

# AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

<b>Section 1: Agency overview and resources</b> .....	<b>153</b>
1.1 Strategic direction .....	153
1.2 Agency resource statement.....	154
1.3 Budget measures.....	156
<b>Section 2: Outcomes and planned performance</b> .....	<b>157</b>
2.1 Outcomes and performance information .....	157
<b>Section 3: Explanatory tables and budgeted financial statements</b> .....	<b>168</b>
3.1 Explanatory tables .....	168
3.2 Budgeted financial statements .....	169



# 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 *Australian Securities and Investments Commission Act 2001*.

ASIC's objectives, as set out in the *Australian Securities and Investments Commission Act 2001* 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 take, 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 superannuation), capital markets (including primary and secondary capital markets), and corporations and their auditors and liquidators.

ASIC also operates a major public register function that provides information about Australia's 1.6 million companies, financial services licensees and other professionals registered with ASIC.

ASIC also provides public and consumer education material through a variety of community outreach activities and programs, and has an enforcement and regulatory role designed to deal with misconduct, in order to promote a confident and informed market.

In 2010-11 ASIC will take over the responsibility for regulating consumer credit from the State governments. ASIC will also take over responsibility for market supervision from the Australian Securities Exchange. In addition, under a Council of Australian Governments' initiative, ASIC will implement a National Business Names registry from 31 March 2011.

ASIC expects to have an average staffing level of 1,954 in 2010-11, with offices in all States and Territories.

### **ASIC's priorities for 2010-11**

ASIC will continue to focus on the following priorities:

- Financial economy priorities,
  - building confidence in the integrity of Australia's capital markets,
  - assisting and protecting retail investors and consumers in the financial economy,
  - facilitating international capital flows and international enforcement, and
  - continuing to manage the domestic and international implications of the global financial crisis; and
- Real economy priorities,
  - lifting operational effectiveness and service levels for all ASIC stakeholders, and
  - using new technologies to improve services and reduce costs.

## **1.2 AGENCY RESOURCE STATEMENT**

Table 1.1 shows the total resources from all origins. The table summarises how resources will be applied by outcome and by administered and departmental classification.

**Table 1.1: Australian Securities and Investments Commission resource statement — Budget estimates for 2010-11 as at Budget May 2010**

	Estimate of prior <sup>+</sup> year amounts available in 2010-11 \$'000	Proposed at Budget <sup>=</sup> 2010-11 \$'000	Total estimate 2010-11 \$'000	Actual available appropriation 2009-10 \$'000
<b>Ordinary annual services</b>				
<b>Departmental</b>				
Prior year departmental carried forward	58,330 <sup>5</sup>	-	58,330	-
Departmental appropriation <sup>3</sup>	-	338,756 <sup>1</sup>	338,756	344,529
Receipts from other sources (s31)	-	5,934 <sup>4</sup>	5,934	5,788
<b>Total departmental</b>	<b>58,330</b>	<b>344,690</b>	<b>403,020</b>	<b>350,317</b>
<b>Administered expenses</b>				
Outcome 1 - Assetless				
Administration fund	-	3,450 <sup>1</sup>	3,450	3,424
<b>Total administered</b>	<b>-</b>	<b>3,450</b>	<b>3,450</b>	<b>3,424</b>
<b>Total ordinary annual services</b>	<b>A 58,330</b>	<b>348,140</b>	<b>406,470</b>	<b>353,741</b>
<b>Other services</b>				
<b>Departmental non-operating</b>				
Equity injections	8,200	34,141 <sup>2</sup>	42,341	8,412
<b>Total other services</b>	<b>B 8,200</b>	<b>34,141</b>	<b>42,341</b>	<b>8,412</b>
<b>Total available annual appropriations (A+B)</b>	<b>66,530</b>	<b>382,281</b>	<b>448,811</b>	<b>362,153</b>
<b>Special appropriations</b>				
<i>Banking Act 1959</i>		31,102	31,102	28,882
<i>Life Insurance Act 1995</i>	-	5,471	5,471	4,974
<b>Total special appropriations</b>	<b>C -</b>	<b>36,573</b>	<b>36,573</b>	<b>33,856</b>
<b>Total appropriations excluding special accounts (A+B+C)</b>	<b>66,530</b>	<b>418,854</b>	<b>485,384</b>	<b>396,009</b>
<b>Special accounts</b>				
Opening balance <sup>6</sup>	46,955	-	46,955	-
Appropriation receipts	-	30,000	30,000	30,000
Non-appropriation receipts to special accounts	-	51,000	51,000	59,562
<b>Total special account</b>	<b>D 46,955</b>	<b>81,000</b>	<b>127,955</b>	<b>89,562</b>
<b>Total resourcing (A+B+C+D)</b>	<b>113,485</b>	<b>499,854</b>	<b>613,339</b>	<b>485,571</b>
Less appropriations drawn from annual appropriations above and credited to special accounts	-	30,000	30,000	30,000
<b>Total net resourcing for ASIC</b>	<b>113,485</b>	<b>469,854</b>	<b>583,339</b>	<b>455,571</b>

