

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

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AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

Australian Securities and Investments Commission — primary functions and responsibilities

The Australian Securities and Investments Commission (ASIC) is an independent government body established under the *Australia Securities and Investments Commission Act 2001* (ASIC Act).

ASIC's objectives, as set out in the ASIC Act are to:

- maintain, facilitate and improve the performance of the financial system and the entities within that system in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy;
- promote the confident and informed participation of investors and consumers in the financial system;
- administer the laws that confer functions and powers on it effectively and with a minimum of procedural requirements;
- receive, process and store, efficiently and quickly, the information given to ASIC under the laws that confer functions and powers on it;
- ensure that information is available as soon as practicable for access by the public; and
- take whatever action it can, and is necessary, in order to enforce and give effect to the laws of the Commonwealth that confer functions and powers on it.

ASIC's areas of regulatory responsibility include consumer protection and market integrity in the financial services sector, investment management (including the superannuation industry), capital markets (including both primary and secondary capital markets), and corporations and their auditors and liquidators.

ASIC also operates and maintains the corporate register that provides information to the public about Australia's 1.5 million companies, financial services licensees and other professionals registered with ASIC.

In addition, ASIC also provides public and consumer education material through a variety of community outreach activities and programs.

ASIC has around 1,676 staff, with offices in all States.

ASIC's strategic review

ASIC will shortly implement the findings of the strategic review, which commenced in 2007.

The strategic review covers all aspects of ASIC's responsibilities and functions and will establish ASIC's strategic objectives and plans for the next 3-5 years.

The review has:

- comprehensively reviewed ASIC's external environment and the trends and changes likely to occur over the next 5 years;
- identified external challenges and opportunities likely to confront ASIC in that time frame;
- assessed ASIC's internal environment, the services it provides, its structures, capabilities, and culture, and identified its main strengths and weaknesses and areas for change; and
- benchmarked ASIC against peer organisations domestically and internationally.

A critical input for the review was a detailed stakeholder survey undertaken by ASIC in January and February 2008, which sampled all relevant stakeholder groups. The outcome of this survey provided ASIC with information about the environment in which ASIC will carry out its responsibilities over the next 3-5 years, and about stakeholders' current and future expectations and attitudes towards ASIC.

ASIC's priorities for 2008-09

ASIC's priorities for 2008-09 are:

- helping retail investors: developing initiatives to assist and protect retail investors and consumers in the financial economy;
- capital market integrity: building confidence in the integrity of Australia's capital markets;
- international capital flows and international enforcement: facilitating international capital flows and inward and outward investment in Australia's capital markets, and work with other regulators to detect and deal with international fraud and market misconduct;
- using new technologies to improve services and reduce costs: reducing costs and red tape for small to medium businesses;
- managing implications of global financial turmoil: managing the domestic and international implications of global market turmoil and volatility; and
- lift operational effectiveness and service levels for all ASIC stakeholders: simplify interactions with ASIC and reduce business costs of compliance.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all origins. The table summarises how resources will be applied to ASIC.

Table 1.1: Australian Securities and Investments Commission resource statement — Budget estimates for 2008-09 as at Budget May 2008

	Estimate of prior + year amounts available in 2008-09 \$'000	Proposed at Budget = 2008-09 \$'000	Total estimate 2008-09 \$'000	Estimated appropriation available 2007-08 \$'000
Ordinary annual services				
Departmental outputs				
Departmental outputs	46,741 ⁴	298,963 ¹	345,704	292,173
Receipts from other sources (s31)	-	8,287 ³	8,287	12,368
Total departmental outputs	46,741	307,250	353,991	304,541
Administered expenses				
Outcome 1 - Assetless				
Administration Fund	-	3,424 ¹	3,424	5,206
Total administered expenses	-	3,424	3,424	5,206
Total ordinary annual services A	46,741	310,674	357,415	309,747

Table 1.1: Australian Securities and Investments Commission resource statement — Budget estimates for 2008-09 as at Budget May 2008 (continued)

