

**PORTFOLIO
BUDGET STATEMENTS
2006-07**

TREASURY PORTFOLIO

**BUDGET INITIATIVES AND EXPLANATIONS OF
APPROPRIATIONS SPECIFIED BY OUTCOMES AND OUTPUTS BY AGENCY**

BUDGET RELATED PAPER NO. 1.16

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TREASURER
PARLIAMENT HOUSE
CANBERRA 2600

President of the Senate
Australian Senate
Parliament House
CANBERRA ACT 2600

Speaker
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr President
Dear Mr Speaker

I hereby submit Portfolio Budget Statements in support of the 2006-07 Budget for the Treasury Portfolio.

These statements have been developed, and are submitted to the Parliament, as a statement of the outcomes for the portfolio.

I present these statements by virtue of my responsibility for accountability to the Parliament and, through it, the public.

Yours sincerely

A handwritten signature in black ink that reads 'P Costello'.

Peter Costello

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**USER GUIDE
TO THE
PORTFOLIO BUDGET
STATEMENTS**

USER GUIDE

Purpose of the Portfolio Budget Statements

The purpose of the 2006-07 Portfolio Budget Statements (PB Statements) is to inform Senators and Members of Parliament of the proposed allocation of resources to Government outcomes by agencies within the portfolio. Agencies receive resources from the annual appropriations Bills, special appropriations, standing appropriations (including special accounts), and revenue from other sources.

A key role of the PB Statements is to facilitate the understanding of proposed annual appropriations in Appropriation Bills No. 1 and No. 2 2006-07. In this sense the PB Statements are officially Budget Related Papers and are declared by the Appropriation Bills to be 'relevant documents' to the interpretation of the Bills according to section 15AB of the *Acts Interpretation Act 1901*.

The PB Statements provide information, explanation and justification to enable Parliament to understand the purpose of each outcome proposed in the Bills.

As required under section 12 of the *Charter of Budget Honesty Act 1998*, non-general government sector entities are not consolidated into the Australian Government general government sector fiscal estimates, accordingly, these entities are not reported in the PB Statements.

How to read the PB Statements

The PB Statements are presented in four sections, aligned in several ways to the Budget Papers, as outlined below.

User Guide to the Portfolio Budget Statements

An introduction, explaining the purpose of the PB Statements, the structure of the document, and styles and conventions used.

Portfolio Overview

A brief overview of the portfolio. Portfolio outcomes are depicted in a chart outlining the structure of the outcomes to which the portfolio contributes. This includes a table for Australian Government Indigenous Expenditures for the portfolio.

Agency Budget Statements

For each agency within the portfolio, a budget statement is presented in five sections:

Section 1: Overview	A brief overview of the agency.
Section 2: Resources for 2006-07	A reconciliation of agency resourcing information from the <i>Mid-Year Economic and Fiscal Outlook 2005-06</i> to the 2006-07 Budget. Includes key changes to the agency's estimates and a table of appropriations and other revenue sources for both administered and departmental appropriations.
Section 3: Outcomes	A brief description of the agency's outcomes and, where applicable, Budget measures in summary form. Details the contribution of the agency's outputs to the outcome, performance information for the outcome(s), outputs and administered activities, and planned evaluations. Notes upcoming competitive tendering and contracting that is of a material or sensitive nature. Links the resources appropriated and their application to the agency's outputs and to administered items.
Section 4: Other reporting requirements	Includes purchaser-provider and cost recovery arrangements.
Section 5: Budgeted financial statements	The agency's budgeted financial statements in accrual format, covering the Budget year, the preceding year and three forward years.

Glossary

A glossary is included at the end of the document that explains key terms.

PB STATEMENTS AND BUDGET PAPERS

Comprehensive information on all government decisions announced in the Budget are in Budget Paper No. 2, *Budget Measures 2006-07*. The PB Statements include Budget measures for this Budget in each agency's Section 2: 2006-07 Budget Measures, Table 2.2.

The following chart shows the parts of PB Statements which relate to specific Budget Papers.

Budget Paper	PB Statements
Budget Paper No. 1: Budget Strategy and Outlook 2006-07	
Statement 1: Fiscal Strategy and Budget Priorities Overview of the fiscal and economic outlook	Portfolio structure (Agency) Overview (Agency) Resources for 2006-07
Statement 2: Fiscal Outlook Budget aggregates and variations to the fiscal balance estimates	(Agency) Resources for 2006-07
Statement 10: AAS Financial Statements Accrual financial statements for the general government sector	(Agency) Budgeted financial statements
Budget Paper No. 2: Budget Measures 2006-07	
Budget revenue, expense and capital measures	(Agency) Resources for 2006-07
Budget Paper No. 3: Federal Financial Relations 2006-07	
Information on the Australian Government's relations with States, Territories and local government, in particular, Specific Purpose Payments (SPPs)	(Agency) Resources for 2006-07 (Agency) Outcomes
Budget Paper No. 4: Agency Resourcing 2006-07	
Resourcing for Australian Government agencies, including Appropriation Bills	(Agency) Resources for 2006-07

Departmental and administered items

Under the Australian Government's accrual-based budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies decide (departmental transactions) are separately budgeted for and reported on from transactions agencies make on behalf of others (administered transactions). This ensures that the transactions decided by agencies are reported separately from other transactions in their accounts.

Departmental items

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

Revenues, expenses, assets and liabilities that are managed by an agency or authority on behalf of the Government according to set Government directions. Administered expenses include subsidies, grants and personal benefit payments and administered revenues include taxes, fees, fines and excises.

Appropriations in the accrual budgeting framework

In the accrual budgeting framework, separate annual appropriations are provided for:

- Departmental price of outputs appropriations: representing the Government's funding for outputs from agencies;
- Departmental capital appropriations for investments by the Government for either additional equity or loans to agencies or payments from previous years' outputs;
- Administered expense appropriations: for the estimated administered expenses relating to an existing outcome, a new outcome or a Specific Purpose Payment to the States and Territories; and
- Administered capital appropriations: for increases in administered equity through funding non-expense administered payments.

Special appropriations fund the majority of payments from the Consolidated Revenue Fund (especially those that are entitlement driven or involve transfers to State Governments). The appropriation framework is discussed further in the introduction to Budget Paper No. 4, *Agency Resourcing 2006-07*.

Components of agency financial statements

Reporting requirements for budgeted financial statements differ between agencies (for example, according to whether the agency participates in administered transactions). Therefore, not all agencies are required to report against all schedules.

The budgeted financial statements contain the estimates prepared in accordance with the requirements of the Government's financial budgeting and reporting framework, including the principles of the Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration. They show the planned financial performance for the 2006-07 Budget year and each of the forward years from 2007-08 to 2009-10. The statements also include the estimated actual for 2005-06 for comparative purposes.

The schedules included in the budgeted financial statements for 2006-07 are as follows.

Schedule	Purpose
Budgeted departmental income statement	Shows the expected financial results for the agency. Identifies full accrual expenses and revenues, which highlights whether the agency is operating at a sustainable level.
Budgeted departmental balance sheet	The financial position of the agency. It helps decision makers to track the management of assets and liabilities.
Budgeted departmental statement of cash flows	Provides information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.
Budgeted departmental statement of changes in equity — summary of movement	This is a new statement for Portfolio Budget Statements that represents the movement of parent entity (the Commonwealth) interest in the agency. The statement has been prepared to reflect the net operating result, movements of capital return and additional capital injections from the Commonwealth.
Departmental capital budget statement	Shows all planned departmental capital expenditure (capital expenditure on non-financial assets), whether funded through capital appropriations for additional equity or borrowings, or from funds from internal sources.
Departmental property, plant, equipment and intangibles — summary of movement	Shows budgeted acquisitions and disposals of non-financial assets during the budget year.

Schedule	Purpose
Schedule of budgeted income and expenses administered on behalf of government	Identifies the main revenues and expenses administered on behalf of government.
Schedule of budgeted assets and liabilities administered on behalf of government	Shows the assets and liabilities administered on behalf of government.
Schedule of budgeted administered cash flows	Shows cash flows administered on behalf of government.
Schedule of administered capital budget	Shows details of planned administered capital expenditure.
Schedule of administered property, plant, equipment and intangibles — summary of movement	Discloses details of movements in administered non-financial assets.

Abbreviations and conventions

The following notations may be used:

NEC/nec	not elsewhere classified
-	nil
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
\$m	\$ million
\$b	\$ billion

Figures in tables and in the text may be rounded. Figures in text are generally rounded to one decimal place, whereas figures in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

Enquiries

Should you have any enquiries regarding this publication please contact Ms Sallyann Mugford in Treasury on (02) 6263 2111.

A copy of this document can be located on the Australian Government Budget website at <http://www.budget.gov.au>.

PORTFOLIO OVERVIEW

PORTFOLIO OVERVIEW

PORTFOLIO RESPONSIBILITIES

The Treasury Portfolio undertakes a range of activities aimed at achieving strong sustainable economic growth and the improved wellbeing of Australians. This entails the provision of policy advice to Portfolio Ministers which seeks to promote a sound macroeconomic environment; effective government spending arrangements; effective taxation and retirement income arrangements; and well functioning markets. It also entails the effective implementation and administration of policies that fall within the Portfolio Ministers' responsibilities.

The **Treasury** produces outputs under four output groups – Macroeconomic, Fiscal, Revenue and Markets.

Macroeconomic group outputs include: domestic economic policy advice and forecasting; and international economic policy advice and assessment.

Fiscal group outputs include: budget policy advice and coordination; Commonwealth-State financial policy advice; industry, environment and defence policy advice; and social and income support policy advice.

Revenue group outputs include: taxation policy and legislation advice; and retirement income and saving policy and legislation advice.

Markets group outputs include: foreign investment and trade policy advice and administration; financial system and corporate governance policy advice; competition and consumer policy advice; and actuarial services.

The **Australian Bureau of Statistics** is Australia's official statistical agency. Outputs are directed at informed decision-making, research and discussion within governments and the community, based on the provision of a high quality, objective and responsive national statistical service. Its outputs principally relate to the production of economic, population and social statistics.

The **Australian Competition and Consumer Commission** outputs are directed at enhanced social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets. Outputs are: compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed; and competitive market structures and informed behaviour.

The **Australian Office of Financial Management** is responsible for the management of the Commonwealth's net debt portfolio. Its output – debt management – is directed at ensuring that the Commonwealth net debt portfolio is managed at least cost subject to the Government's policies and risk preferences.

The **Australian Prudential Regulation Authority** is the financial supervisor responsible for the prudential regulation of the banking, other deposit taking, insurance and superannuation industries. Outputs aim at enhanced public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety and efficiency, competition, contestability and competitive neutrality.

The **Australian Securities and Investments Commission** (ASIC) is the independent government body that enforces and administers corporate and financial services law and has responsibilities for consumer protection in relation to investments, life and general insurance, superannuation and banking (except lending). Its outputs aim at a fair and efficient financial market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers. Outputs include: 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; and enforcement activity to give effect to the laws administered by ASIC.

The **Australian Taxation Office** outputs are directed at effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems. Outputs include: shape, design and build administrative systems; management of revenue collection and transfers; compliance assurance and support revenue collection; compliance assurance and support for transfers and regulation of superannuation funds compliance with retirement income standards; and services to governments and agencies.

The **Corporations and Markets Advisory Committee** outputs are directed at confident and informed participation of investors and consumers in the financial system. Outputs include: recommendations to the responsible Minister on the Corporations Law; and the annual report, discussion papers and reports of the Committee.

The **Inspector-General of Taxation** seeks to improve the administration of the tax laws for the benefit of all taxpayers. This is to be achieved by identifying systemic issues in the administration of the tax laws and providing independent advice to the government on the administration of the tax laws.

The **National Competition Council** is an independent advisory body for all Australian governments involved in implementing the National Competition Policy. Its outputs are aimed at the achievement of effective and fair competition reforms and better use of Australia's infrastructure for the benefit of the community. Outputs include: advice provided to governments on competition policy and infrastructure access issues; and clear, accessible public information on competition policy.

The **Productivity Commission** contributes to well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective. Outputs include or relate to: government commissioned projects; performance reporting and other services to government bodies; regulation review activities; competitive neutrality complaints activities; and supporting research and activities and statutory annual reporting.

The **Royal Australian Mint** satisfies the Reserve Bank of Australia's forecast for circulating coin. Its output is coin production, associated policy advice and visitor services.