1. Appropriation Bill (No. 1) 2010-11.

2. Appropriation Bill (No. 2) 2010-11.

3. Includes \$22.8 million in 2010-11 for the Departmental Capital Budget (also refer to Table 3.2.5).

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

5. Estimated adjusted balance carried from previous year for annual appropriations.

6. Estimated opening balance for special accounts. For further detail on special accounts see Table 3.1.2.

### 1.3 BUDGET MEASURES

Budget measures relating to ASIC are detailed in Budget Paper No. 2 and are summarised below.

**Table 1.2: Australian Securities and Investments Commission 2010-11 Budget measures**

	Program	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000
<b>Expense measures</b>						
Australian Business Number and Business Names Registration System - expansion	1.1, 1.2, 2.1, 2.2	-	6,983	7,684	7,279	7,078
Standard Business Reporting - ongoing funding	1.1, 1.2	(109)	-	739	757	775
Sustaining the Superannuation Complaints Tribunal's capabilities	1.1, 1.2	-	1,464	1,472	1,482	1,492
<b>Total expense measures</b>		(109)	8,447	9,895	9,518	9,345
<b>Related capital measures</b>						
Australian Business Number and Business Names Registration System - expansion	1.1, 1.2, 2.1, 2.2	-	24,033	-	-	-
Standard Business Reporting - ongoing funding	1.1, 1.2	(1,653)	-	-	-	-
<b>Total related capital</b>		(1,653)	24,033	-	-	-
<b>Related Revenue</b>						
Australian Business Number and Business Names Registration System - expansion	2.1	-	9,500	38,700	39,514	40,242
<b>Total related revenue</b>		-	9,500	38,700	39,514	40,242

Prepared on a Government Financial Statistics (fiscal) basis.

## Section 2: Outcomes and planned performance

### 2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Australian Government on the Australian community. Agencies deliver programs which are the government actions taken to deliver the stated outcomes. Agencies are required to identify the programs which contribute to government outcomes over the budget and forward years.

ASIC's outcomes are described below together with their related programs, specifying the strategy, objective, deliverables and key performance indicators used to assess and monitor the performance of ASIC.

**Outcome 1: Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks**

#### **Outcome 1 Strategy**

The strategy under Outcome 1 focuses on:

- building confidence in the integrity of Australia's capital markets;
- assisting and protecting retail investors and consumers in the financial economy; and
- continuing to manage the implications of the global financial crisis.

#### **Outcome 1 Budgeted resources**

Table 2.1 provides an overview of the total resources for Outcome 1 by program.

**Table 2.1: Budgeted resources for Outcome 1**

<b>Outcome 1:</b> Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks	2009-10 Estimated actual expenses \$'000	2010-11 Estimated expenses \$'000
<b>Program 1.1: Research, policy, compliance, education and information initiatives</b>		
Departmental items		
Ordinary annual services (Appropriation Bill No. 1)	103,245	102,258
Receipts from other sources (s31)	2,373	2,433
Equity injections	2,713	8,124
<b>Total for Program 1.1</b>	<b>108,331</b>	<b>112,815</b>
<b>Program 1.2: Enforcement / deterrence</b>		
Departmental items		
Ordinary annual services (Appropriation Bill No. 1)	148,571	147,151
Receipts from other sources (s31)	3,415	3,501
Equity injections	3,904	11,690
Administered items		
Ordinary annual services (Appropriation Bill No. 1)	3,424	3,450
<b>Total for Program 1.2</b>	<b>159,314</b>	<b>165,792</b>
<b>Outcome 1 totals by appropriation type</b>		
Departmental items		
Ordinary annual services (Appropriation Bill No. 1)	251,816	249,409
Receipts from other sources (s31)	5,788	5,934
Equity injections	6,617	19,814
Administered items		
Ordinary annual services (Appropriation Bill No. 1)	3,424	3,450
<b>Total resources for Outcome 1</b>	<b>267,645</b>	<b>278,607</b>
	2009-10	2010-11
<b>Average staffing level (number)</b>	1,428	1,426

## Contributions to Outcome 1

### Program 1.1: Research, policy, compliance, education and information initiatives

#### Program 1.1 objective

Program 1.1 contributes to Outcome 1 by improving industry behaviour where market integrity and consumer confidence are most at risk, and by helping consumers and retail investors make well-informed decisions in the financial economy.

#### Program 1.1 resources

There are no significant changes to estimates across the forward years.