	Estimate of prior ⁺ year amounts available in 2008-09 \$'000	Proposed at Budget ⁼ 2008-09 \$'000	Total estimate 2008-09 \$'000	Estimated appropriation available 2007-08 \$'000
Other services				
Departmental non-operating				
Equity injections	19,096 ⁵	17,117 ²	36,218	38,758
Total other services	B 19,096	17,117	36,213	38,758
Total available annual appropriations (A + B)	65,837	327,791	393,628	348,505
Special appropriations				
Banking Act 1959	-	21,780	21,780	20,280
Life Insurance Act 1995	-	2,760	2,760	4,890
Total special appropriations	C -	24,540	24,540	25,170
Total appropriations excluding special accounts (A + B + C)	65,837	352,331	418,168	373,675
Special accounts ⁶				
Opening balance	240,268	-	240,268	221,343
Appropriation receipts	-	30,000	30,000	30,000
Non-appropriation receipts to Special Accounts	-	38,000	38,000	38,000
Total special accounts	D 240,268	68,000	308,268	289,343
Total resourcing (A + B + C + D)	306,105	420,331	726,436	663,018
Less appropriations drawn from annual appropriations above and credited to special accounts	-	30,000	30,000	30,000
Total net resourcing for ASIC	306,105	390,331	696,436	633,018

1. Appropriation Bill (No.1) 2008-09.

2. Appropriation Bill (No.2) 2008-09.

3. Receipts received under s31 of the *Financial Management and Accountability Act 1997*.

4. Estimated adjusted balance carried forward from previous year for annual appropriations.

5. Estimated adjusted balance carried forward from previous year for equity injections.

6. Estimated opening balance for special accounts. For further detail on special accounts see Table 3.1.3.

1.3 BUDGET MEASURES

Budget measures relating to ASIC are detailed in Budget Paper No. 2, *Budget Measures 2008-09*. Table 1.2 provides a summary of government measures and identifies the relevant output groups associated with each measure.

Table 1.2: Australian Securities and Investments Commission 2008-09 Budget measures

	Output group	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Expense measures						
Departmental outputs						
Responsible Economic Management - Choice of Superannuation Fund						
	1.1	-	-	(1,100)	(2,340)	(2,340)
Responsible Economic Management - Financial Literacy Foundation - transfer						
	1.1	-	-	-	-	-
Total expense measures		-	-	(1,100)	(2,340)	(2,340)

Prepared on a Government Finance Statistics basis.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

The Australian Government requires agencies to measure their intended and actual performance in terms of outcomes. Government outcomes are the results, impacts or consequences of actions by the government on the Australian community.

ASIC's outcome is described below by output groups, specifying the performance indicators and targets used to assess and monitor the performance of ASIC in achieving government outcomes.

2.1.1 Outcome 1: A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers

Outcome 1 strategy

Helping retail investors and consumers: by developing initiatives to assist and protect retail investors and consumers in the financial economy.

The work to be undertaken in 2008-09 will include:

- helping retail investors and consumers better understand the types of products they are investing in and the concepts of risk-adjusted return, asset allocation and diversification;
- improving the information about financial products given to retail investors and consumers by ensuring that the information is clear and easy to understand and is accessible on-line; and
- ensuring that professional advice has value and helping to facilitate access to low cost professional advice.

Capital market integrity: maintaining and improving confidence and integrity in Australia's capital markets.

In 2007-08 a special ASIC Capital Markets Taskforce was established to determine what additional actions ASIC can take in the areas of continuous disclosure, market manipulation and insider trading. A priority of the taskforce was to increase public and market confidence that market abuse is likely to be detected and acted against quickly and effectively.

Key initiatives for 2008-09, that build on the work of the taskforce are to:

- implement recommendations of the taskforce's strategic review on capital markets in conjunction with ASIC's overall strategic review; and
- introduce three key components: a single specialist team to handle all referrals and conduct, IT enhancements to develop surveillance and enforcement capability and capacity, and build communication with market participants.

International capital flows/inward and outward investment: facilitating inward and outward investment in capital markets. ASIC's focus in this area will be to:

- maximise recognition arrangements between foreign jurisdictions (both mutual and unilateral);
- maximise and enhance international cooperation arrangements with other foreign jurisdictions; and
- facilitate cross border financial services businesses.

ASIC also plans to bring forward a number of existing recognition related dialogues with foreign regulators. This includes the aim to achieve a mutual recognition of securities markets regulation between the United States Securities and Exchange Commission (SEC) and Australia by 31 December 2008. This SEC-Australian recognition may also include stockbroker recognition.

ASIC will also work closely with regulators in other major jurisdictions to ensure cross-jurisdictional fraud and market misconduct is detected and dealt with effectively.