Figure 1: Portfolio structure and outcomes

<p style="text-align: center;">Portfolio Minister - Treasurer The Hon Peter Costello MP</p> <p style="text-align: center;">Minister for Revenue and Assistant Treasurer The Hon Peter Dutton MP</p> <p style="text-align: center;">Parliamentary Secretary to the Treasurer The Hon Chris Pearce MP</p>
<p style="text-align: center;">Department of the Treasury Secretary: Dr Ken Henry</p> <p>Outcome 1: Sound macroeconomic environment</p> <p>Outcome 2: Effective government spending arrangements</p> <p>Outcome 3: Effective taxation and retirement income arrangements</p> <p>Outcome 4: Well functioning markets</p>
<p style="text-align: center;">Australian Bureau of Statistics Statistician: Mr Dennis Trewin</p> <p>Informed decision-making, research and discussion within governments and the community, based on the provision of a high quality, objective and responsive national statistical service</p>
<p style="text-align: center;">Australian Competition and Consumer Commission Chairperson: Mr Graeme Samuel</p> <p>To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets</p>
<p style="text-align: center;">Australian Office of Financial Management Chief Executive Officer: Mr Neil Hyden</p> <p>To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time</p>
<p style="text-align: center;">Australian Prudential Regulation Authority Chairman: Dr John Laker</p> <p>To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality</p>
<p style="text-align: center;">Australian Securities and Investments Commission Chairman: Mr Jeffrey Lucy AM</p> <p>A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers</p>
<p style="text-align: center;">Australian Taxation Office Commissioner: Mr Michael D'Ascenzo</p> <p>Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems</p>
<p style="text-align: center;">Corporations and Markets Advisory Committee Convenor: Mr Richard St John</p> <p>Fair and efficient financial markets characterised by integrity and transparency and supporting confident and informed participation of investors and consumers</p>
<p style="text-align: center;">Inspector-General of Taxation Inspector-General: Mr David Vos AM</p> <p>Improved administration of the tax laws for the benefit of all taxpayers</p>
<p style="text-align: center;">National Competition Council Acting President: Mr David Crawford</p> <p>The achievement of effective and fair competition reforms and better use of Australia's infrastructure for the benefit of the community</p>
<p style="text-align: center;">Productivity Commission Chairman: Mr Gary Banks</p> <p>Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective</p>
<p style="text-align: center;">Royal Australian Mint Chief Executive Officer: Ms Janine Murphy</p> <p>Coin production, associated policy advice and visitor services</p>

Figure 2: Departmental appropriations for agencies in the portfolio

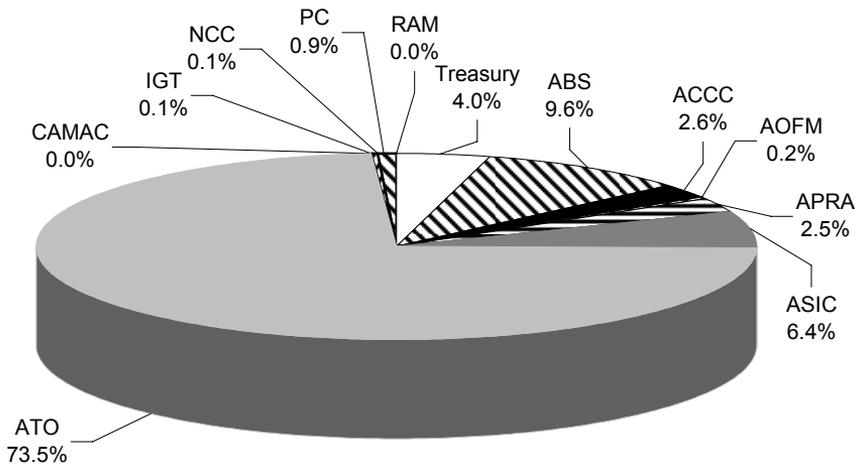
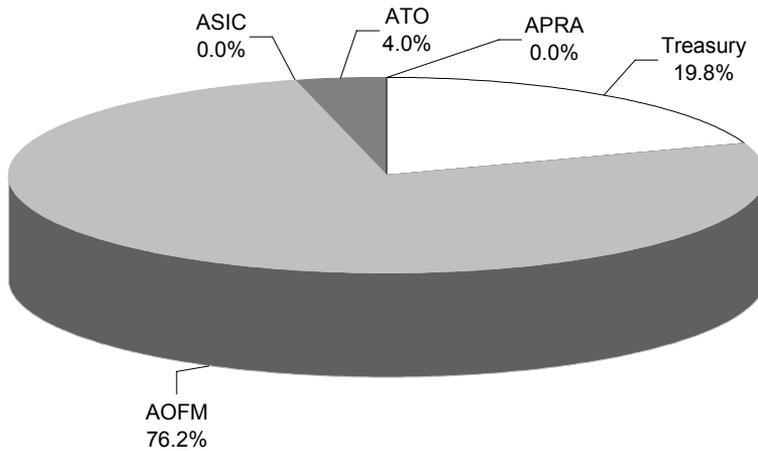


Figure 3: Administered appropriations for agencies in the portfolio



AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

The agencies in the following table have Australian Government Indigenous Expenditure (AGIE) for the Treasury Portfolio.

Table 1: Australian Government Indigenous Expenditure — portfolio level

Treasury Portfolio	Appropriations			Total	Other	Total
	Bill No. 1	Bill No. 2	Special Approp			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(A)	(B)	(C)	(D)	(E)	(F)=(D)+(E)
Australian Taxation Office						
2006-07	1,752	-	-	1,752	-	1,752
2005-06	1,937	-	-	1,937	-	1,937
Productivity Commission						
2006-07	590	-	-	590	-	590
2005-06	578	-	-	578	-	578
Total AGIE 2006-07	2,342	-	-	2,342	-	2,342
Total AGIE 2005-06	2,515	-	-	2,515	-	2,515

Note: All expenditure is departmental in nature

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TREASURY

Section 1: Overview

The Treasury seeks to promote a sound macroeconomic environment; effective government spending arrangements; effective taxation and retirement income arrangements; and well functioning markets, by providing sound and timely advice to the Australian Government and assisting Treasury Ministers in the administration of their responsibilities and the implementation of Government decisions.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
Sound macroeconomic environment	A sound macroeconomic environment is an essential foundation for strong sustainable economic growth and the improved wellbeing of Australians. It is characterised by stable prices, low interest rates, healthy employment growth, and a sustainable external position.	Output Group 1.1 Macroeconomic Group
Outcome 2		
Effective government spending arrangements	Government spending arrangements contribute to the overall fiscal outcome but also influence strong sustainable economic growth and the improved wellbeing of Australians.	Output Group 2.1 Fiscal Group
Outcome 3		
Effective taxation and retirement income arrangements	Taxation and retirement income arrangements contribute to the overall fiscal outcome and influence strong sustainable economic growth and the improved wellbeing of Australians.	Output Group 3.1 Revenue Group
Outcome 4		
Well functioning markets	Well functioning markets contribute to high sustainable economic and employment growth and the improved wellbeing of Australians, by enabling resources to flow to those parts of the economy where they can be used most productively. Well functioning markets operate when investors and consumers have confidence and certainty about the regulatory framework, and are able to make decisions that are informed and free of market distortions and impediments.	Output Group 4.1 Markets Group

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations (including capital appropriations) and other resources for the Treasury in the 2006-07 Budget is \$39,563.1 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

Treasury	Departmental				Administered					Total		
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Appropriation resources \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPPs \$'000	Other \$'000	Appropriation \$'000	Special resources \$'000		Other resources \$'000	
Outcome 1												
Sound macroeconomic environment	36,092	-	-	4,527	-	-	-	-	31,647	-	-	72,267
Outcome 2												
Effective government spending arrangements	15,775	-	-	270	-	19,504	-	-	39,130,000	-	-	39,165,549
Outcome 3												
Effective taxation and retirement income arrangements	42,326	-	-	676	-	-	-	-	-	-	-	43,001
Outcome 4												
Well functioning markets	38,800	-	-	2,212	5,000	168,492	-	-	-	-	-	214,503
Equity injections	-	276	-	-	-	-	-	-	-	-	-	276
Administered assets and liabilities	-	-	-	-	-	-	4,165	-	-	-	-	4,165
Special capital appropriation	-	-	-	-	-	-	-	-	63,361	-	-	63,361
Total	132,993	276	-	7,684	5,000	187,996	4,165	39,225,008	-	-	-	39,563,122

2.2 2006-07 BUDGET MEASURES

Budget measures relating to the Treasury as explained in Budget Paper No. 2, *Budget Measures 2006-07* are summarised in Table 2.2. The table also identifies the relevant outcomes, administered items and outputs associated with each measure.

Table 2.2 Treasury measures

Measure	Output groups affected	2006-07 \$'000		2007-08 \$'000		2008-09 \$'000		2009-10 \$'000	
		Admin items	Dept outputs						
Expense measures									
Council of Australian Governments - supporting its agenda (a)	2.1, 3.1, 4.1	-	3,752	-	3,148	-	-	-	-
Reform of state taxes - payment of Budget Balancing Assistance	2.1	(230,800)	-	(125,200)	-	-	-	-	-
Treasury - Review of Aspects of Income Tax Self Assessment	3.1	-	2,124	-	781	-	-	-	-
Total expense measures		(230,800)	5,876	(125,200)	3,929	(125,200)	-	-	-
Capital measures									
Council of Australian Governments - supporting its agenda (a)	2.1, 3.1, 4.1	-	241	-	-	-	-	-	-
Total capital measures		-	241	-	-	-	-	-	-
Non-tax revenue measures									
Goods and services tax - additional compliance activities	2.1	(10,553)	-	(17,805)	-	(17,805)	(18,017)	-	-
Total non-tax revenue measures		(10,553)	-	(17,805)	-	(17,805)	(18,017)	-	-
Total measures		(241,353)	6,117	(143,005)	3,929	(139,076)	(18,017)	-	-

(a) This is a cross portfolio measure with the Prime Minister and Cabinet Portfolio

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of other resources obtained by the Treasury for provision of goods or services. These resources are approved for use by the Treasury and are also included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated resources 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Goods and services	7,327	6,884
Other	800	800
Total departmental other resources available to be used	8,127	7,684

Note: Departmental resources are collected under section 31 of the *Financial Management and Accountability Act 1997*.

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

The Treasury does not have any movement of administered funds from 2005-06 to 2006-07.

2.5 SPECIAL APPROPRIATIONS

Table 2.5 identifies expenses associated with special appropriations administered by the Treasury.

Table 2.5: Estimates of expenses from special appropriations

	Outcome	Estimated expenses 2005-06 \$'000	Budget estimate 2006-07 \$'000
Estimated expenses			
<i>International Monetary Agreements Act 1947</i>	1	28,359	31,647
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	2	628,225	-
<i>Superannuation Industry (Supervision) Act 1993</i>	4	1,158	-
Total estimated expenses		657,742	31,647

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each account used by the Treasury.

Table 2.6: Estimates of special account flows and balances

		Opening balance 2006-07 2005-06	Credits 2006-07 2005-06	Debits 2006-07 2005-06	Closing balance 2006-07 2005-06
	Outcome	\$'000	\$'000	\$'000	\$'000
Australian Government Actuary Account	4	1,369 1,369	1,629 1,629	1,629 1,629	1,369 1,369
Lloyd's Deposit Trust Account	4	2,000 2,000	180 180	180 180	2,000 2,000
Trustee Companies (ACT) Deposits Trust Account	4	120 120	5 5	5 5	120 120
Other Trust Moneys Account	1,2,3,4	-	-	-	-
Services for other Governments and Non-Agency Bodies Account	1,2,3,4	-	-	-	-
Total special accounts					
2006-07 Budget estimate		3,489	1,814	1,814	3,489
Total special accounts 2005-06 estimated actual		3,489	1,814	1,814	3,489

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The Treasury will receive administered capital appropriations of \$67.5 million in 2006-07. Of this amount, \$63.4 million is funded through special appropriations and \$4.2 million through Appropriation Bill No. 2. These capital appropriations relate to financial assets and liabilities (also refer to Table 5.10).

The special appropriation item relates to capital payments for the HIH Assistance Scheme. The Appropriation Bill No. 2 item relates to capital payments to the European Bank for Reconstruction and Development and Australia's contribution to the International Monetary Fund's Poverty Reduction and Growth Facility.

The Treasury will receive departmental capital appropriations of \$0.3 million. This relates to capital requirements for the Council of Australian Governments – supporting its agenda Budget measure, labour force participation – modelling and overseas security.

Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items to contribute to the four outcomes for the Treasury.

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The Treasury has re-organised its outcomes from three to four for 2006-07. The previous Outcome 2 'Effective government spending and taxation arrangements' has been split into two outcomes; 'Effective government spending arrangements' and 'Effective taxation and retirement income arrangements' to better align Treasury's organisational and outcome structure. The previous Outcome 3 'Well functioning markets' will now become Outcome 4. This change in outcomes has also resulted in Treasury's outputs being revised.

Treasury's new outcomes and outputs structure is reflected on the next page in Figure 4.