**Table 2.2: Program 1.1 resources**

	2009-10 Revised budget \$'000	2010-11 Budget \$'000	2011-12 Forward year 1 \$'000	2012-13 Forward year 2 \$'000	2013-14 Forward year 3 \$'000
Annual departmental items					
Ordinary annual services (Appropriation Bill No. 1)	103,245	102,258	100,238	104,707	104,507
Receipts from other sources (s31)	2,373	2,433	3,135	3,213	1,722
Equity injections	2,713	8,124	-	-	-
<b>Total program resources</b>	<b>108,331</b>	<b>112,815</b>	<b>103,373</b>	<b>107,920</b>	<b>106,229</b>

#### Program 1.1 deliverables

##### Improving industry behaviour

Financial economy programs, for each major grouping of market participants, are designed to:

- monitor market developments and identify and prioritise factors and behaviours most likely to result in threats to market integrity and the fair treatment of consumers;
- devise and implement information, guidance and regulatory initiatives most likely to reduce the threat of misconduct or mistreatment of consumers and retail investors; and
- target misconduct or mistreatment through tailored deterrence activity.

##### Helping retail investors and consumers

Retail investor and consumer programs are designed to:

- give consumers and retail investors access to clear, useful information about financial economy products and services;

*Australian Securities and Investments Commission Budget Statements*

- make financial advice more accessible and more reliable;
- enhance community-wide financial literacy; and
- enable consumers and retail investors to better assess the benefits and risks of decisions about financial products and services.

**Program 1.1 key performance indicators**

ASIC has the following key performance indicators:

- improved confidence in market integrity;
- improvements in quality and availability of financial advice;
- improvements in overall financial literacy levels;
- improvements in retail investor and consumer perception of information received about products and services; and
- improvements in conduct of market participants and corporates.

## Program 1.2: Enforcement / deterrence

### Program 1.2 objective

Program 1.2 contributes to Outcome 1 by enforcing the law to maximise deterrent effect and improve behaviour of entities subject to the laws that ASIC administers.

### Program 1.2 resources

There are no significant changes to estimates across the forward years.

**Table 2.3: Program 1.2 resources**

	2009-10 Revised budget \$'000	2010-11 Budget \$'000	2011-12 Forward year 1 \$'000	2012-13 Forward year 2 \$'000	2013-14 Forward year 3 \$'000
Annual departmental items:					
Ordinary annual services (Appropriation Bill No. 1)	148,571	147,151	144,245	150,677	150,388
Receipts from other sources (s31)	3,415	3,501	4,511	4,623	2,478
Equity injections	3,904	11,690	-	-	-
Annual administered items:					
Ordinary annual services (Appropriation Bill No. 1)	3,424	3,450	3,489	3,585	3,596
<b>Total program resources</b>	<b>159,314</b>	<b>165,792</b>	<b>152,245</b>	<b>158,885</b>	<b>156,462</b>

### Program 1.2 deliverables

#### Enforcement / deterrence

Deterrence programs are designed to:

- investigate suspect conduct and take appropriate and timely criminal, civil or administrative action, especially where market integrity and consumers and retail investors are most at risk;
- create community confidence that the law is being effectively enforced;
- communicate clearly about ASIC's enforcement approach and outcomes to improve industry understanding and drive behavioural change in key risk areas; and
- encourage industry participation in enhanced standards of behaviour (alleviating the need for additional regulation).

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.

**Program 1.2 key performance indicators**

ASIC has the following key performance indicators:

- clear alignment between ASIC enforcement actions and key risk areas; and
- improved stakeholder perceptions of how ASIC deals with people who do not comply with the law.

**Outcome 2: Streamlined and cost-effective interaction and access to information for business and the public, through registry, licensing and business facilitation services**

**Outcome 2 Strategy**

The strategy under Outcome 2 focuses on:

- lifting ASIC's operational effectiveness and service levels for all stakeholders;
- using technology to reduce costs for business and contribute to cutting red tape; and
- facilitating business, including international capital flows.

## Outcome 2 Budgeted resources

Table 2.4 provides an overview of the total resources for Outcome 2, by program.