Using technology to reduce costs of regulation: ASIC will reduce costs and red tape for small to medium businesses by making it easier to transact with ASIC. During 2008-09 ASIC plans to:

- increase the number of avenues available for businesses and other entities to electronically interact with ASIC;
- update the searching capacity of the corporate register to better meet the needs of customers; and
- participate in Standard Business Reporting (SBR), to build a better system for business-to-government reporting for the future. The SBR initiative will reduce the costs of business reporting to government by harmonising definitions, procedures and reporting requirements across both Commonwealth and State agencies. Among other things, it will allow businesses to use their accounting/record keeping

software to automate much of their numerical reporting to government (including Corporations Act financial reporting).

Manage implications of global financial turmoil: managing both the domestic and international implications of global market volatility. ASIC will give priority to reviewing the implications of recent market crises both here and overseas and will examine the role of those involved, including margin lenders, stock lenders, rating agencies and investment banks.

ASIC will also implement the findings of its strategic review with effect from 1 July 2008.

Outcome 1 resource statement

Table 2.1 provides additional detail of budget appropriations and the total resourcing for Outcome 1.

Table 2.1: Total resources for outcome 1

Outcome 1: A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
Output group 1.1 - Australian Securities and Investments Commission		
Departmental outputs		
Output 1.1.1 - Policy and guidance about the laws administered by ASIC	16,151	15,923
Output 1.1.2 - Comprehensive and accurate information on companies and corporate activity	73,607	66,831
Output 1.1.3 - Compliance, monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	65,027	64,911
Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC ¹	144,178	144,508
Receipts from other sources (s31)	8,287	12,368
Administered items		
Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC	3,424	5,206
Special appropriations		
<i>Banking Act 1959</i> - Banking Unclaimed Moneys	21,780	20,280
<i>Life Insurance Act 1959</i> - Life Unclaimed Moneys	2,760	4,890
Total resources for outcome 1	335,214	334,917
Less appropriations drawn from annual appropriations and credited to special accounts	30,000	30,000
Total net resourcing for ASIC	305,214	304,917

	2008-09	2007-08
Average staffing level (number)	1,685	1,676

1. An enforcement special account was established to provide funding for large enforcement investigations and legal proceedings. The amount is included in the appropriation under output 1.1.4. Also see Table 3.1.3.

Note: Departmental splits by output, are indicative estimates and may change in the course of the budget year as government priorities change.

Contributions to outcome 1

Output group 1.1 — Australian Securities and Investments Commission
Output group 1.1 contributes to outcome 1 by ensuring that the Australian financial markets are fair and transparent and supported by confident and informed participation of investors and consumers. The output group consists of four key outputs that are described below. Components of output group 1.1 are: Departmental outputs Output 1.1.1 — Policy and guidance about the laws administered by ASIC Activities undertaken include: • Recommendations to the Minister about market licence operating rules. • Guidance provided to regulated entities about how ASIC will apply the law and exercise the law and exercise the discretions that parliament has given ASIC by issuing policy statements, guidance notes and class orders. • Provision of information about the legislation that falls within ASIC's jurisdiction to consumers, companies and investors. • Liaison with overseas regulators. Output 1.1.2 — Comprehensive and accurate information on companies and corporate activity Activities undertaken include: • Maintaining a comprehensive, accurate and up to date corporate register. • Stakeholders are provided with timely information about their obligations under the <i>Corporations Act 2001</i>. Output 1.1.3 — Compliance, monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity Activities undertaken include: • Undertaking compliance activities on specific patterns, problems or risk areas and to respond to these problems using a range of regulatory tools. • Issue, amend or refuse licenses to entities and individuals to sell and advise on financial products and services. • Approve new managed investment schemes and new Australian market licences. • Responding to novel and standard applications from companies to exercise our discretion to modify the law. • Determining whether Australian market licensees comply with the standards of supervision required by the law. Administered item — Assetless Administration Fund. • ASIC finances preliminary investigations and reports by liquidators into the failure of companies with little or no assets that have been selected by ASIC, where it appears that enforcement action may result from the investigation and report. A particular focus of the Assetless Administration Fund is to curb fraudulent phoenix activity.