Figure 4: Contributions to outcomes

<p>Department of the Treasury Secretary: Dr Ken Henry</p> <p>Total departmental resources: \$140.7 million Total departmental appropriations: \$133.0 million Total administered appropriations: \$39,354.6 million</p>	
<p>Overall outcome</p> <p>Strong, sustainable economic growth and the improved wellbeing of Australians</p>	
<p>Outcome 1</p> <p>Sound macroeconomic environment</p> <p>Total resources: \$40.6 million Departmental appropriations: \$36.1 million Administered appropriations: \$31.6 million</p>	<p>Outcome 2</p> <p>Effective government spending arrangements</p> <p>Total resources: \$16.0 million Departmental appropriations: \$15.8 million Administered appropriations: \$39,149.5 million</p>
<p>Outcome 3</p> <p>Effective taxation and retirement income arrangements</p> <p>Total resources: \$43.0 million Departmental appropriations: \$42.3 million Administered appropriations: nil</p>	<p>Outcome 4</p> <p>Well functioning markets</p> <p>Total resources: \$41.0 million Departmental appropriations: \$38.8 million Administered appropriations: \$173.5 million</p>
<p>Output Group 1.1</p> <p>Macroeconomic</p> <p>Output 1.1.1 Domestic economic policy advice and forecasting Resources: \$8.5 million</p> <p>Output 1.1.2 International economic policy advice and assessment Resources: \$32.1 million</p> <p>Output 2.1.1 Budget policy advice and coordination Resources: \$3.9 million</p>	<p>Output Group 2.1</p> <p>Fiscal</p> <p>Output 2.1.2 C'wealth- State financial policy advice Resources: \$2.9 million</p> <p>Output 2.1.3 Industry, environment and defence policy advice Resources: \$4.2 million</p> <p>Output 2.1.4 Social and income support policy advice Resources: \$5.1 million</p>
<p>Output Group 3.1</p> <p>Revenue</p> <p>Output 3.1.1 Taxation policy and legislation advice Resources: \$36.5 million</p> <p>Output 3.1.2 Retirement income and saving policy and legislation advice Resources: \$6.5 million</p> <p>Output 4.1.1 Foreign investment and trade policy advice and administration Resources: \$4.0 million</p>	<p>Output Group 4.1</p> <p>Markets</p> <p>Output 4.1.2 Financial system and corporate governance policy advice Resources: \$22.1 million</p> <p>Output 4.1.3 Competition and consumer policy advice Resources: \$13.3 million</p> <p>Output 4.1.4 Actuarial services Resources: \$1.6 million</p>

3.2 OUTCOMES — DEPARTMENTAL AND ADMINISTERED

The following graphs provide an indication of how appropriations are allocated by outcome.

Figure 5: Departmental appropriations by outcome, 2006-07

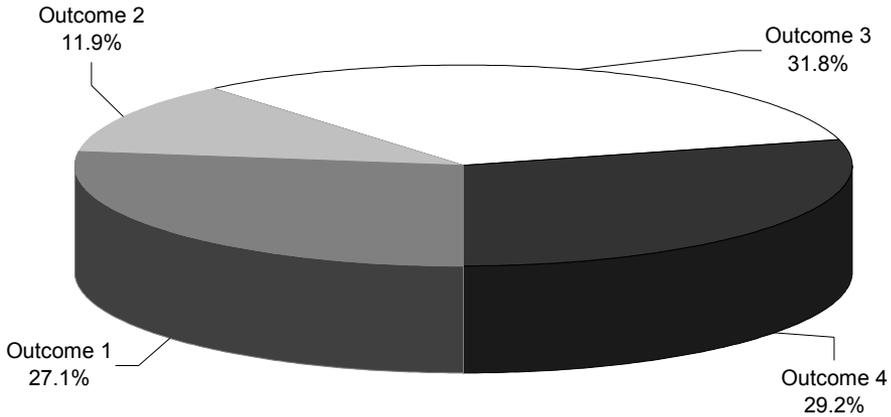
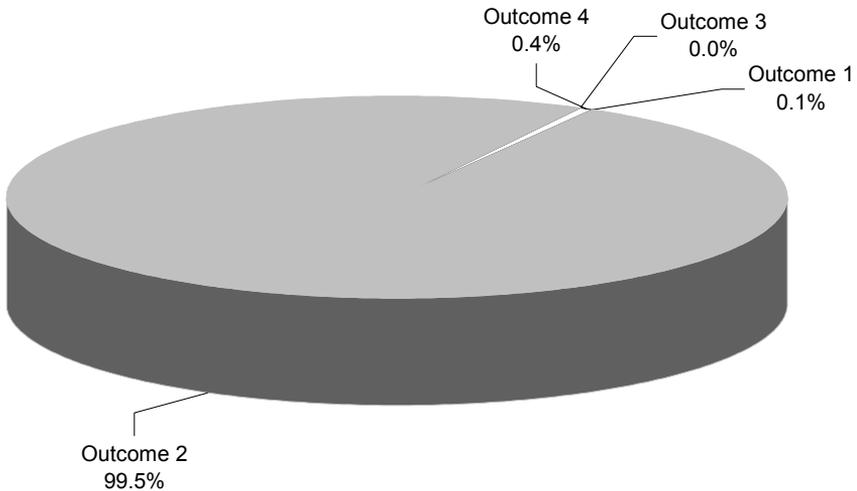


Figure 6: Administered appropriations by outcome, 2006-07



3.3 OUTCOMES AND PERFORMANCE

Outcome 1 – Sound macroeconomic environment

A sound macroeconomic environment is an essential foundation for strong sustainable economic growth and the improved wellbeing of Australians. It is characterised by stable prices, low interest rates, healthy employment growth, and a sustainable external position.

As many influences on macroeconomic outcomes are beyond the control of the Australian Government, policy aims to improve the prospects for the Australian economy rather than to target specific outcomes or major economic indicators. Success is judged more by medium to long-term performance relative to Australia’s past and to other countries, rather than by particular results in any year.

Outcome 1 resourcing

Table 3.1.1 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 1, including administered appropriations, departmental appropriations and departmental revenue from other sources.

Table 3.1.1: Total resources for Outcome 1

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Administered appropriations		
Special appropriations		
<i>International Monetary Agreements Act 1947</i>	28,359	31,647
Total administered appropriations	28,359	31,647
Departmental appropriations		
Output Group 1.1 - Macroeconomic Group		
Output 1.1.1 - Domestic economic policy advice and forecasting	8,473	8,397
Output 1.1.2 - International economic policy advice and assessment	24,012	27,695
Total departmental appropriations	32,485	36,092
Departmental revenue from other sources		
Output Group 1.1 - Macroeconomic Group		
Output 1.1.1 - Domestic economic policy advice and forecasting	158	135
Output 1.1.2 - International economic policy advice and assessment	4,652	4,393
Total departmental revenue from other sources	4,810	4,527
Total departmental resources	37,295	40,620
Total resources for Outcome 1	65,654	72,267
	2005-06	2006-07
Average staffing level (number)	201	213

Note: For comparative purposes, the estimated actual for 2005-06 has been adjusted to reflect the new four outcomes structure.

Measures affecting Outcome 1

There are no measures affecting Outcome 1.

Contributions to achievement of Outcome 1

The Treasury aims to contribute to a sound macroeconomic environment by monitoring and assessing economic conditions and prospects, both in Australia and overseas, and by providing advice on the formulation and implementation of effective macroeconomic policy, including monetary and fiscal policy. In particular, Treasury's priorities are to:

- examine domestic and international developments affecting the Australian economy and forecast the direction of the Australian and international economies; and
- assist in identifying policies likely to improve Australia's economic growth potential and wellbeing, including improved understanding of the impact of changes in workforce participation and productivity on future growth and fiscal pressures.

The Treasury also provides advice on advancing Australia's interests at international forums and institutions. Treasury's priorities are to influence international policy outcomes in favour of growth enhancement and poverty reduction, open trade and investment regimes, and market-oriented public policy based on rule of law and strong institutions through:

- strengthening, effectively using and directly participating in international forums (including the World Bank, International Monetary Fund, Organisation for Economic Cooperation and Development, Asian Development Bank, the Group of Twenty (G-20), the Asia Pacific Economic Cooperation (APEC) process, Pacific Islands Forum Economic Ministers' Meeting and the East Asia Summit);
- playing a lead role in the Government's initiatives to improve economic governance in the Pacific, particularly, in Papua New Guinea, Solomon Islands and Nauru;
- engaging directly in a policy dialogue with key counterparts in East Asia, including hosting a forum for discussion of regional macroeconomic challenges; and
- providing technical assistance in the Asia-Pacific region.

Following on from 2005-06, an important focus for the Treasury in the coming year will be delivery of the meeting of the G-20 Ministers and Central Bank Governors in the second half of 2006, and continued preparation for the APEC Finance Ministers' Meeting in 2007.

These key international meetings provide the opportunity to lead the international economic and financial agenda and the global debate on measures to strengthen the foundations for economic development, growth and stability.

- Treasury's priority is to effectively promote the G-20 2006 agenda and the role of the forum in global economic governance.
- Treasury is also working to develop effective, relevant and achievable policy outcomes and work programmes for both the G-20 and APEC.

The establishment of the \$1 billion Australia-Indonesia Partnership for Reconstruction and Development (AIPRD) includes the \$50.0 million Government Partnerships Fund (GPF) to help Indonesia implement its economic, financial and public sector management reforms.

- Treasury is contributing to the oversight of implementation of the AIPRD and is also developing an engagement strategy under the GPF, focussing on developing close working relationships with the Indonesian Ministry of Finance in support of its key organisational challenges.

The effectiveness of the Treasury's contribution to a sound macroeconomic environment is judged primarily by feedback from Treasury Portfolio Ministers on the quality and relevance of Treasury's advice.

Performance information for Outcome 1

Table 3.2.1: Performance information for Outcome 1

Performance indicators for administered items including third party outputs	
Subscriptions to international financial institutions	<p>Facilitation of achievement of government objectives in international forums, including strengthening the international financial system, multilateral debt relief and institutional reform in the multilateral development banks.</p> <p>Timely and accurate financial transactions with the international financial institutions that are made with due regard to minimising cost and risk for Australia.</p>
Performance indicators for individual outputs	
Output group 1: Macroeconomic	
Output group 1.1.1 - Domestic economic policy advice and forecasting	<p>Advice on economic policy and the economic outlook meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing government decisions that contribute to a sound macroeconomic environment.</p> <p>Effective presentation of budget documents and other publications to adequately inform public debate.</p> <p>Price: \$8.5 million</p>
Output group 1.1.2 - International economic policy advice and assessment	<p>Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing government decisions relating to international economic and financial issues.</p> <p>Effective participation in international forums and bilateral dialogue to facilitate achievement of government objectives.</p> <p>Effective hosting of G-20 meetings and associated workshops in 2006.</p> <p>Effective hosting of APEC meetings and associated workshops in 2007.</p> <p>Effective advice on, and direct support for, improving economic governance and policies and building capacity in Papua New Guinea, Solomon Islands and Nauru.</p> <p>Price: \$32.1 million</p>

Evaluations for Outcome 1

Feedback will be sought from key clients and stakeholders on a regular basis on the effectiveness of the Treasury's policy advice and international engagement. Results of evaluations will be presented, as appropriate, in *The Treasury Annual Report 2006-07*.

Outcome 2 – Effective government spending arrangements

Government spending arrangements contribute to the overall fiscal outcome but also influence strong sustainable economic growth and the improved wellbeing of Australians.

Spending measures should be effective in meeting their stated objectives, minimise behavioural distortions and deliver significant economic and other benefits compared with costs, thus contributing to the wellbeing of Australians.

Treasury provides policy advice to Portfolio Ministers in order to promote Government decisions that further these objectives.

Outcome 2 resourcing

Table 3.1.2 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 2, including administered appropriations, departmental appropriations and departmental revenue from other sources.

Table 3.1.2: Total resources for Outcome 2

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Administered appropriations		
Annual appropriations		
Additional First Home Owners Scheme	1,317	2,304
Compensation for GST Revenue Foregone	346,400	17,200
Special appropriations		
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	37,728,225	39,130,000
Total administered appropriations	38,075,942	39,149,504
Departmental appropriations		
Output Group 2.1 - Fiscal Group		
Output 2.1.1 - Budget policy advice and coordination	4,484	3,789
Output 2.1.2 - Commonwealth-State financial policy advice	2,752	2,874
Output 2.1.3 - Industry, environment and defence policy advice	3,954	4,134
Output 2.1.4 - Social and income support policy advice	3,628	4,978
Total departmental appropriations	14,818	15,775
Departmental revenue from other sources		
Output Group 2.1 - Fiscal Group		
Output 2.1.1 - Budget policy advice and coordination	71	63
Output 2.1.2 - Commonwealth-State financial policy advice	56	50
Output 2.1.3 - Industry, environment and defence policy advice	83	74
Output 2.1.4 - Social and income support policy advice	74	83
Total departmental revenue from other sources	284	270
Total departmental resources	15,102	16,045
Total resources for Outcome 2	38,091,044	39,165,549
	2005-06	2006-07
Average staffing level (number)	111	121

Note: For comparative purposes, the estimated actual for 2005-06 has been adjusted to reflect the new four outcomes structure.