**Table 2.4: Budgeted resources for Outcome 2**

<b>Outcome 2:</b> Streamlined and cost-effective interaction and access to information for business and the public, through registry, licensing and business facilitation services	2009-10 Estimated actual expenses \$'000	2010-11 Estimated expenses \$'000
<b>Program 2.1: Legal infrastructure for companies and financial services providers</b>		
Departmental items		
Ordinary annual services (Appropriation Bill No. 1)	92,713	89,347
Equity injections	1,795	14,327
<b>Total for Program 2.1</b>	<b>94,508</b>	<b>103,674</b>
<b>Program 2.2: Banking Act and Life Insurance Act, Unclaimed Moneys and Special Accounts</b>		
Administered items		
Special appropriations		
<i>Banking Act 1959</i> - Banking Unclaimed Moneys	28,882	31,102
<i>Life Insurance Act 1995</i> - Life Unclaimed Moneys	4,974	5,471
Special accounts		
Enforcement special account	30,000	30,000
ASIC Deregistered Companies Special Account	1,000	1,000
ASIC Investigations, Legal Proceedings, Settlements and Court Orders Special Account	8,532	-
Companies and Unclaimed Moneys Special Account	50,000	50,000
Other Trust Moneys Account	30	-
<b>Total for Program 2.2</b>	<b>123,418</b>	<b>117,573</b>
<b>Outcome 2 totals by appropriation type</b>		
Departmental items		
Ordinary annual services (Appropriation Bill No. 1)	92,713	89,347
Equity injections	1,795	14,327
Administered items		
Special appropriations	33,856	36,573
Special accounts	89,562	81,000
<b>Total resources for Outcome 2</b>	<b>217,926</b>	<b>221,247</b>
	2009-10	2010-11
<b>Average staffing level (number)</b>	532	528

## Contributions to Outcome 2

### Program 2.1: Legal infrastructure for companies and financial services providers

#### Program 2.1 objective

Program 2.1 contributes to Outcome 2 by improving ASIC's registry and stakeholder services by developing initiatives for business and consumer stakeholders to:

- simplify their interactions with ASIC; and
- reduce the cost of those interactions.

#### Program 2.1 resources

There are no significant changes to estimates across the forward years.

**Table 2.5: Program 2.1 resources**

	2009-10 Revised budget	2010-11 Budget	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
Annual departmental items:					
Ordinary annual services (Appropriation Bill No. 1)	92,713	89,347	84,941	79,238	82,273
Equity injections	1,795	14,327	-	-	-
<b>Total program resources</b>	<b>94,508</b>	<b>103,674</b>	<b>84,941</b>	<b>79,238</b>	<b>82,273</b>

#### Program 2.1.1 deliverables

##### Modernising registry services

Programs are designed to:

- provide stakeholders with modern, efficient, accurate and cost-effective corporate register and licensing systems; and
- improve public access to information about registered and licensed entities.

##### Improving stakeholder services

Programs are designed to:

- improve service delivery to better meet stakeholder needs;
- take prompt and appropriate regulatory action on reports of misconduct;
- provide accurate information and assistance to the public; and
- provide accurate and useful information to industry stakeholders about the regulatory system and ASIC's administration of it.

**Facilitating business**

Initiatives are designed to:

- reduce costs and red tape for businesses by making it easier to transact with ASIC;
- improve consultation with regulated entities and other stakeholders;
- administer the law to enhance commercial certainty and reduce business costs; and
- facilitate inward and outward investment in Australian capital markets.

**Program 2.1 key performance indicators**

ASIC has the following key performance indicators:

- improved effectiveness and efficiency of registry and licensing services;
- improved stakeholder satisfaction with ASIC's corporate register and other stakeholder services; and
- ASIC's regulatory system not being seen as a major barrier to inward and outward capital flows.

**Program 2.2: Banking Act and Life Insurance Act, unclaimed moneys and special accounts**

**Program 2.2 objectives**

**Special appropriations**

ASIC is responsible for the administration of unclaimed moneys from banking and deposit-taking institutions, and life insurance institutions.

Moneys from bank and deposit-taking institutions that are inactive for seven or more years are transferred to the Commonwealth and deposited into the Official Public Account (OPA).

Moneys in respect of matured life insurance policies that have not been claimed within seven years are transferred to the Commonwealth and deposited into the OPA.

Refunds are paid to successful claimants out of the OPA.

**Special accounts**

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts have been created by a Finance Minister's Determination under the *Financial Management and Accountability Act 1997* or under separate enabling legislation.

**Program 2.2 resources**

There are no significant changes to estimates across the forward years.

**Table 2.6: Program 2.2 resources**

	2009-10 Revised budget \$'000	2010-11 Budget \$'000	2011-12 Forward year 1 \$'000	2012-13 Forward year 2 \$'000	2013-14 Forward year 3 \$'000
Annual administered items:					
Special appropriations					
<i>Banking Act 1959</i> - Banking Unclaimed Moneys	28,882	31,102	33,493	36,067	38,840
<i>Life Insurance Act 1995</i> - Life Unclaimed Moneys	4,974	5,471	6,018	6,620	7,282
Special accounts					
Enforcement Special Account	30,000	30,000	30,000	30,000	30,000
ASIC Deregistered Companies Special Account	1,000	1,000	1,000	1,000	1,000
ASIC Investigations, Legal Proceedings, Settlements, and Court Orders Special Account	8,532	-	-	-	-
Companies and Unclaimed Moneys Special Account	50,000	50,000	50,000	50,000	50,000
Other Trust Moneys Account	30	-	-	-	-
<b>Total program resources</b>	<b>123,418</b>	<b>117,573</b>	<b>120,511</b>	<b>123,687</b>	<b>127,122</b>

**Program 2.2 deliverables**

Provide an accurate register of unclaimed moneys and special accounts administered by ASIC.