Contributions to outcome 1 (continued)

Output group 1.1 — Australian Securities and Investments Commission (continued)	
Output 1.1.4 — Enforcement activity to give effect to the laws administered by ASIC Activities undertaken include: Expediting enforcement actions and litigation to maintain corporate and public confidence in financial markets, and compliance with the <i>Corporations Act 2001</i> generally. Investigating reports of crime and misconduct received from the public.	
Output 1.1.1 — Policy and guidance about the laws administered by ASIC	
Key performance indicators	2008-09 target
• Extent to which advice and recommendations are approved by the Minister. • Extent to which ASIC provides guidance and that there is effective consultation about that guidance. • Consumer and investors are provided with information about their rights and responsibilities and how best to make informed choices under this legislative regime.	Full compliance with the consultation requirements set out by the Office of Best Practice Regulation. 80 per cent of advice to Minister on markets rule changes within 14 days of lodgement. Increased number of visits to ASIC's consumer website — FIDO (www.fido.gov.au). An increase in the number of High Schools that use ASIC's new superannuation and insurance interactive schools resources measured over a two year period. The percentage of issuers of Unlisted and Unrated Debentures (UUD) that distributes ASIC's UUD investor guide with their prospectus. Increased media coverage of ASIC's consumer messages. Over the longer term — improvements in financial literacy levels as shown in ANZ's National Financial Literacy survey that is undertaken every two years.
Output 1.1.2 — Comprehensive and accurate information on companies and corporate activity	
• Ensuring the corporate register is available to the public to search. • Ensuring the corporate register remains current and up-to-date by processing changes promptly and efficiently. • Providing stakeholders with information about their obligations under the <i>Corporations Act 2001</i>.	Availability of the corporate register. Increase in the number of searches of the corporate register. Percentage of key documents processed within 48 hours of receipt. Increased percentage of documents lodged electronically as a result of initiatives adopted by ASIC. Increased percentage of company data lodged on time as a result of initiatives adopted by ASIC.

Contributions to outcome 1 (continued)

Output 1.1.2 — Comprehensive and accurate information on companies and corporate activity (continued)	
Key performance indicators	2008-09 target
	All companies provided company statements by ASIC within 14 days of their annual review date. Call centre answers at least 80 per cent of all calls within 60 seconds.
Output 1.1.3 — Compliance, monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	
• Compliance activities lead to the identification of specific behaviour patterns, problems or risk areas and most appropriate responses to them. • Prompt and efficient notification to entities and individuals regarding their application for, or amendment to their license requests. • Prompt and efficient assessment of capital markets. • Discretionary decision making in accordance with principles of administrative law.	Entities make better disclosures to the market where specific behaviour patterns, problems or risks have been identified associated with fund raising. Entities make better disclosures in disclosure documents where specific behaviour patterns, problems or risks have been identified associated with financial services and products. Entities make changes to their compliance arrangements and/or behaviours where specific behaviour patterns, problems or risks have been identified. 70 per cent of applications for Australian Financial Services (AFS) licences and variations to AFS licences decided within 28 days. 100 per cent of managed investment schemes registered within 14 days. 80 per cent of recommendations to the Minister on new market licences made within 16 weeks of receiving a complete application. 80 per cent of findings on assessment of markets are provided to the licensee within 2 months of inspection. No successful appeals to the Administrative Appeals Tribunal regarding ASIC decisions to grant AFS licenses or to provide ASIC relief.

Contributions to outcome 1 (continued)

Output 1.1.4 — Enforcement activity to give effect to the laws administered by ASIC	
Key performance indicators	2008-09 target
• Prompt and efficient conduct of investigations resourced. • Enforcement actions lead to the protection of consumers and investors. • Complaints received are resolved promptly and efficiently.	50 per cent of investigations resourced that led to a conclusion within 6 months of commencement. No more than 15 per cent of investigations resourced that led to a conclusion after 12 months of their commencement. Percentage of successful criminal prosecutions by the Commonwealth Director of Public Prosecution. Percentage of successful civil prosecutions. 70 per cent of investigations resourced that lead to an enforcement outcome. Customer service levels maintained with a minimum of 70 per cent of complaints assessed, finalised and the complainant notified of outcome within 28 days of receipt.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of agency finances for the budget year 2008-09. It explains how budget plans are incorporated into the financial statements and provides further details of movements in administered funds, special accounts and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Reconciliation of total available appropriation and outcomes

The Agency Resource Statement (Table 1.1) details the total available appropriation to ASIC from all sources. For departmental operating appropriations (outputs) this includes carry-forward amounts as well as amounts appropriated at budget. As ASIC incurs and is funded for future liabilities, generally depreciation and employee entitlements, the total amount of departmental operating appropriation available to ASIC is unlikely to be fully utilised in the budget year. The difference between the agency resource statements and the sum of all payments made at the departmental outputs level is the expected carry-forward amount of resources for the 2009-10 budget year, including amounts related to meeting future obligations to maintain ASIC's asset base and to meet employee entitlement liabilities.