Measures affecting Outcome 2

A list of measures for Outcome 2 appears in Table 2.2. Details of measures are included in Budget Paper No. 2, *Budget Measures 2006-07*.

Contributions to achievement of Outcome 2

Effective Government spending arrangements are crucial to achieving the Australian Government's objectives for the economy and hence the wellbeing of Australians. Ongoing advice to the Portfolio Ministers from the Treasury assists in formulating, implementing and explaining government spending decisions.

More specifically, in the coming year the Treasury will provide advice on:

- budget policies, including arrangements for the distribution of resources between the Australian Government and other levels of government, which are consistent with sustainable public finances and macroeconomic objectives;
- Commonwealth-State financial policy, including implementing the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, and on the fiscal and economic positions of the State and Territory Governments, particularly in relation to the effectiveness of federally funded activities;
- government expenditure programmes, with a focus on those programmes with significant economic or budgetary implications;
- policies relating to the Australian Government’s debt portfolio and the management of the portfolio; and
- policies to promote the efficient and sustainable use of resources and to improve the competitiveness and productivity of Australian industries, thereby promoting higher levels of sustainable economic growth.

In 2006-07, the Treasury will devote significant resources to:

- production of the *Final Budget Outcome 2005-06, Mid-Year Economic and Fiscal Outlook 2006-07, 2007-08 Budget*, and the next Intergenerational Report;
- providing advice on those issues identified by the Australian Government as its key strategic priorities (including demographic changes, improving participation in the workforce, welfare, work and family policies, health, education, energy, defence and national security, infrastructure, science and innovation, the environment and rural and regional policy); and
- providing advice under the framework for the National Reform Agenda, agreed by the Council of Australian Governments (COAG) in February 2006, particularly initiatives to boost participation and productivity including to:
 - encourage greater workforce participation, particularly by older Australians;
 - address skill shortages, including in regional Australia, by developing more flexible pathways into skills-shortages trades;
 - improve the health of Australians including through policies on preventative health, mental health and pandemic prevention and preparedness;
 - improve the effectiveness of the health system;

- improve early childhood programmes;
- improve the transition pathways from school to work;
- boost competition and productivity through reform initiatives in areas such as transport, energy, infrastructure regulation and planning and climate change technological innovation and adaptation; and
- improve the wellbeing of Australia’s indigenous population.

The effectiveness of the contribution of these outputs to the outcome will be gauged primarily in terms of feedback from Treasury Portfolio Ministers as to whether policy advice meets their needs in formulating, implementing and explaining government spending decisions.

Performance information for Outcome 2

Table 3.2.2: Performance information for Outcome 2

Performance information for administered items (including third party outputs)	
Payments to State and Territory Governments	<p>Accurate calculation of amounts payable according to agreed formulae.</p> <p>Payments made according to agreed schedules.</p>
Performance information for individual outputs	
Output Group 2.1 - Fiscal	
Output 2.1.1 - Budget policy advice and coordination	<p>Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing Government decisions as they relate to assessments of the budget position and outlook, and budget strategy and debt policy.</p> <p>Effective presentation of budget documents for which Treasury has responsibility and other publications to adequately inform public debate.</p> <p>Price: \$3.9 million</p>
Output 2.1.2 - Commonwealth-State financial policy advice	<p>Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to Commonwealth-State financial relations.</p> <p>Effective presentation of relevant information, including budget documentation and other publications to adequately inform public debate.</p> <p>Price: \$2.9 million</p>
Output 2.1.3 - Industry, environment and defence policy advice	<p>Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to industry, environment and defence policy.</p> <p>Effective presentation of relevant information to adequately inform public debate.</p> <p>Price: \$4.2 million</p>
Output 2.1.4 - Social and income support policy advice	<p>Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to social policy, labour market and health policy issues.</p> <p>Effective presentation of relevant information to adequately inform public debate.</p> <p>Price: \$5.1 million</p>

Evaluations for Outcome 2

Feedback will be sought from key clients on a regular basis on the effectiveness of policy advice and payments to State and Territory Governments. Results of evaluations will be presented, as appropriate, in *The Treasury Annual Report 2006-07*.

Contributions to achievement of Outcome 3

Effective taxation and retirement income arrangements are crucial to achieving the Australian Government's objectives for the economy and hence the wellbeing of Australians. Ongoing advice to the Portfolio Ministers from the Treasury assists in formulating, implementing and explaining Government decisions on taxation and retirement income arrangements.

More specifically, in the coming year the Treasury will provide advice on:

- taxation policies and legislative design proposals which contribute to the reform of the Australian taxation system in terms of efficiency, equity and transparency whilst minimising compliance and administrative costs; and
- retirement income and saving issues, including superannuation, and other income support arrangements intended to promote the wellbeing of Australians.

In 2006-07, the Treasury will devote significant resources to:

- providing advice on those issues identified by the Australian Government as its key strategic priorities;
- developing quantitative modelling to identify the labour force participation effects of Government policy proposals, including tax and income support changes;
- implementing decisions arising from the Australian Government's *Review of Aspects of Income Tax Self Assessment*;
- improving processes and outputs in the development of advice on taxation and retirement income policies (including consultation processes and design of legislation);
- contributing to the next *Intergenerational Report*;
- providing advice under the framework for the National Reform Agenda, agreed by the Council of Australian Governments (COAG) in February 2006, particularly initiatives to address the burden of legislative and administrative 'red tape' both within the current taxation and retirement income systems and in relation to proposals for change; and
- final stages in legislation relating to the taxation of financial arrangements and tax exempt asset financing, and a substantial programme of other tax legislation.

The effectiveness of the contribution of these outputs to the outcome will be gauged primarily in terms of feedback from Treasury Portfolio Ministers as to whether policy advice and new taxation legislation meets their needs in formulating, implementing and explaining government taxation and retirement income decisions.

Performance information for Outcome 3

Table 3.2.3: Performance information for Outcome 3

Performance indicators for individual outputs

Output Group 3.1 - Revenue

Output group 3.1.1 - Taxation policy and legislation advice

Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing decisions relating to taxation policy and legislation.

Effective presentation of relevant information, including budget documentation and other publications to adequately inform public debate.

Tax law is developed in accordance with the principles for good law design.

Legislation delivered according to Government programmes.

Price: \$36.5 million

Output group 3.1.2 - Retirement income and saving policy and legislation advice

Advice meets Treasury Portfolio Ministers' needs in administering their responsibilities and implementing decisions relating to retirement income and saving policy and legislation.

Effective presentation of relevant information, including in the budget documentation and other publications to adequately inform public debate.

Law relating to retirement income and saving policy is developed in accordance with the principles for good law design.

Legislation delivered according to Government programmes.

Price: \$6.5 million

Evaluations for Outcome 3

Feedback will be sought from key stakeholders on a regular basis on the effectiveness of policy advice. Results of evaluations will be presented, as appropriate, in *The Treasury Annual Report 2006-07*.

Outcome 4 — Well functioning markets

Well functioning markets contribute to high sustainable economic and employment growth and the improved wellbeing of Australians, by enabling resources to flow to those parts of the economy where they can be used most productively.

Well functioning markets operate where investors and consumers have confidence and certainty about the regulatory framework, and are able to make decisions that are informed and free of market distortions and impediments.

The Treasury provides advice on policy processes and reforms that promote a secure financial system and sound corporate practices, remove impediments to competition in both product and services markets, and safeguard the public interest in areas such as consumer protection and foreign investment and trade.

Outcome 4 resourcing

Table 3.1.4 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 4, including administered appropriations, departmental appropriations and departmental revenue from other sources.

Table 3.1.4: Total resources for Outcome 4

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Administered appropriations		
Annual appropriations		
Compensation - companies regulation	163,742	168,492
Housing Loans Insurance Company Limited - payments in respect of insurance claims	6,000	5,000
Special appropriations		
<i>Superannuation Industry (Supervision) Act 1993</i>	1,158	-
Total administered appropriations	170,900	173,492
Departmental appropriations		
Output Group 4.1 - Markets Group		
Output 4.1.1 - Foreign investment and trade policy advice and administration	3,990	3,962
Output 4.1.2 - Financial system and corporate governance policy advice	21,972	21,797
Output 4.1.3 - Competition and consumer policy advice	19,292	13,041
Output 4.1.4 - Actuarial services	-	-
Total departmental appropriations	45,254	38,800
Departmental revenue from other sources		
Output Group 4.1 - Markets Group		
Output 4.1.1 - Foreign investment and trade policy advice and administration	92	80
Output 4.1.2 - Financial system and corporate governance policy advice	307	267
Output 4.1.3 - Competition and consumer policy advice	235	235
Output 4.1.4 - Actuarial services	1,629	1,629
Total departmental revenue from other sources	2,264	2,212
Total departmental resources	47,517	41,011
Total resourcing for Outcome 4	218,417	214,503
	2005-06	2006-07
Average staffing level (number)	223	231

Note: For comparative purposes, the estimated actual for 2005-06 has been adjusted to reflect the new four outcomes structure.

Measures affecting Outcome 4

A list of measures for Outcome 4 appears in Table 2.2. Details of measures are included in Budget Paper No. 2, *Budget Measures 2006-07*.

Contributions to achievement of Outcome 4

The Treasury provides advice to Portfolio Ministers to assist them to carry out their responsibilities in formulating, implementing, and explaining the policies needed to achieve well functioning markets – markets that are competitive, efficient, informed, fair and transparent.

More specifically, in the coming year the Treasury will provide advice on:

- policy relating to general foreign investment and trade, including foreign investment proposals;
- policy relating to the financial system, corporations, and the financial services sector, including a range of initiatives to improve the frameworks for corporate insolvency and corporate groups;
- policy relating to a sound and efficient prudential framework with particular emphasis on banking, insurance and superannuation;
- policy relating to structural reform in key sectors of the economy, including energy, transport and communications, in conjunction with other government departments and agencies; and
- policy relating to competition and consumer policy matters, including legislative amendments to the *Trade Practices Act 1974*.

In 2006-07, the Treasury will devote significant resources to:

- improving regulation and competition in the financial sector by facilitating well-functioning and competitive financial markets, particularly by addressing banking competition and insurance market issues, improving the effectiveness of regulation, developing a single economic market with New Zealand in banking and insurance services, monitoring market supervision issues and responding to the assessment of Australia's financial system by the International Monetary Fund;
- implementing trade, investment and competition policy priorities in relation to the Government's commitment to negotiate four free trade agreements – China, Association of South East Asian Nations (ASEAN), Malaysia and the United Arab Emirates – as well as the negotiation of an investment protocol under the Closer Economic Relations Agreement (CER) with New Zealand. Other priorities include progressing trade and investment issues in Asia-Pacific Economic Cooperation (APEC), the Group of Twenty (G-20) and World Trade Organization (WTO);
- monitoring international and local compliance with foreign investment and trade policies, including by processing foreign investment applications, and further examining reform options with a focus on reducing compliance and administrative costs;
- representing Australia's interests in forums such as the Organisation for Economic Co-operation and Development (OECD) and APEC;
- international cooperation in financial system regulation, corporate governance, financial reporting, auditing, and corporate insolvency including the development

of ways to further integrate the Australian and United States (US) financial services sectors, with a focus on regulatory recognition, including through the Financial Services Committee established under the Australia – US Free Trade Agreement;

- improving the regulatory framework for corporations and financial services, including by implementing reforms relating to corporate insolvency and corporate groups, reviewing the design of offences under the *Corporations Act 2001*, advising on the implementation of international financial reporting and auditing standards, implementing reforms to the *Insurance Contracts Act 1984*, and refining financial services reforms;
- implementing the reform agenda for competition policy, including implementing reforms relating to the *Review of the Competition Provisions of the Trade Practices Act* (the Dawson Review), the Senate small business report, criminal sanctions for cartels and the National Access Regime;
- providing advice under the framework for the National Reform Agenda, agreed by the Council of Australian Governments (COAG) in February 2006, that builds on the National Competition Policy arrangements particularly in the key infrastructure areas of energy, transport and infrastructure regulation and in best practice regulation;
- implementing Treasury’s contribution to the Government’s response to the Report of the Taskforce on reducing Regulatory Burdens on Business;
- reviewing the Australian consumer policy framework, in particular, the product safety framework and penalties available for consumer protection;
- developing and delivering a range of financial literacy initiatives that will build the capacity of Australians to better manage their money and to take advantage of significant reforms to the finance sector through the work of the Financial Literacy Foundation;
- maintaining successful operations of the Australian Government Actuary, Financial Reporting Panel, and the Takeovers Panel;
- providing secretariat services to the Financial Reporting Council, Financial Sector Advisory Committee, the Ministerial Council on Consumer Affairs, the Ministerial Council for Corporations and the Commonwealth Consumer Affairs Advisory Council; and
- providing support for Treasury Ministers when considering appointments to the statutory and non-statutory bodies within Outcome 4.