**Program 2.2 key performance indicators**

ASIC has the following key performance indicators:

- ensure that refunds of unclaimed moneys are paid to successful claimants promptly; and
- ensure that payments of moneys from special accounts are paid out promptly in accordance with the specified purposes or appropriate legislation.

## **Section 3: Explanatory tables and budgeted financial statements**

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the budget year 2010-11. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, special accounts and Australian Government indigenous expenditure.

### **3.1 EXPLANATORY TABLES**

#### **3.1.1 Movement of administered funds between years**

ASIC has not moved any administered funds between years.

#### **3.1.2 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* or under separate enabling legislation. Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by ASIC.

**Table 3.1.2: Estimates of special account cash flows and balances**

		Opening balance	Receipts non- appropriated	Receipts appropriated	Payments	Closing balance
		<b>2010-11</b>	<b>2010-11</b>	<b>2010-11</b>	<b>2010-11</b>	<b>2010-11</b>
		<i>2009-10</i>	<i>2009-10</i>	<i>2009-10</i>	<i>2009-10</i>	<i>2009-10</i>
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
ASIC Deregistered Companies						
Trust Moneys Special	1	-	<b>1,000</b>	-	<b>1,000</b>	-
Account (D)		698	1,000	-	1,698	-
Enforcement Special	1	<b>37,670</b>	-	<b>30,000</b>	<b>60,805</b>	<b>6,865</b>
Account (D)		32,912	-	30,000	25,242	37,670
ASIC Investigations, Legal						
Proceedings, Settlements and Court Orders Special	1	-	-	-	-	-
Account (D)		87	8,532	-	8,619	-
Other Trust Moneys	1	-	-	-	-	-
Account (D)		1	30	-	31	-
ASIC Security Deposits	1	<b>383</b>	-	-	-	<b>383</b>
Special Account (D)		383	-	-	-	383
Services for other Governments and Non-agency Bodies						
Account (D)	1	-	-	-	-	-
Companies and Unclaimed Moneys Special Account (A)	2	<b>8,902</b>	<b>50,000</b>	-	<b>50,000</b>	<b>8,902</b>
		8,902	50,000	-	50,000	8,902
<b>Total special accounts</b>						
	<b>2010-11 Budget estimate</b>	<b>46,955</b>	<b>51,000</b>	<b>30,000</b>	<b>111,805</b>	<b>16,150</b>
Total special accounts						
	<i>2009-10 estimate actual</i>	<i>42,983</i>	<i>59,562</i>	<i>30,000</i>	<i>85,590</i>	<i>46,955</i>

(A) = Administered.  
(D) = Departmental.

### 3.1.3 Australian Government Indigenous Expenditure

**Table 3.1.3: Australian Government Indigenous Expenditure**

	Appropriations				Other	Total	Program
	Bill	Bill	Special	Total			
	No. 1	No. 2	approp	approp			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Australian Securities and Investments Commission</b>							
<b>Departmental 2010-11</b>	<b>863</b>	-	-	<b>863</b>	-	<b>863</b>	<b>1.1</b>
<i>Departmental 2009-10</i>	<i>853</i>	-	-	<i>853</i>	-	<i>853</i>	<i>1.1</i>

## 3.2 BUDGETED FINANCIAL STATEMENTS

### 3.2.1 Differences in agency resourcing and financial statements

Table 1.1 shows ASIC was appropriated \$344.5 million for 2009-10. Table 3.2.1 shows ASIC's appropriation revenue for 2009-10 is \$370.6 million. The additional

\$26.1 million relates to additional expenses for deterrence activities that will be funded from the brought forward balance in ASIC's Enforcement Special Account.

### **3.2.2 Analysis of budgeted financial statements**

#### **Budgeted departmental income statement**

ASIC is currently budgeting for a break-even operating result for 2010-11 and for the remainder of the forward estimates, after adding back non-appropriated depreciation and amortisation expenses under the new net cash appropriation arrangements beginning in the 2010-11 Budget. The new arrangements involve the cessation of funding for depreciation, amortisation and makegood expenses. Funding for these expenses have been replaced with a Departmental Capital Budget (Table 3.2.5 refers).

Revenues from the Australian Government for 2010-11 are \$316 million, which is a decrease of \$29 million from the 2009-10 Portfolio Additional Estimates Statements. Of this amount, \$34 million results from the new net cash appropriation arrangements which is partly offset by the Budget measures shown in Table 1.2.