Table 3.1.1: Reconciliation of total available appropriation and outcomes

	\$'000
Total available departmental operating appropriation (outputs)	353,991
Less estimated payments in 2008-09	322,441
Estimated departmental outputs carried forward and available for 2009-10	31,550

3.1.2 Movement of administered funds between years

Table 3.1.2: Movement of administered funds between years

ASIC has not moved any administered funds between years.

3.1.3 Special accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's Determination under the *Financial Management and Accountability Act 1997* (FMA Act) or under separate enabling legislation. Table 3.1.3 shows the expected additions (receipts) and reductions (payments) for each account used by ASIC.

Table 3.1.3: Estimates of special account cash flows and balances

		Opening balance 2008-09 2007-08	Receipts 2008-09 2007-08	Payments 2008-09 2007-08	Adjustments 2008-09 2007-08	Closing balance 2008-09 2007-08
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Companies and Unclaimed Moneys Special Account	1	220,281 206,281	38,000 38,000	24,000 24,000	- -	234,281 220,281
Deregistered Companies Special Account	1	338 -	- 338	- -	- -	338 338
Enforcement Special Account	1	19,067 13,863	30,000 30,000	30,000 24,973	- 177	19,067 19,067
Investigations, Legal Proceedings, Settlements and Court Orders Special Account	1	135 756	- 25	- 646	- -	135 135
Other Trust Moneys Account	1	- -	- -	- -	- -	- -
Security Deposits Special Account	1	447 443	- 24	447 20	- -	- 447
Services for other Governments and Non-Agency Bodies Account	1	- -	- -	- -	- -	- -
Total special accounts						
2008-09 Budget estimate		240,268	68,000	54,447	-	253,821
Total special accounts 2007-08 estimate actual		221,343	68,387	49,639	177	240,268

3.1.4 Australian Government Indigenous Expenditure

Table 3.1.4: Australian Government Indigenous Expenditure

ASIC does not have any Australian Government Indigenous Expenditure.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

There are no material differences between the resource information presented in the Budget Papers and Portfolio Budget Statements as a result of differences between Australian Accounting Standards and Government Finance Statistics.

3.2.2 Analysis of budgeted financial statements

Departmental financial statements

Budgeted departmental income statement

ASIC is currently budgeting for a break-even operating result for 2008-09 and for the remainder of the forward estimates.

Revenues from government for 2008-09 is \$303.3 million, which is an increase of \$4.6 million from the 2007-08 Portfolio Additional Estimates Statements. Of this amount, \$4.3 million relates to reprofiling of revenue for the IT Security and Risk Mitigation Phase 2 program. The balance of \$0.3 million increase is attributable to the movement in indices relating to prices and wages.

Total revenue and expenses are estimated to be \$310.5 million for 2008-09. The expenditure will be used to fund activities that contribute towards achieving the output objectives outlined in section 2.

Budgeted departmental balance sheet

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

ASIC's budgeted equity (or net asset position) for 2008-09 remains \$77.2 million. Due to reprofiling of the IT Security and Risk Mitigation Phase 2 program, \$19.1 million of the capital funding for 2007-08 will be utilised in 2008-09. The 2008-09 equity reflects the cumulative effect of capital injections from 2007-08 and 2008-09, thus it remains the same.

Budgeted departmental statement of cash flows

The budgeted statement of cash flows provides 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.

Departmental statement of changes in equity — summary of movement

This statement shows the changes in the equity position of ASIC. It helps decision-makers to track the management of ASIC's equity.

Schedule of administered activity

Schedule of budgeted income and expenses administered on behalf of government

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 moneys under the *Banking Act 1959* and the *Life Insurance Act 1995*.

Other non-taxation revenue represents the amount of fees and charges budgeted to be levied under the *Corporations Act 2001* and estimated receipts of unclaimed moneys under the *Banking Act 1959* and the *Life Insurance Act 1995*.

Expenses represent budgeted payments of unclaimed moneys, refund of overpaid fees and charges levied under the *Corporations Act 2001*, bad debt expense and payments to registered insolvency practitioners to investigate breaches of directors' duties and fraudulent conduct.