Performance information for Outcome 4

Table 3.2.4: Performance information for Outcome 4

Performance information for administered items (including third party outputs)	
Compensation - companies regulation payments to the States and the Northern Territory	<p>Amounts payable, according to agreed formula, are accurately calculated.</p> <p>Payments are made according to agreed schedules.</p>
Performance information for departmental outputs	
Output Group 4.1 - Markets	
Output 4.1.1 - Foreign investment and trade policy advice and administration	<p>Advice meets Treasury portfolio Ministers' needs in fulfilling their responsibilities.</p> <p>Government policy is appropriately represented and Australia's negotiating position is pursued effectively in international forums.</p> <p>Implementation of Australia's commitments on investment in the US Free Trade Agreement.</p> <p>Promote the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises and fulfil the responsibilities of the National Contact Point for the Guidelines.</p> <p>Proposals are processed efficiently to meet the needs of Ministers, the Foreign Investment Review Board, foreign investors and their agents.</p> <p>Treasury effectively disseminates and explains the foreign investment policy to improve the standard of applications and compliance with policy requirements so that the proportion of foreign investment proposals requiring Interim or Final Orders are reduced.</p> <p>Treasury undertakes a programme of compliance checks on previous proposals subject to conditions - possibly leading to prosecutions, but aimed at an overall reduction in non-compliance with policy.</p> <p>Price: \$4.0 million</p>

Table 3.2.4: Performance information for Outcome 4 (continued)

<p>Output 4.1.2 - Financial system and corporate governance policy advice</p>	<p>Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to financial system and markets issues.</p> <p>Effective presentation of relevant information to adequately inform public debate.</p> <p>Statutory and other procedural requirements are met.</p> <p>Secretariat and executive services provided to advisory and external bodies are effective.</p> <p>Representation and/or liaison by Treasury officers with other agencies, private sector organisations and international bodies, is effective.</p> <p>Ministerial correspondence handled satisfactorily.</p> <p>Price: \$22.1 million</p>
<p>Output 4.1.3 - Competition and consumer policy advice</p>	<p>Advice meets Treasury portfolio Ministers' needs in discharging their responsibilities under legislation and in implementing government decisions in relation to competition and consumer policy and national financial literacy issues.</p> <p>Statutory and other procedural, administrative and reporting requirements are met.</p> <p>Effective representation and/or liaison with other agencies, private sector organisations and international bodies to promote competitive, efficient and well-informed markets.</p> <p>Effective presentation of relevant information to inform consumers and businesses.</p> <p>Secretariat services provided to advisory bodies are effective.</p> <p>Ministerial correspondence handled satisfactorily.</p> <p>Establishment and maintenance of effective clearinghouse and website services with information on financial and education services, superannuation and superannuation choice.</p> <p>Promote establishment of education benchmarks and standards in schools.</p> <p>Price: \$13.3 million</p>
<p>Output 4.1.4 - Actuarial services</p>	<p>Efficient provision of high quality professional services, with income from consultancy fees relative to total costs meeting specified quantitative criteria.</p> <p>Price: \$1.6 million</p>

Evaluations for Outcome 4

Feedback will be sought from key clients on a regular basis on the effectiveness of policy advice. Results of evaluations will be presented, as appropriate, in *The Treasury Annual Report 2006-07*.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The Treasury does not presently have purchaser-provider arrangements.

4.2 COST RECOVERY ARRANGEMENTS

The Treasury does not presently have cost recovery arrangements. All receipts from independent sources are excluded for the purposes of the *Commonwealth Cost Recovery Guidelines* for the Regulatory Agencies as they are related to intergovernmental charging, taxation, or comply with competitive neutrality principles.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

The Treasury does not have specific indigenous expenditure.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental

The Treasury is budgeting towards a breakeven operating result for 2006-07.

The Treasury will receive slightly less revenue in 2006-07 than in 2005-06. The small decrease in revenue reflects variations to previous and new Budget measures, and other minor variations.

The Treasury has a sound financial position and currently has sufficient cash to fund provisions and payables, and asset replacement, as they fall due.

Administered

For constitutional reasons the goods and services tax (GST) is levied by the Australian Government, and can therefore be technically considered Australian Government revenue under the reporting standards. The clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, however, is that it is a State tax collected by the Australian Government in an agency capacity. Accordingly, GST related items recorded in the Treasury's administered budget statements, fully offset GST related items recorded by the Australian Taxation Office so that at a consolidated level the GST is not recorded by the Australian Government.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	134,040	132,993	123,054	118,962	120,055
Goods and services	7,327	6,884	6,884	6,884	6,884
Other	500	500	500	500	500
Total revenue	141,867	140,377	130,438	126,346	127,439
Gains					
Other	300	300	300	300	300
Total gains	300	300	300	300	300
Total income	142,167	140,677	130,738	126,646	127,739
EXPENSE					
Employees	89,703	91,729	85,155	82,363	85,485
Suppliers	48,681	45,165	41,800	40,500	38,471
Depreciation and amortisation	3,625	3,625	3,625	3,625	3,625
Finance costs	158	158	158	158	158
Total expenses	142,167	140,677	130,738	126,646	127,739
Operating result	-	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	-	-	-	-	-

Table 5.2: Budgeted departmental balance sheet as at 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	4,941	4,941	4,941	4,941	4,941
Receivables	38,235	38,530	39,980	40,835	41,960
Total financial assets	43,176	43,471	44,921	45,776	46,901
Non-financial assets					
Land and buildings	8,229	8,504	8,779	9,054	8,829
Infrastructure, plant and equipment	8,101	8,442	8,542	8,642	7,742
Intangibles	1,234	1,566	1,627	1,687	1,687
Other	1,500	1,500	1,500	1,500	1,500
Total non-financial assets	19,064	20,012	20,448	20,883	19,758
Total assets	62,240	63,483	65,369	66,659	66,659
LIABILITIES					
Interest bearing liabilities					
Leases	1,422	1,422	1,422	1,422	1,422
Total interest bearing liabilities	1,422	1,422	1,422	1,422	1,422
Provisions					
Employees	29,038	30,003	31,759	32,968	32,968
Total provisions	29,038	30,003	31,759	32,968	32,968
Payables					
Suppliers	2,500	2,500	2,500	2,500	2,500
Other	2,521	2,523	2,543	2,614	2,614
Total payables	5,021	5,023	5,043	5,114	5,114
Total liabilities	35,481	36,448	38,224	39,504	39,504
EQUITY					
Accumulated results	19,430	19,430	19,430	19,430	19,430
Reserves	3,644	3,644	3,644	3,644	3,644
Contributed equity	3,685	3,961	4,071	4,081	4,081
Total equity	26,759	27,035	27,145	27,155	27,155
Current assets	44,676	44,971	46,421	47,276	48,401
Non-current assets	17,564	18,512	18,948	19,383	18,258
Current liabilities	20,863	21,431	22,476	23,228	23,228
Non-current liabilities	14,618	15,017	15,748	16,276	16,276

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	7,827	7,384	7,384	7,384	7,384
Appropriations	131,967	132,698	121,604	118,107	118,930
Other	5,098	4,486	4,148	4,013	3,817
Total cash received	144,892	144,568	133,136	129,504	130,131
Cash used					
Employees	87,638	90,764	83,399	81,154	85,485
Suppliers	48,718	44,863	41,480	40,129	38,171
Financing costs	158	158	158	158	158
Other	4,872	4,486	4,148	4,013	3,817
Total cash used	141,386	140,271	129,185	125,454	127,631
Net cash from or (used by) operating activities	3,506	4,297	3,951	4,050	2,500
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	3,580	4,573	4,061	4,060	2,500
Total cash used	3,580	4,573	4,061	4,060	2,500
Net cash from or (used by) investing activities	(3,580)	(4,573)	(4,061)	(4,060)	(2,500)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	33	276	110	10	-
Total cash received	33	276	110	10	-
Cash used					
Other	7,901	-	-	-	-
Total cash used	7,901	-	-	-	-
Net cash from or (used by) financing activities	(7,868)	276	110	10	-
Net increase or (decrease) in cash held	(7,942)	-	-	-	-
Cash at the beginning of the reporting period	12,883	4,941	4,941	4,941	4,941
Cash at the end of the reporting period	4,941	4,941	4,941	4,941	4,941

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	19,430	3,644	-	3,685	26,759
Opening balance	19,430	3,644	-	3,685	26,759
Income and expense					
Net operating result	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Transactions with owners					
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	276	276
Sub-total transactions with owners	-	-	-	276	276
Estimated closing balance as at 30 June 2007	19,430	3,644	-	3,961	27,035

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	33	276	110	10	-
Total capital appropriations	33	276	110	10	-
Represented by:					
Purchase of non-financial assets	33	276	110	10	-
Total represented by	33	276	110	10	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	33	276	110	10	-
Funded internally by departmental resources	3,547	4,297	3,951	4,050	2,500
Total	3,580	4,573	4,061	4,060	2,500

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	property	property		military	infrastructure	and cultural	software	intangibles	
	\$'000	\$'000	\$'000	equipment	plant and	assets	\$'000	\$'000	\$'000
					equipment				
As at 1 July 2006									
Gross book value	-	-	11,954	-	13,548	-	6,891	-	32,393
Accumulated depreciation	-	-	(3,725)	-	(5,447)	-	(5,657)	-	(14,829)
Opening net book value	-	-	8,229	-	8,101	-	1,234	-	17,564
Additions:									
by purchase	-	-	1,000	-	2,741	-	832	-	4,573
Depreciation/amortisation expense	-	-	(725)	-	(2,400)	-	(500)	-	(3,625)
As at 30 June 2007									
Gross book value	-	-	12,954	-	16,289	-	7,723	-	36,966
Accumulated depreciation	-	-	(4,450)	-	(7,847)	-	(6,157)	-	(18,454)
Estimated closing net book value	-	-	8,504	-	8,442	-	1,566	-	18,512

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation					
Goods and services tax	(38,030,000)	(40,160,000)	(42,400,000)	(44,650,000)	(46,910,000)
Other taxes	170,000	160,000	190,000	210,000	240,000
Total taxation	(37,860,000)	(40,000,000)	(42,210,000)	(44,440,000)	(46,670,000)
Non-taxation					
Revenues from Government	38,275,201	39,354,643	41,527,550	43,712,769	45,903,187
Goods and services	605,888	619,100	632,900	639,200	627,900
Interest	479	-	-	-	-
Dividends	1,363,000	1,230,000	1,324,000	1,383,000	1,438,000
Other sources of non-taxation revenues	26,429	17,669	16,700	16,790	16,490
Total non-taxation	40,270,997	41,221,412	43,501,150	45,751,759	47,985,577
Total revenues administered on behalf of Government	2,410,997	1,221,412	1,291,150	1,311,759	1,315,577
Gains					
Net foreign exchange gains	85,161	-	-	-	-
Total gains administered on behalf of Government	85,161	-	-	-	-
Total income administered on behalf of Government	2,496,158	1,221,412	1,291,150	1,311,759	1,315,577
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Grants	1,139,684	187,996	190,903	196,122	201,540
Write down and impairment of assets	(505,000)	(530,000)	(565,000)	(590,000)	(625,000)
Other	35,517	36,647	36,647	36,647	31,647
Losses					
Net foreign exchange losses	-	654	-	-	-
Total expenses administered on behalf of Government	670,201	(304,703)	(337,450)	(357,231)	(391,813)

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash	9,089	9,089	9,089	9,089	9,089
Receivables	(2,286,974)	(2,990,478)	(3,381,149)	(3,784,608)	(4,184,178)
Investments	15,048,770	15,048,770	15,048,770	15,048,770	15,048,770
Total financial assets	12,770,885	12,067,381	11,676,710	11,273,251	10,873,681
Non-financial assets					
Other non-financial assets	32,929	2,127	2,127	2,127	2,127
Total non-financial assets	32,929	2,127	2,127	2,127	2,127
Total assets administered on behalf of Government	12,803,814	12,069,508	11,678,837	11,275,378	10,875,808
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest bearing liabilities					
Loans	3,864,716	3,863,705	3,862,617	3,862,073	3,862,073
Other	912,793	912,793	912,793	912,793	912,793
Total interest bearing liabilities	4,777,509	4,776,498	4,775,410	4,774,866	4,774,866
Provisions					
Suppliers	605	605	605	605	605
Other provisions	(449,906)	(451,410)	(451,410)	(451,410)	(451,410)
Total provisions	(449,301)	(450,805)	(450,805)	(450,805)	(450,805)
Payables					
Grants and subsidies	252,932	187,071	138,990	103,031	78,461
Other payables	5,278	5,278	5,278	5,278	5,278
Total payables	258,210	192,349	144,268	108,309	83,739
Total liabilities administered on behalf of Government	4,586,418	4,518,042	4,468,873	4,432,370	4,407,800