Total revenue and expenses are estimated to be \$366.3 million for 2010-11. The expenditure will be used to fund activities that contribute towards achieving the outcome and program 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 2010-11 is \$133.3 million.

The 2010-11 equity position reflects the cumulative effect of capital injections of \$56.9 million received during 2010-11.

#### **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.

#### **Departmental Capital Budget statement**

This statement shows details of capital appropriations received by ASIC. It helps decision-makers to track the acquisition of new non-financial assets.

**Statement of asset movements — departmental**

This statement shows details of gross asset movements during the year. It helps decision-makers to analyse movements of non-financial assets.

**Schedule of administered activity**

**Schedule of budgeted income and expenses administered on behalf of government**

The schedule of budgeted income and expenses administered on behalf of government 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 2010-11 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 2010-11 and the forward estimates represent the estimated amount of refunds relating to the overpayments 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 comprehensive income statement  
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>EXPENSES</b>					
Employee benefits	211,977	200,296	202,556	204,712	206,763
Supplier expenses	130,760	120,886	102,994	106,036	106,531
Financial Costs	500	500	500	500	500
Depreciation and amortisation	34,364	44,657	45,646	45,646	37,694
<b>Total expenses</b>	<b>377,601</b>	<b>366,339</b>	<b>351,696</b>	<b>356,894</b>	<b>351,488</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sale of goods and rendering of services	4,080	3,362	3,394	3,429	3,365
Other revenue	2,820	2,238	806	771	835
<b>Total revenue</b>	<b>6,900</b>	<b>5,600</b>	<b>4,200</b>	<b>4,200</b>	<b>4,200</b>
<b>Gains</b>					
Other	126	126	126	126	126
<b>Total gains</b>	<b>126</b>	<b>126</b>	<b>126</b>	<b>126</b>	<b>126</b>
<b>Total own-source income</b>	<b>7,026</b>	<b>5,726</b>	<b>4,326</b>	<b>4,326</b>	<b>4,326</b>
<b>Net cost of (contribution by) services</b>	<b>370,575</b>	<b>360,613</b>	<b>347,370</b>	<b>352,568</b>	<b>347,162</b>
Appropriation revenue	370,575	315,956	301,724	306,922	309,468
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>-</b>	<b>(44,657)</b>	<b>(45,646)</b>	<b>(45,646)</b>	<b>(37,694)</b>
<b>Note: Reconciliation of operating result attributable to the agency</b>					
	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000
<b>Operating result attributable to the Australian Government</b>	<b>-</b>	<b>(44,657)</b>	<b>(45,646)</b>	<b>(45,646)</b>	<b>(37,694)</b>
Plus non-appropriated expenses depreciation and amortisation expenses	-	44,657	45,646	45,646	37,694
<b>Operating result attributable to ASIC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and equivalents	3,124	2,212	3,471	4,411	5,565
Trade and other receivables	71,371	67,367	65,869	64,929	60,256
<b>Total financial assets</b>	<b>74,495</b>	<b>69,579</b>	<b>69,340</b>	<b>69,340</b>	<b>65,821</b>
<b>Non-financial assets</b>					
Land and buildings	50,088	54,004	53,061	52,365	51,669
Infrastructure, plant and equipment	15,540	16,448	26,082	25,727	25,372
Intangibles	77,983	86,443	59,806	42,911	33,968
Other	4,338	4,200	4,234	4,234	4,234
<b>Total non-financial assets</b>	<b>147,949</b>	<b>161,095</b>	<b>143,183</b>	<b>125,237</b>	<b>115,243</b>
<b>Total assets</b>	<b>222,444</b>	<b>230,674</b>	<b>212,523</b>	<b>194,577</b>	<b>181,064</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	53,338	52,320	52,824	52,824	52,824
Other	6,924	7,165	7,428	7,428	7,428
<b>Total provisions</b>	<b>60,262</b>	<b>59,485</b>	<b>60,252</b>	<b>60,252</b>	<b>60,252</b>
<b>Payables</b>					
Suppliers	21,400	20,433	20,672	20,672	17,153
Other	19,785	17,475	16,264	16,264	16,264
<b>Total payables</b>	<b>41,185</b>	<b>37,908</b>	<b>36,936</b>	<b>36,936</b>	<b>33,417</b>
<b>Total liabilities</b>	<b>101,447</b>	<b>97,393</b>	<b>97,188</b>	<b>97,188</b>	<b>93,669</b>
<b>Net assets</b>	<b>120,997</b>	<b>133,281</b>	<b>115,335</b>	<b>97,389</b>	<b>87,395</b>
<b>EQUITY</b>					
Contributed equity	84,626	141,567	169,267	196,967	224,667
Reserves	8,900	8,900	8,900	8,900	8,900
Retained surpluses or accumulated deficits	27,471	(17,186)	(62,832)	(108,478)	(146,172)
<b>Total equity</b>	<b>120,997</b>	<b>133,281</b>	<b>115,335</b>	<b>97,389</b>	<b>87,395</b>
<b>Current assets</b>	<b>78,833</b>	<b>73,779</b>	<b>73,574</b>	<b>73,574</b>	<b>70,055</b>
<b>Non-current assets</b>	<b>143,611</b>	<b>156,895</b>	<b>138,949</b>	<b>121,003</b>	<b>111,009</b>
<b>Current liabilities</b>	<b>82,877</b>	<b>79,586</b>	<b>80,168</b>	<b>80,168</b>	<b>76,649</b>
<b>Non-current liabilities</b>	<b>18,570</b>	<b>17,807</b>	<b>17,020</b>	<b>17,020</b>	<b>17,020</b>