Schedule of budgeted assets and liabilities administered on behalf of government

The amount shown for receivables in 2008-09 and in the forward estimates is the estimated amount of fees and charges under the *Corporations Act 2001* remaining unpaid at 30 June.

The amounts shown in other payables for 2008-09 and the forward estimates represent the estimated amount of refunds relating to the over payments of annual review and other fees under the *Corporations Act 2001*.

Schedule 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.

3.2.3 Budgeted financial statements tables

**Table 3.2.1: Budgeted departmental income statement
(for the period ended 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
INCOME					
Revenue					
Revenues from Government	275,607	303,305	308,042	279,987	279,383
Goods and services	5,082	4,000	4,080	4,162	4,244
Other	6,300	3,241	3,305	3,371	3,438
Total income	286,989	310,546	315,427	287,520	287,065
EXPENSE					
Employees	164,186	171,623	172,762	156,592	157,903
Suppliers	103,297	107,893	108,340	99,800	98,011
Depreciation and amortisation	19,352	30,862	34,097	30,888	30,888
Finance costs	154	168	228	240	263
Total expenses	286,989	310,546	315,427	287,520	287,065
Surplus (deficit) attributable to the Australian Government	-	-	-	-	-

Prepared on an Australian Accounting Standards basis.

**Table 3.2.2: Budgeted departmental balance sheet
(as at 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
ASSETS					
Financial assets					
Cash and equivalents	3,839	4,153	3,914	3,579	3,695
Trade and other receivables	42,813	30,656	38,678	40,570	42,798
Total financial assets	46,652	34,809	42,592	44,149	46,493
Non-financial assets					
Land and buildings	28,071	41,463	39,000	36,637	35,025
Infrastructure, plant and equipment	13,962	21,985	19,822	20,158	30,801
Intangibles	26,330	58,168	60,444	54,383	42,164
Other	3,099	3,237	3,250	2,994	2,940
Total non-financial assets	71,462	124,853	122,516	114,172	110,930
Total assets	118,114	159,662	165,108	158,321	157,423
LIABILITIES					
Interest bearing liabilities					
Leases	190	-	-	-	-
Total interest bearing liabilities	190	-	-	-	-
Provisions					
Employees	44,330	46,338	46,646	42,280	42,634
Other	3,723	3,891	4,119	4,360	4,623
Total provisions	48,053	50,229	50,765	46,640	47,257
Payables					
Suppliers	17,560	18,342	18,418	16,966	16,662
Other	11,341	13,908	11,994	10,784	9,573
Total payables	28,901	32,250	30,412	27,750	26,235
Total liabilities	77,144	82,479	81,177	74,390	73,492
Net assets	40,970	77,183	83,931	83,931	83,931
EQUITY					
Contributed equity	40,258	76,471	83,219	83,219	83,219
Reserves	11,199	11,199	11,199	11,199	11,199
Retained surpluses or accumulated deficits	(10,487)	(10,487)	(10,487)	(10,487)	(10,487)
Total equity	40,970	77,183	83,931	83,931	83,931
Current assets	49,751	38,046	45,842	47,143	49,433
Non-current assets	68,363	121,616	119,266	111,178	107,990
Current liabilities	59,257	62,756	62,144	56,618	56,018
Non-current liabilities	17,887	19,723	19,033	17,772	17,474

Prepared on an Australian Accounting Standards basis.

**Table 3.2.3: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	6,326	5,704	4,717	4,811	4,906
Appropriations	227,604	314,468	300,054	278,131	277,191
Net GST received	18,490	18,202	13,996	12,718	12,675
Other	6,300	3,241	1,742	1,808	3,438
Total cash received	258,720	341,615	320,509	297,468	298,210
Cash used					
Employees	156,861	169,615	172,454	160,958	157,549
Suppliers	130,013	123,401	123,295	114,045	112,845
Borrowing costs	692	190	-	-	-
Total cash used	287,566	293,206	295,749	275,003	270,394
Net cash from or (used by) operating activities	(28,846)	48,409	24,760	22,465	27,816
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	37,945	84,115	31,747	22,800	27,700
Total cash used	37,945	84,115	31,747	22,800	27,700
Net cash from or (used by) investing activities	(37,945)	(84,115)	(31,747)	(22,800)	(27,700)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	19,662	36,213	6,748	-	-
Total cash received	19,662	36,213	6,748	-	-
Cash used					
Repayments of finance lease principal	692	193	-	-	-
Total cash used	692	193	-	-	-
Net cash from or (used by) financing activities	18,970	36,020	6,748	-	-
Net increase or (decrease) in cash held	(47,821)	314	(239)	(335)	116
Cash at the beginning of the reporting period	51,660	3,839	4,153	3,914	3,579
Cash at the end of the reporting period	3,839	4,153	3,914	3,579	3,695