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Rendering of services	605,888	619,100	632,900	639,200	627,900
Interest	479	-	-	-	-
Dividends	1,383,000	1,529,534	1,324,000	1,383,000	1,438,000
Other	32,770	16,790	16,790	16,790	16,490
Total cash received	2,022,137	2,165,424	1,973,690	2,038,990	2,082,390
Cash used					
Grant payments	38,239,684	39,317,996	41,490,903	43,676,122	45,871,540
Other	116,588	100,008	82,228	70,106	56,217
Total cash used	38,356,272	39,418,004	41,573,131	43,746,228	45,927,757
Net cash from or (used by) operating activities	(36,334,135)	(37,252,580)	(39,599,441)	(41,707,238)	(43,845,367)
INVESTING ACTIVITIES					
Cash received					
Repayment of Advances	219,400	30,786	-	-	-
Loans	14,804	-	-	-	-
Other	152,523	-	-	-	-
Total cash received	386,727	30,786	-	-	-
Cash used					
Advances made	30,786	-	-	-	-
Purchase of equity instruments	4,714	4,165	3,588	3,044	-
Total cash used	35,500	4,165	3,588	3,044	-
Net cash from or (used by) investing activities	351,227	26,621	(3,588)	(3,044)	-
Net increase or (decrease) in cash held	(35,982,908)	(37,225,959)	(39,603,029)	(41,710,282)	(43,845,367)
Cash at beginning of reporting period	9,089	9,089	9,089	9,089	9,089
Cash from Official Public Account	38,391,772	39,422,169	41,576,719	43,749,272	45,927,757
Cash to Official Public Account	2,408,864	2,196,210	1,973,690	2,038,990	2,082,390
Cash at end of reporting period	9,089	9,089	9,089	9,089	9,089

Table 5.10: Schedule of administered capital budget

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Administered capital	4,714	4,165	3,588	3,044	-
Special appropriations	113,404	63,361	45,581	33,459	24,570
Total capital appropriations	118,118	67,526	49,169	36,503	24,570
Represented by:					
Other	118,118	67,526	49,169	36,503	24,570
Total represented by	118,118	67,526	49,169	36,503	24,570

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

This table is not applicable to the Treasury.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

Treasury's budgeted statements have been prepared on an accrual basis in accordance with:

- Australian Government's financial budgeting and reporting framework;
- Australian Accounting Standards (AAS), being the Australian Equivalent to International Reporting Standards (AEIFRS); and
- Consensus Views of the Urgent Issues Group.

The budgeted income statement and balance sheet have been prepared in accordance with the historical cost convention, except certain assets, which are at valuation.

Departmental and administered financial statements

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

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

Administered items are revenues, expenses, assets or liabilities which are managed by the department on behalf of the Australian Government according to set Government directions. Administered expenses include subsidies, grants, and personal benefit payments and administered revenues include taxes, fees, fines and excises.

AUSTRALIAN BUREAU OF STATISTICS

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AUSTRALIAN BUREAU OF STATISTICS

Section 1: Overview

The Australian Bureau of Statistics (ABS):

- is the central statistical authority for the Australian Government;
- provides statistical services for the State and Territory Governments;
- collects, compiles, analyses and disseminates statistics and related information;
- ensures the coordination of the statistical activities of, and provides advice and assistance to, other government agencies; and
- provides liaison between Australia and other countries and international organisations on statistical matters.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
Informed decision making, research and discussion within governments and the community based on the provision of a high quality, objective and responsive national statistical service	The ABS achieves its outcome by the provision of two outputs: (i) economic statistics; and (ii) population and social statistics.	Output Group 1.1 Australian Bureau of Statistics - national statistical service

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations (including capital appropriations) and other resources for the Australian Bureau of Statistics (ABS) in the 2006-07 Budget is \$432.1 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

Australian Bureau of Statistics	Departmental				Administered				Total
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPPs \$'000	Other Appropriation \$'000	Special resources \$'000	
Outcome 1									
Informed decision making, research and discussion within governments and the community based on the provision of a high quality, objective and responsive national statistical service	413,823	-	-	17,641	-	-	-	-	431,464
Equity injections	-	666	-	-	-	-	-	-	666
Total	413,823	666	-	17,641	-	-	-	-	432,130

2.2 2006-07 BUDGET MEASURES

Table 2.2 Australian Bureau of Statistics measures

The ABS does not have any 2006-07 Budget measures.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by the ABS for provision of goods or services. These resources are approved for use by the ABS and are also included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated receipts 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Goods and services	23,267	17,440
Proceeds from sales of assets	124	101
Other - resources received free of charge	100	100
Total departmental resources available to be used	23,491	17,641

Note: Departmental resources are collected under section 31 of the *Financial Management and Accountability Act 1997*.

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

The ABS does not have any administered funds.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

The ABS does not have any special appropriations.

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each account used by the ABS.

Table 2.6: Estimates of special account flows and balances

	Opening balance 2006-07 2005-06 \$'000	Credits 2006-07 2005-06 \$'000	Debits 2006-07 2005-06 \$'000	Adjustments 2006-07 2005-06 \$'000	Closing balance 2006-07 2005-06 \$'000
Other Trust Moneys Account	129	1,100	1,100	-	129
	-	1,229	1,100	-	129
Services for other Governments and Non-Agency Bodies Account	-	-	-	-	-
	-	-	-	-	-
Total special accounts					
2006-07 Budget estimate	129	1,100	1,100	-	129
Total special accounts					
2005-06 estimated actual	-	1,229	1,100	-	129

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The ABS will receive an equity injection of \$0.7 million in 2006-07 to meet the Government's commitment to maintain the quality and relevance of core statistical collections and to incorporate new international data standards. The ABS does not have an appropriation for administered capital or loan in the 2006-07 Budget.

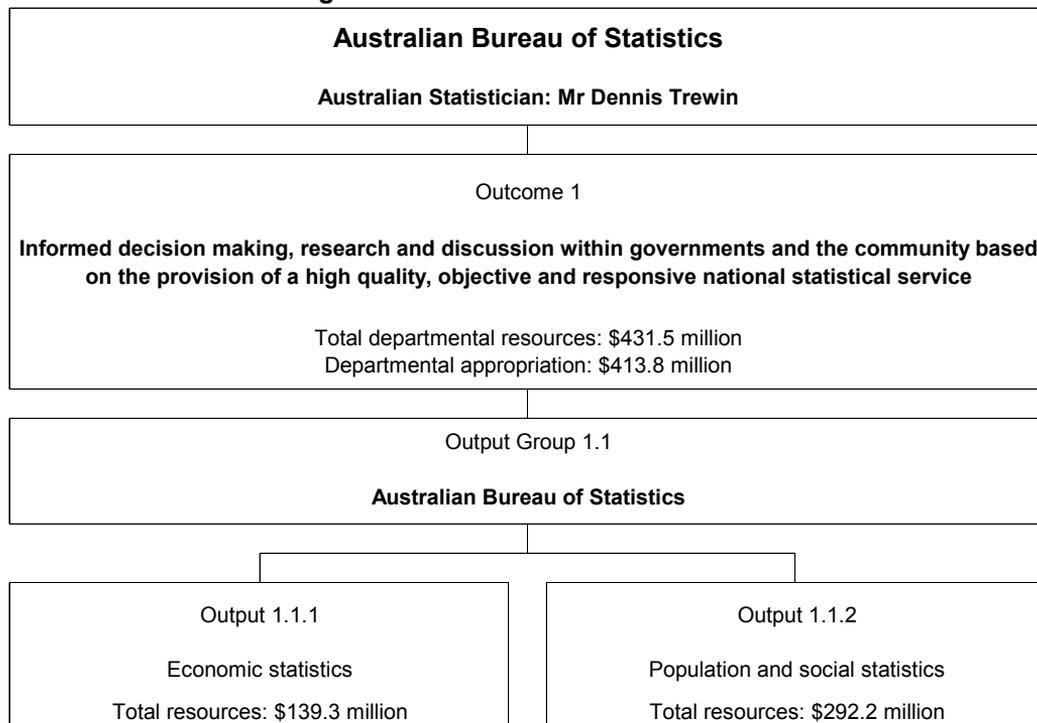
Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs to contribute to the outcome for the Australian Bureau of Statistics (ABS).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of the ABS and the outcome is summarised in Figure 4.

Figure 4: Contributions to outcomes



3.2 OUTCOMES — DEPARTMENTAL AND ADMINISTERED

Figure 5: Departmental appropriations by outcome, 2006-07

As the ABS has one outcome with a total departmental appropriation of \$413.8 million, this figure is not applicable.

Figure 6: Administered appropriations by outcome, 2006-07

The ABS does not have any administered appropriations.

3.3 OUTCOMES AND PERFORMANCE

Outcome 1 description

Informed decision making, research and discussion within governments and the community based on the provision of a high quality, objective and responsive national statistical service.

Outcome 1 resourcing

Table 3.1 shows how the 2006-07 Budget appropriations translate to total resourcing for the Outcome, including departmental appropriations and revenue from other sources.

Table 3.1: Total resources for Outcome 1

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental appropriations		
Output Group 1.1 - Australian Bureau of Statistics		
Output 1.1.1 - Economic statistics	132,005	134,494
Output 1.1.2 - Population and social statistics	186,617	279,329
Total departmental appropriations	318,622	413,823
Revenue from other sources		
Output Group 1.1 - Australian Bureau of Statistics		
Output 1.1.1 - Economic statistics	5,873	4,763
Output 1.1.2 - Population and social statistics	17,618	12,878
Total revenue from other sources	23,491	17,641
Total resources	342,113	431,464
	2005-06	2006-07
Average staffing level (number)	2,832	3,300

Contributions to achievement of Outcome 1

Official statistics are collected by Government to inform debate, decision-making and research both within Government and by the wider community. They provide an objective view of the changes taking place in national life and allow comparisons between periods of time and geographical areas.

Open access to official statistics provides the citizen with more than a picture of society. It offers a window on the work and performance of Government itself, showing the scale of Government activity in every area of public policy and allowing the impact of public policies and actions to be assessed.

The ABS achieves its outcome by the provision of two outputs:

- economic statistics; and
- population and social statistics.

The economic statistics output contains an extensive range of statistical outputs relating to the structure and performance of the Australian economy. It provides an objective source of information that is used by governments and the community to inform their decisions. For example, economic statistics are used to formulate government macroeconomic policies, to assist in allocating Australian Government funds to State Governments, to formulate industry development policies, in financial and business planning and in wage determination.

The population and social statistics output contains statistical information relating to the Australian population, including census and demographic statistics, as well as information relating to the social and economic wellbeing of the population. It provides an objective source of information that is used by governments and the community to inform their decisions. For example, census data are used extensively to plan for communities; labour statistics are used in the formulation of macroeconomic policy and in developing government labour market policies and programmes; and social statistics are used to support policy development in areas such as health, social security, taxation, and community and family services.

Reliable social and economic statistics are fundamental to an open government and it is the responsibility of government to provide them and to maintain public confidence in them. The ABS performs this function as an independent statutory authority of the Australian Government.

Administered activities

The ABS does not administer any activities on behalf of the Australian Government.

Performance information for Outcome 1

Performance information for individual outputs and output groups relating to the ABS are summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Performance indicators for individual outputs	
1. Integrity in statistical operations	1.1 An objective statistical service, as demonstrated by: <ul style="list-style-type: none"> - release of reliable/accurate statistics; - open statistical process; and - trust and cooperation of providers.
2. Relevance of ABS output	2.1 Statistical output which meets the needs of key users of economic and social data in terms of: <ul style="list-style-type: none"> - support to decision-making; and - demonstrated by a high level of use. 2.2 Openness of planning process.
3. Appropriate use of statistical standards, frameworks and methodologies	3.1 Lead the development of national statistical standards, frameworks and methodologies, and their implementation within the broader Australian statistical system. 3.2 Contribute to the development of key international standards, frameworks and methodologies, and implement them as appropriate.
4. Improving coordination of the collection, compilation and dissemination of statistics produced by other official bodies	4.1 Statistical Clearing House activity. 4.2 Assisting other official bodies with integration of administrative and statistical data, including outposting ABS officers, and providing training on statistical standards, frameworks and methodologies. 4.3 Identifying, storing and disseminating statistics from other official bodies.