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	4,698	3,059	3,091	3,429	3,365
Appropriations	406,952	320,263	303,525	307,862	314,141
GST received	14,667	13,403	13,373	12,555	12,924
Other	4,220	838	806	771	835
<b>Total cash received</b>	<b>430,537</b>	<b>337,563</b>	<b>320,795</b>	<b>324,617</b>	<b>331,265</b>
<b>Cash used</b>					
Employees	210,291	201,314	202,052	204,712	206,763
Suppliers	132,003	122,499	103,874	105,910	109,924
GST Paid	14,667	13,403	13,373	12,555	12,924
Borrowing costs	272	259	237	500	500
<b>Total cash used</b>	<b>357,233</b>	<b>337,475</b>	<b>319,536</b>	<b>323,677</b>	<b>330,111</b>
<b>Net cash from or (used by) operating activities</b>	<b>73,304</b>	<b>88</b>	<b>1,259</b>	<b>940</b>	<b>1,154</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	81,542	57,941	27,700	27,700	27,700
<b>Total cash used</b>	<b>81,542</b>	<b>57,941</b>	<b>27,700</b>	<b>27,700</b>	<b>27,700</b>
<b>Net cash from or (used by) investing activities</b>	<b>(81,542)</b>	<b>(57,941)</b>	<b>(27,700)</b>	<b>(27,700)</b>	<b>(27,700)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	8,412	56,941	27,700	27,700	27,700
<b>Total cash received</b>	<b>8,412</b>	<b>56,941</b>	<b>27,700</b>	<b>27,700</b>	<b>27,700</b>
<b>Net cash from or (used by) financing activities</b>	<b>8,412</b>	<b>56,941</b>	<b>27,700</b>	<b>27,700</b>	<b>27,700</b>
<b>Net increase or (decrease) in cash held</b>	<b>174</b>	<b>(912)</b>	<b>1,259</b>	<b>940</b>	<b>1,154</b>
Cash at the beginning of the reporting period	2,950	3,124	2,212	3,471	4,411
<b>Cash at the end of the reporting period</b>	<b>3,124</b>	<b>2,212</b>	<b>3,471</b>	<b>4,411</b>	<b>5,565</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2010-11)**

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2010</b>					
Balance carried forward from previous period	27,471	8,900	-	84,626	120,997
<b>Adjusted opening balance</b>	27,471	8,900	-	84,626	120,997
<b>Comprehensive income</b>					
Surplus (deficit) for the period	(44,657)	-	-	-	(44,657)
<b>Total comprehensive income recognised directly in equity</b>	(44,657)	-	-	-	(44,657)
<b>Transactions with owners</b>					
<i>Contributions by owners</i>					
Appropriation (equity injection)	-	-	-	34,141	34,141
Appropriation (departmental capital budget)	-	-	-	22,800	22,800
<b>Total transactions with owners</b>	-	-	-	56,941	56,941
<b>Estimated closing balance as at 30 June 2011</b>	(17,186)	8,900	-	141,567	133,281

Prepared on Australian Accounting Standards basis.

**Table 3.2.5: Departmental capital budget statement**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Capital budget - Bill 1 - DCB	-	22,800	27,700	27,700	27,700
Equity injections - Bill 2	8,412	34,141	-	-	-
<b>Total capital appropriations</b>	8,412	56,941	27,700	27,700	27,700
<b>Represented by:</b>					
Purchase of non-financial assets	8,412	56,941	27,700	27,700	27,700
<b>Total represented by</b>	8,412	56,941	27,700	27,700	27,700
<b>ACQUISITION OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriations	8,412	34,141	-	-	-
Funded by capital appropriation - DCB	-	22,800	27,700	27,700	27,700
Funded internally from departmental resources	73,130	1,000	-	-	-
<b>TOTAL</b>	81,542	57,941	27,700	27,700	27,700

Note: Under the net cash appropriation arrangements implemented as part of Operation Sunlight, agencies are no longer funded for depreciation, amortisation or make good expenses. Funding for these expenses have been replaced with a Departmental Capital Budget (DCB).

