
Outcome 1 - A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers	199,842	-	199,842	6,820	206,662	-	-	26,000	26,000	225,842
			97%	3%	100%					
Total	199,842	-	(K1)[1] 199,842	6,820	206,662	-	-	26,000	(K2)[1] 26,000	225,842
								Agency capital (equity injections and loans)	(K3)[1]	11,300
								Administered capital		-
								Total appropriations		237,142

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

Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

MEASURES — AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION SUMMARY

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

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

AGENCY REVENUES

Table 1.3: Agency revenues

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

Services

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

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

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

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

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

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

Movement of funding between years	$ 2.0 million

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

SPECIAL APPROPRIATIONS

Table 1.5: Estimates of expenses from special appropriations

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

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

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

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

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

AGENCY EQUITY INJECTIONS AND LOANS

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

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

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

Map 2: Outcomes and output groups

Australian Securities and Investments Commission

Acting Chairman: Mr Jeffrey Lucy

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: $206.7 million
Agency outcomes appropriation: $199.8 million
Administered appropriation: $26.0 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

Output cost attribution

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

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

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs

OUTCOME 1 — DESCRIPTION

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

Measures affecting Outcome 1

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

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

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

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

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

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

Superannuation Complaints Tribunal — relocation

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

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

OUTCOME 1 — RESOURCING

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

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual $'000		2004-05 budget estimate $'000
Administered appropriations			
Special appropriations			
Banking Act 1959 - Banking Unclaimed Monies	18,000		20,000
Life Insurance Act 1995 - Life Unclaimed Monies	3,000		3,000
Reimbursement of overpayment of fees paid under the *Corporations Act 2001*	3,000		3,000
Total administered apppropriations	24,000	(I1)[1]	26,000
Agency appropriations			
Output Group 1.1 - Australian Securities and Investments Commission			
Output 1.1.1 - Policy and guidance about the laws administered by ASIC	9,327		9,352
Output 1.1.2 - Comprehensive and accurate information on companies and corporate activity	44,250		48,002
Output 1.1.3 - Compliance, monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	58,328		61,351
Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC	80,879		81,137
Total revenues from government (appropriations)	192,784	(C1)[1]	199,842
Contributing to price of agency outputs	96%		97%
Revenue from other sources			
Services	3,200		3,264
Interest	1,750		700
Other	2,800		2,856
Total revenue from other sources	7,750		6,820
Total price from agency outputs (Total revenues from government and from other sources)	200,534	(E1)[1]	206,662
Total estimated resourcing for Outcome 1 (Total price of outputs and administered appropriations)	224,534		232,662

	2003-04	2004-05
Average staffing level (number)	1,498	1,573

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

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

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

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

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Performance information for agency outputs		
Output Group 1.1 - Australian Securities and Investment Commission		
Output 1.1.1 -	Policy and guidance about the laws administered by ASIC	In financial year 2004-05, ASIC will measure: The effectiveness of new policies to assist companies adjust to the financial services reform legislation; and The extent to which consumers, investors and other stakeholders are consulted during policy formulation.
Output 1.1.2 -	Comprehensive and accurate information on companies and corporate activity	Successful transition to CLERP 7 requirements for ongoing and regular review by companies to verify the accuracy of their respective company record. Development and implementation of a variety of compliance programs to ensure that companies meet their responsibilities to lodge prescibed information under the CLERP 7 legislation. Increased public access to company information via a variety of accessible and useful channels.
Output 1.1.3 -	Compliance monitoring and licensing of FSR 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. Specific indicators are developed for each campaign. FSR Licensing and surveillance - Stakeholders' satisfaction with discretionary decision-making as measured by survey;

Table 2.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)		
Output 1.1.3 -	Compliance monitoring and licensing of FSR participants in the financial system to protect consumer interests and ensure market integrity (continued)	- Level and quality of guidance to industry as measured by a reduction in the number of requests for guidance over four years; - 70 per cent of targeted surveillances result in corrective action; - Surveillance of 40 per cent of licensed population over four years; and - 70 per cent of licence applications and variations reviewed within 15 business days measured over a period of four years.
Output 1.1.4 -	Enforcement activity to give effect to the laws administered by ASIC	Investigations cover a range of breaches across the full spectrum of ASIC's responsibilities. Enhanced public confidence in, and awareness of, ASIC enforcement as measured by survey or stakeholder feedback, an increased level of provision of or attendance at seminars addressing compliance issues and increased media coverage. Increased percentage of complex investigations completed within 12 months. Increased number of enforcement actions arising from our investigations. Portion of public complaints actioned.

EVALUATIONS

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

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

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

Section 3: Budgeted financial statements

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

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

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

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

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

Budgeted agency statement of financial position

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

Equity

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

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

Financial Assets

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

Non-Financial Assets

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

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

Liabilities – Debt

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

Provisions and payables

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

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

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

Budgeted agency statement of cash flows

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

Agency capital budget statement

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

Agency non-financial assets — summary of movement

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

NOTE OF ADMINISTERED ACTIVITY

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

Note of budgeted administered financial performance

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

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

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

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

Note of budgeted administered financial position

Financial Assets

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

Liabilities — payables

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

Note of budgeted administered cash flows

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

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

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

1. K1 shows the link back to Table 1.1.
2. An amount of $3 million appropriated in 2003-04 has been reprofiled to 2004-05 and is reflected in the statement of financial performance as a dividend payment to government in 2003-04 and corresponding increase in ASIC's 2004-05 appropriation.

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

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

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

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

Table 3.4: Agency Capital Budget Statement

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

1. K3 shows the link back to Table 1.1.

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

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

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

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

1. K2 shows the link back to Table 1.1.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

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

Budgeted agency financial statements

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

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

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

Appropriations in the accrual budgeting framework

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

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

Asset valuation

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

Leases

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

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

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

Depreciation and amortisation

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

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

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

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

COST RECOVERY ARRANGEMENTS

Cost Recovery Impact Statement: Sustaining ASIC's Operations

Reason for preparing a Cost Recovery Impact Statement (CRIS)

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

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

Description of proposed cost recovery arrangement

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

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

Details of compliance with cost recovery policy

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

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

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

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

Review

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