Table 3.2: Performance information for Outcome 1 (continued)

Output group 1: Australian Bureau of Statistics - national statistical service	
Output 1.1.1 Economic statistics; and	
Output 1.1.2 Population and social statistics	
1. Improve the quality of outputs	<p>Quality:</p> <p>1.1 Achieve or exceed timeliness, statistical reliability, response rates and accuracy objectives:</p> <ul style="list-style-type: none"> - timeliness; - statistical reliability; - response rates; and - accuracy. <p>1.2 Conduct ongoing research and reviews of quality and implement their recommendations:</p> <ul style="list-style-type: none"> - outlines of ABS statistical reviews; and - innovative practices - improvements to existing collections as a result of research and development.
2. Increase the quantity of outputs	<p>Quantity:</p> <p>2.1 Increase the range of statistics disseminated.</p> <p>2.2 Innovative outputs.</p>
3. Achievement of cost effective outputs	<p>3.1 Conduct efficiency reviews and audits, and implement their recommendations.</p> <p>3.2 Test operating efficiencies of statistical activities by benchmarking internally and externally.</p> <p>3.3 Market test a number of non-statistical activities to identify possible outsourcing opportunities.</p> <p>3.4 Minimise respondent load.</p>
	Price: \$431.5 million

Evaluations for Outcome 1

Output performance indicators (shown in Table 3.2) will be used to measure evaluation activity for this outcome. The results of the evaluation will be shown in the ABS Annual Report.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

Cross agency overview

The Australian Bureau of Statistics' (ABS) goods and services are purchased by several Australian Government agencies including:

- Australian Agency for International Development;
- Australian Institute of Health and Welfare;
- Department of Agriculture, Fisheries and Forestry;
- Department of Education, Science and Training;
- Department of Communications, Information Technology and the Arts;
- Department of Employment and Workplace Relations;
- Department of Families, Community Services and Indigenous Affairs;
- Department of Health and Ageing; and
- Department of Transport and Regional Services.

4.2 COST RECOVERY ARRANGEMENTS

Cost recovery arrangements (in accordance with *Australian Government Cost Recovery Guidelines, July 2005*, and the *Australian Government Competitive Neutrality Guidelines for Managers, February 2004*) have been developed in relation to the various goods and services paid for by clients, amounting to \$17.4 million in 2006-07.

Summary of cost recovery impact statement

The ABS will prepare a cost recovery impact statement during 2006-07.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

The ABS does not deliver any programmes for indigenous Australians. However, in meeting its objective to provide a high quality, objective and responsive national statistical service the ABS undertakes a range of indigenous statistical collections which are estimated to cost in the order of \$15.0 million in 2006-07.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The budgeted financial statements will form the basis of the financial statements that will appear in the Australian Bureau of Statistics (ABS) 2005-06 Annual Report, and form the basis for the input into the whole-of-government accounts. The financial statements should be read in conjunction with the accompanying notes.

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.

Budgeted departmental income statement

The ABS is budgeting to break-even in 2006-07.

Total agency revenue is estimated to be \$431.5 million. This is an increase of \$89.4 million from the 2005-06 estimated actual. The rise in revenue is primarily attributed to an increase in appropriations as a result of an increase specifically related to the 2006 Census, as part of the normal Census cycle.

Total expenses are estimated to be \$431.5 million, an increase of \$91.6 million from the 2005-06 estimated actual. The increase in expenses can be attributed directly to the increase in employee and suppliers expenses associated with the preparations for the 2006 Census, as part of the normal Census cycle.

Budgeted departmental balance sheet

In 2006-07 the ABS's total equity will increase by \$0.7 million. This increase is attributable to a capital injection associated with the 2005-06 Official Statistics Upgrade measure.

The expected outlook for the ABS indicates that the asset base and liabilities of the organisation will remain stable over the forward years.

Cash levels over the forward years are consistent with the ABS' working capital requirements.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	318,622	413,823	298,301	280,803	289,975
Goods and services	23,267	17,440	23,620	17,706	17,418
Other	100	100	100	100	100
Total revenue	341,989	431,363	322,021	298,609	307,493
Gains					
Net gains from sale of assets	124	101	100	100	100
Total gains	124	101	100	100	100
Total income	342,113	431,464	322,121	298,709	307,593
EXPENSE					
Employees	220,701	313,639	209,309	197,392	194,748
Suppliers	86,865	84,075	79,077	66,594	80,694
Depreciation and amortisation	27,595	30,001	30,112	30,576	28,736
Finance costs	531	440	351	261	167
Write-down of assets and impairment of assets	1,111	-	-	-	-
Net losses from sale of assets	12	-	-	-	-
Other	3,098	3,309	3,272	3,886	3,248
Total expenses	339,913	431,464	322,121	298,709	307,593
Operating result from continuing operations	2,200	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	2,200	-	-	-	-

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	13,061	11,172	10,222	13,353	14,718
Receivables	2,918	2,882	3,377	2,391	2,354
Accrued revenues	698	391	530	397	391
Total financial assets	16,677	14,445	14,129	16,141	17,463
Non-financial assets					
Infrastructure, plant and equipment	52,208	57,816	53,433	48,282	43,355
Intangibles	90,808	97,313	101,801	105,207	110,252
Other	10,428	7,682	4,735	3,828	3,734
Total non-financial assets	153,444	162,811	159,969	157,317	157,341
Total assets	170,121	177,256	174,098	173,458	174,804
LIABILITIES					
Interest bearing liabilities					
Loans	7,585	6,245	4,821	3,308	1,699
Other	10,102	13,739	12,170	10,590	8,958
Total interest bearing liabilities	17,687	19,984	16,991	13,898	10,657
Provisions					
Employees	70,791	75,293	77,267	81,677	86,460
Total provisions	70,791	75,293	77,267	81,677	86,460
Payables					
Suppliers	7,151	6,987	4,858	4,055	3,953
Other	7,160	6,994	6,362	4,897	4,803
Total payables	14,311	13,981	11,220	8,952	8,756
Total liabilities	102,789	109,258	105,478	104,527	105,873
EQUITY					
Contributed equity	12,491	13,157	13,779	14,090	14,090
Reserves	14,062	14,062	14,062	14,062	14,062
Retained surpluses	40,779	40,779	40,779	40,779	40,779
Total equity	67,332	67,998	68,620	68,931	68,931
Current assets	27,105	22,127	18,864	19,969	21,197
Non-current assets	143,016	155,129	155,234	153,489	153,607
Current liabilities	41,116	43,703	42,191	41,811	42,349
Non-current liabilities	61,673	65,555	63,287	62,716	63,524

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	24,412	17,122	23,784	17,934	17,512
Appropriations	323,777	413,823	298,301	280,803	289,975
Other	11,672	8,168	6,540	5,047	4,880
Total cash received	359,861	439,113	328,625	303,784	312,367
Cash used					
Employees	217,561	309,136	207,336	192,981	189,964
Suppliers	88,101	80,831	79,845	66,979	80,752
Financing costs	531	440	351	261	167
Other	14,120	11,545	9,555	8,919	8,124
Total cash used	320,313	401,952	297,087	269,140	279,007
Net cash from or (used by) operating activities	39,548	37,161	31,538	34,644	33,360
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	124	103	100	100	100
Total cash received	124	103	100	100	100
Cash used					
Purchase of property, plant and equipment	23,072	20,841	9,184	7,499	7,381
Other	21,196	21,275	21,033	21,332	21,473
Total cash used	44,268	42,116	30,217	28,831	28,854
Net cash from or (used by) investing activities	(44,144)	(42,013)	(30,117)	(28,731)	(28,754)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	994	666	622	311	-
Other	8,410	3,637	-	-	-
Total cash received	9,404	4,303	622	311	-
Cash used					
Repayments of debt	1,262	1,340	1,424	1,513	1,608
Other	-	-	1,569	1,580	1,633
Total cash used	1,262	1,340	2,993	3,093	3,241
Net cash from or (used by) financing activities	8,142	2,963	(2,371)	(2,782)	(3,241)
Net increase or (decrease) in cash held	3,546	(1,889)	(950)	3,131	1,365
Cash at the beginning of the reporting period	9,514	13,061	11,172	10,222	13,353
Cash at the end of the reporting period	13,061	11,172	10,222	13,353	14,718

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	40,779	14,062	-	12,491	67,332
Adjusted opening balance	40,779	14,062	-	12,491	67,332
Income and expense					
Sub-total income and expense	-	-	-	-	-
Net operating result	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Transactions with owners					
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	666	666
Sub-total transactions with owners	-	-	-	666	666
Estimated closing balance as at 30 June 2007	40,779	14,062	-	13,157	67,998

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	994	666	622	311	-
Total loans	-	-	-	-	-
Total capital appropriations	994	666	622	311	-
Represented by:					
Purchase of non-financial assets	994	666	622	311	-
Other	-	-	-	-	-
Total represented by	994	666	622	311	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	994	666	622	311	-
Funded internally by departmental resources	43,274	41,450	29,595	28,520	28,854
Total	44,268	42,116	30,217	28,831	28,854

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	property	property		military	infrastructure	and cultural	software	intangibles	
	\$'000	\$'000	\$'000	equipment	plant and	assets	\$'000	\$'000	\$'000
					equipment				
As at 1 July 2006									
Gross book value	-	-	-	-	61,260	-	198,961	-	260,221
Accumulated depreciation	-	-	-	-	(9,052)	-	(108,153)	-	(117,205)
Opening net book value	-	-	-	-	52,208	-	90,808	-	143,016
Additions:									
by purchase	-	-	-	-	20,841	-	21,275	-	42,116
Revaluations and impairment through equity	-	-	-	-	-	-	(50)	-	(50)
Reclassifications	-	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	(13,992)	-	(14,720)	-	(28,712)
Disposals:									
other disposals	-	-	-	-	(1,241)	-	-	-	(1,241)
As at 30 June 2007									
Gross book value	-	-	-	-	80,860	-	220,186	-	301,046
Accumulated depreciation	-	-	-	-	(23,044)	-	(122,873)	-	(145,917)
Estimated closing net book value	-	-	-	-	57,816	-	97,313	-	155,129

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

The ABS does not have any administered items.

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

The ABS does not have any administered items.

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

The ABS does not have any administered items.

Table 5.10: Schedule of administered capital budget

The ABS does not have any administered items.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

The ABS does not have any administered items.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The agency budget statements have been prepared on an accrual basis and in accordance with historical cost convention, except for certain assets, which are at valuation.

Budgeted departmental financial statements

Under the Australian Government's accrual budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies control (departmental transactions) are budgeted and reported separately 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.

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

Budgeted departmental income statement

Revenues

Appropriations in the accrual budgeting framework

Under the Australian Government's accrual budgeting framework, the ABS is appropriated only for the price of its outputs, which represent the Australian Government's purchase of these agreed outputs.

Revenue from other sources

Revenue is derived from the sale of ABS publications and census data, as well as the provision of user-funded surveys and consultancy work. The amount of revenue earned in any one year is dependent upon the demand for such products and services by Government agencies, business and the community.

Other

This category includes resources received free of charge.

Expenses

Employees

This includes wages and salaries, superannuation, provision for annual leave and long service leave, and workers compensation. Employee entitlements are based on leave patterns of ABS employees. Accrued salaries and employer superannuation contributions are based on daily salary expense and the number of days owing at 30 June in each budget year.

Depreciation and amortisation

Depreciable assets are written off over their estimated useful lives. Depreciation is calculated using the straight-line method, which is consistent with the consumption of the service potential of the depreciable assets of the ABS.

Budgeted departmental balance sheet

Non-financial assets

Intangibles

These include software developed in-house.

Other

This category includes prepayments.

Debt

Loans

The ABS received a loan of \$13.2 million in 2001-02. This loan was used to partially fund the fitout of the ABS's new national office accommodation. Loan repayments will be made over a ten-year period and are being met by the ABS from within its ongoing operational funding levels.

Leases

These include lease incentives in the form of a rent-free period and/or a contribution to fitout costs. Lease incentives are recognised as a liability, which is reduced by allocating lease rental payments between interest, rental expense and reduction of the liability. Rent free lease periods are taken up as a liability during the rent-free period and amortised over the remaining term of the lease. The full amount of the lease is therefore allocated evenly over the total term of the lease.

Provisions and payables

Employees

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave, as all sick leave is non-vesting.

The non-current portion of the liability for annual leave and long service leave is recognised and measured at the present value of the estimated future cash flows in respect of all employees.

Asset valuation

Australian Government agencies and authorities are required to value property, plant and equipment and other infrastructure assets using the fair value method of valuation. This essentially reflects the current cost the entity would face in replacing that asset.

Departmental capital budget statement

This shows proposed capital expenditure for the ongoing replacement programme of non-financial assets. This asset replacement programme is funded internally.

Purchase of non-financial assets

These include:

- 2006-07 intangibles of \$21.6 million, infrastructure, plant and equipment of \$21.0 million, which includes fitout to the Australian Capital Territory, New South Wales, South Australian, Tasmanian, Victorian and Western Australian offices of \$12.4 million;

- 2007-08 intangibles of \$23.4 million, infrastructure, plant and equipment of \$9.2 million, which includes fitout to the Western Australian and Census offices of \$1.4 million;
- 2008-09 intangibles of \$25.4 million, infrastructure, plant and equipment of \$7.5 million, which includes fitout to the Northern Territory office of \$1.2 million; and
- 2009-10 intangibles of \$28.4 million, infrastructure, plant and equipment of \$7.2 million.