Prepared on Australian Accounting Standards basis.

**Table 3.2.6: Statement of asset movements — departmental**

	Buildings	Other infrastructure, plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2010</b>				
Gross book value	66,717	35,781	114,501	216,999
less Accumulated depreciation/amortisation	16,629	20,241	36,518	73,388
<b>Opening net book balance</b>	<b>50,088</b>	<b>15,540</b>	<b>77,983</b>	<b>143,611</b>
<b>Asset movements</b>				
Additions	8,138	8,100	41,703	57,941
less Depreciation/amortisation expense	4,222	7,192	33,243	44,657
<b>Total asset movements</b>	<b>3,916</b>	<b>908</b>	<b>8,460</b>	<b>13,284</b>
<b>As at 30 June 2011</b>				
Gross book value	74,855	43,881	156,204	274,940
less Accumulated depreciation/amortisation	20,851	27,433	69,761	118,045
<b>Closing net book balance</b>	<b>54,004</b>	<b>16,448</b>	<b>86,443</b>	<b>156,895</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.7: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)**

	Estimated actual 2009-10	Budget estimate 2010-11	Forward estimate 2011-12	Forward estimate 2012-13	Forward estimate 2013-14
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Non-taxation</b>					
Other sources of non-taxation revenues	630,116	690,400	743,066	771,047	785,242
<b>Total revenues administered on behalf of government</b>	<b>630,116</b>	<b>690,400</b>	<b>743,066</b>	<b>771,047</b>	<b>785,242</b>
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Suppliers	3,424	3,450	3,489	3,585	3,596
Write down and impairment of assets	29,343	27,214	27,528	27,859	28,193
Other	33,881	36,598	39,536	42,712	46,147
<b>Total expenses administered on behalf of government</b>	<b>66,648</b>	<b>67,262</b>	<b>70,553</b>	<b>74,156</b>	<b>77,936</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash and cash equivalents	4,695	4,695	4,695	4,696	4,696
Receivables	91,376	99,581	97,005	105,585	107,044
<b>Total assets administered on behalf of government</b>	<b>96,071</b>	<b>104,276</b>	<b>101,700</b>	<b>110,281</b>	<b>111,740</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Payables</b>					
Suppliers	930	930	930	930	930
Other payables	7,000	7,001	5,000	5,000	5,000
<b>Total liabilities administered on behalf of government</b>	<b>7,930</b>	<b>7,931</b>	<b>5,930</b>	<b>5,930</b>	<b>5,930</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.9: Schedule of budgeted administered cash flows  
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Net GST received	314	319	549	330	330
Other	596,928	654,674	718,302	734,589	755,590
<b>Total cash received</b>	<b>597,242</b>	<b>654,993</b>	<b>718,851</b>	<b>734,919</b>	<b>755,920</b>
<b>Cash used</b>					
Suppliers	3,424	3,450	5,989	3,585	3,596
Other	33,550	36,265	39,200	42,668	46,122
Net GST paid	314	319	549	330	330
<b>Total cash used</b>	<b>37,288</b>	<b>40,034</b>	<b>45,738</b>	<b>46,583</b>	<b>50,048</b>
<b>Net cash from or (used by) operating activities</b>	<b>559,954</b>	<b>614,959</b>	<b>673,113</b>	<b>688,336</b>	<b>705,872</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Cash from Official Public Account	43,280	46,023	49,000	52,272	55,718
<b>Total cash received</b>	<b>43,280</b>	<b>46,023</b>	<b>49,000</b>	<b>52,272</b>	<b>55,718</b>
<b>Cash used</b>					
Cash to Official Public Account	601,611	660,982	722,113	740,607	761,590
<b>Total cash used</b>	<b>601,611</b>	<b>660,982</b>	<b>722,113</b>	<b>740,607</b>	<b>761,590</b>
<b>Net cash from or (used by) financing activities</b>	<b>(558,331)</b>	<b>(614,959)</b>	<b>(673,113)</b>	<b>(688,335)</b>	<b>(705,872)</b>
<b>Net increase or (decrease) in cash held</b>	<b>1,623</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>
Cash at beginning of reporting period	3,072	4,695	4,695	4,995	4,696
<b>Cash at end of reporting period</b>	<b>4,695</b>	<b>4,695</b>	<b>4,695</b>	<b>4,996</b>	<b>4,696</b>

Prepared on 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 Australian Government.

### **Appropriations in the accrual budgeting framework**

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

- departmental appropriations representing the Australian Government's purchase of programs 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 while, 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 ACT 2001* 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.