Prepared on an Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2008-09)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008					
Balance carried forward from previous period	(10,487)	11,199	-	40,258	40,970
Adjusted opening balance	(10,487)	11,199	-	40,258	40,970
Transactions with owners					
Contribution by owners					
Appropriation (equity injection)	-	-	-	36,213	36,213
Sub-total transactions with owners	-	-	-	36,213	36,213
Estimated closing balance as at 30 June 2009	(10,487)	11,199	-	76,471	77,183

Prepared on an Australian Accounting Standards basis.

Table 3.2.5: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Other sources of non-taxation revenues	581,660	588,550	596,216	603,963	609,789
Total revenues administered on behalf of Government	581,660	588,550	596,216	603,963	609,789
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Suppliers	5,206	3,424	3,434	3,491	3,536
Write down and impairment of assets	23,111	21,931	21,955	21,978	23,550
Other	25,170	24,540	25,190	25,860	26,540
Total expenses administered on behalf of Government	53,487	49,895	50,579	51,329	53,626

Prepared on an Australian Accounting Standards basis.

Table 3.2.6: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	4,232	4,232	4,234	4,231	4,233
Receivables	76,908	77,923	79,114	79,494	79,694
Total assets administered on behalf of Government	81,140	82,155	83,348	83,725	83,927
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Suppliers	575	575	575	575	575
Other payables	5,600	5,600	5,600	5,600	5,600
Total liabilities administered on behalf of Government	6,175	6,175	6,175	6,175	6,175

Prepared on an Australian Accounting Standards basis.

**Table 3.2.7: Schedule of budgeted administered cash flows
(for the period ended 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
OPERATING ACTIVITIES					
Cash received					
Net GST received	292	313	313	319	322
Other	560,299	565,604	573,070	581,605	586,039
Total cash received	560,591	565,917	573,383	581,924	586,361
Cash used					
Suppliers	25,170	24,540	25,190	25,860	26,540
Other	5,718	3,737	3,747	3,810	3,858
Total cash used	30,888	28,277	28,937	29,670	30,398
Net cash from or (used by) operating activities	529,703	537,640	544,446	552,254	555,963
FINANCING ACTIVITIES					
Cash received					
Cash from Official Public Account	36,939	33,964	34,624	35,351	36,076
Total cash received	36,939	33,964	34,624	35,351	36,076
Cash used					
Cash to Official Public Account	564,916	571,604	579,068	587,608	592,037
Total cash used	564,916	571,604	579,068	587,608	592,037
Net cash from or (used by) financing activities	(527,977)	(537,640)	(544,444)	(552,257)	(555,961)
Net increase or (decrease) in cash held	1,726	-	2	(3)	2
Cash at beginning of reporting period	2,506	4,232	4,232	4,234	4,231
Cash at end of reporting period	4,232	4,232	4,234	4,231	4,233

Prepared on an Australian Accounting Standards basis.

3.2.4 Notes to the financial statements

Basis of accounting

The budgeted financial statements have been prepared on an Australian Accounting Standards basis.

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 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 fees, fines and expenses that have been earmarked for a specific purpose by the 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.

Departmental

Asset valuation

ASIC has adopted fair value as a basis for valuing its leasehold improvements and plant and equipment. Valuation is conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets fair values as at the reporting date.

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, 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 fair value or 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 income statement on a basis that is representative of the pattern of benefits derived from the lease assets.

Depreciation and amortisation

Computer equipment is depreciated using the declining-balance method whilst, for all other plant and equipment, the straight-line method of depreciation is applied. 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.

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, provisions for making-good leased premises and lease incentives. No provision for sick leave is required as all sick leave is non-vesting.

Administered

Schedule of budgeted revenues and expenses administered on behalf of government

Revenues

Non-taxation revenues are predominately comprised of *Corporations Act 2001* fees and charges and collections of unclaimed moneys under the *Banking Act 1959* and the *Life Insurance Act 1995*.

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 1959* unclaimed moneys and *Life Insurance Act 1995* unclaimed moneys is transferred to the OPA when received.