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

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AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Section 1: Overview

The Australian Competition and Consumer Commission (ACCC) is an independent statutory authority which administers the *Trade Practices Act 1974* and performs functions under other Commonwealth legislation and State and Territory Competition Policy Reform Acts.

The ACCC:

- promotes effective competition and informed markets;
- encourages fair trading and protect consumers; and
- regulates the infrastructure service markets and other markets where competition is restricted.

The ACCC also collects administered revenue on behalf of the Australian Government and includes authorisation fees, fines and costs.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets	To bring about greater competitiveness in every sector of the economy.	Output Group 1.1 Australian Competition and Consumer Commission

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations (including capital appropriations) and other resources for the Australian Competition and Consumer Commission (ACCC) in the 2006-07 Budget is \$109.5 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

Australian Competition and Consumer Commission Outcome 1	Departmental				Administered				Total \$'000
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPPs \$'000	Other \$'000	Special Appropriation resources \$'000	
To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets	104,984	-	-	575	-	-	-	-	105,559
Equity injection	-	3,958	-	-	-	-	-	-	3,958
Total	104,984	3,958	-	575	-	-	-	-	109,517

2.2 2006-07 BUDGET MEASURES

Budget measures relating to the ACCC as explained in Budget Paper No. 2, *Budget Measures 2006-07* are summarised in Table 2.2.

Table 2.2 Australian Competition and Consumer Commission measures

Measure	Output groups affected	2006-07 \$'000		2007-08 \$'000		2008-09 \$'000		2009-10 \$'000	
		Admin items	Dept outputs						
Expense measures									
Australian Competition and Consumer Commission - Canberra Accommodation	1.1	-	-	-	910	-	939	-	965
Australian Competition and Consumer Commission - monitoring medical indemnity insurance premiums	1.1	-	300	-	300	-	300	-	-
Australian Energy Regulator - additional funding	1.1	-	11,331	-	17,309	-	22,909	-	23,252
Criminal cartel enforcement - investigations and prosecutions (a)	1.1	-	6,167	-	6,063	-	6,192	-	6,333
Downstream Petroleum Reform Package - dispute resolution and enforcement funding (b)	1.1	-	1,912	-	2,033	-	2,076	-	2,200
Total expense measures		-	19,710	-	26,615	-	32,416	-	32,750

(a) This is a cross portfolio measure with the Attorney-General's Portfolio. This table shows the ACCC component of the measure.

(b) This is a cross portfolio measure with the Industry, Tourism and Resources Portfolio. This table shows the ACCC component of the measure.
 Note: The above amounts show the fiscal balance impact.

Table 2.2 Australian Competition and Consumer Commission measures (continued)

Measure	Output groups affected	2006-07 \$'000			2007-08 \$'000			2008-09 \$'000			2009-10 \$'000		
		Admin items	Dept outputs	Total									
Capital measures													
Australian Competition and Consumer Commission - Canberra Accommodation	1.1	-	3,250	3,250	-	-	-	-	-	-	-	-	-
Criminal cartel enforcement - investigations and prosecutions (a)	1.1	-	600	600	-	-	-	-	-	-	-	-	-
Total capital measures		-	3,850	3,850	-	-	-	-	-	-	-	-	-
Total measures		-	23,560	23,560	-	26,615	26,615	-	32,416	32,416	-	32,750	32,750

(a) This is a cross portfolio measure with the Attorney-General's Portfolio. This table shows the ACCC component of the measure.

(b) This is a cross portfolio measure with the Department of Industry, Tourism and Resources. This table shows the ACCC component of the measure.
Note: The above amounts show the fiscal balance impact.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by the ACCC for provision of goods or services as well as resources received free of charge. These resources are approved for use by the ACCC and are included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated receipts 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Goods and services (FMA Act s.31) ¹	400	500
Other - FMA Act s.31 ²	9,000	-
Other - resources received free of charge	60	75
Total departmental resources available to be used	9,460	575

- 1 Departmental resources are collected under section 31 of the *Financial Management and Accountability Act 1997*.
- 2 This item represents the transfer of \$9.0 million, received from undertakings made under section 87B of the *Trade Practices Act 1974*, from the special account to the departmental account. This is also reflected in Table 2.6.

The ACCC currently levies a variety of fees and charges under the *Trade Practices Act 1974* (TPA). Receipts from these fees and charges are identified in Table 2.3. They include goods and services, that is, seminars/speakers fees, sale of publications, photocopy revenue and sale of non-current assets. Further information on cost recovery arrangements is explained in Section 4.

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

The ACCC does not have any administered appropriations.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

The ACCC does not have any special appropriations.

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each account used by the ACCC.

Table 2.6: Estimates of special account flows and balances

	Opening balance 2006-07 2005-06 \$'000	Credits 2006-07 2005-06 \$'000	Debits 2006-07 2005-06 \$'000	Adjustments ¹ 2006-07 2005-06 \$'000	Closing balance 2006-07 2005-06 \$'000
Other Trust Monies Account	52	200	200	-	52
Services for other Governments and Non-Agency Bodies Account	8,052	1,200	200	9,000	52
	-	-	-	-	-
	-	-	-	-	-
Total special accounts 2006-07 Budget estimate	52	200	200	-	52
Total special accounts 2005-06 estimated actual	8,052	1,200	200	9,000	52

1 This item represents the transfer of \$9.0 million, received from undertakings made under section 87B of the *Trade Practices Act 1974*, from the special account to the departmental account. This is also reflected in Table 2.3.

Special Public Monies are held by the ACCC in a Trustee capacity. The Trust monies are a result of court orders of which payments to the beneficiaries are pending. These monies are temporarily held for the benefit of a person or entity other than the Australian Government. This special account is departmental in nature and is governed by section 20 of the *Financial Management and Accountability Act 1997*.

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

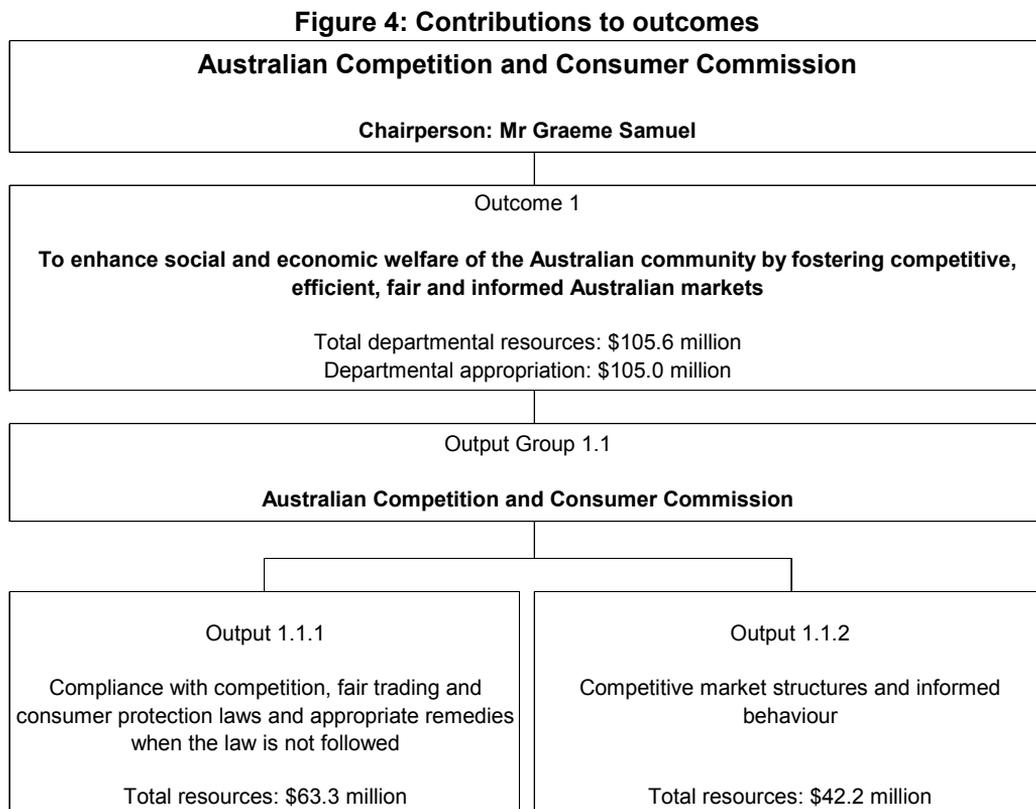
The ACCC will receive a departmental equity injection of \$3.9 million in the 2006-07 Budget. An amount of \$3.3 million is for capital costs associated with the Canberra accommodation Budget measure. The balance of \$0.6 million is for capital costs associated with the Criminal cartel enforcement – investigations and prosecutions Budget measure and the Downstream Petroleum Reform Package – dispute resolution and enforcement funding Budget measure. The ACCC does not have an appropriation for administered capital or loan in the 2006-07 Budget.

Section 3: Outcomes

This section explains how the resources in Section 2 will be used to deliver outputs and administered items that contribute to the outcome for the Australian Competition and Consumer Commission (ACCC).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of the ACCC and its outcome is summarised in Figure 4.



3.2 OUTCOMES — DEPARTMENTAL AND ADMINISTERED

The ACCC has one outcome, namely, ‘to enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets’. The total appropriation for this outcome, including capital appropriation, for 2006-07 is \$108.9 million.

Figure 5: Departmental appropriations by outcome, 2006-07

As the ACCC has one outcome with a total departmental appropriation of \$105.0 million, this figure is not applicable to the ACCC.

Figure 6: Administered appropriations by outcome, 2006-07

The ACCC does not have any administered appropriations.

3.3 OUTCOMES AND PERFORMANCE

Outcome 1 description

To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets.

Outcome 1 resourcing

Table 3.1 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 1, including departmental appropriations and revenue from other sources.

Table 3.1: Total resources for Outcome 1

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental appropriations		
Output Group 1.1 - Australian Competition and Consumer Commission		
Output 1.1.1 - Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed	53,876	62,990
Output 1.1.2 - Competitive market structures and informed behaviour	35,918	41,994
Total departmental appropriations	89,794	104,984
Revenue from other sources		
Output Group 1.1 - Australian Competition and Consumer Commission		
Output 1.1.1 - Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed	5,676	345
Output 1.1.2 - Competitive market structures and informed behaviour	3,784	230
Total revenue from other sources	9,460	575
Total resources	99,254	105,559
	2005-06	2006-07
Average staffing level (number)	533	578

Measures affecting Outcome 1

A list of measures for the ACCC appears in Table 2.2. Details of these measures are included in Budget Paper No. 2, *Budget Measures 2006-07*.

Contributions to achievement of Outcome 1

The ACCC has one outcome, namely, 'to enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets'. Figure 4 lists the outcome statement and output groups for the ACCC.

The ACCC has not made any changes to its outcome or output since the *Portfolio Budget Statements 2005-06*.

The ACCC anticipates achieving this outcome through:

- publicising litigation and education activities;
- liaising with and informing business and consumers about the law;

- issuing publications and media releases, speak to the public, conducting public meetings and conferences, and using the latest technology to reach business and consumers throughout Australia;
- working with other competition, fair trading and consumer protection agencies in Australia and overseas;
- developing industry specific codes of conduct;
- assisting parliamentary inquiries and other government agencies to develop policies and processes that are consistent with competition, fair trading and consumer protection laws;
- liaising with other regulators, business and consumer associations; and
- helping overseas trading partners to develop and implement effective competition regimes to benefit Australian industries.

Administered activities

The ACCC's main activity of an administered nature is the collection of revenues for fines and costs on behalf of the Government and transferred to the Official Public Account.

Departmental outputs

The ACCC's outputs of compliance with laws and competitive market structures reflect the Australian Government's decision to foster competitive, efficient, fair and informed Australian markets.

The outputs reflect the activity that the ACCC undertakes to fulfil its role and functions. The Australian Government seeks to enhance the social and economic welfare of Australians which the ACCC seeks to contribute by:

- promoting effective competition and informed markets;
- encouraging fair trading and protecting consumers; and
- regulating the infrastructure services market and other markets where competition is restricted.

The ACCC commits to meet these goals through effective and timely outcomes in the public interest, and communicating its actions and results to the community at large.

Performance information for Outcome 1

Performance information for administered items, individual outputs and output groups relating to the ACCC are summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Performance indicators for administered items including third party outputs	
Outputs 1.1.1 and 1.1.2	Quality:
Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed.	Collection of Statutory fees and judgement debts \$10.0 million.
Competitive market structures and informed behaviour	
Output group 1.1: Australian Competition and Consumer Commission	
Output 1.1.1 - Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed	Quality:
	Respond quickly to allegations of breaches of competition, fair trading and consumer legislation.
	Seek appropriate remedies when there is a breach of the law.
	Enforce mandatory product safety and information standards.
	Publicise litigation and education activities.
	Develop new consumer protection and investigative initiatives for e-commerce.
	Liaise with and inform business and consumers about the law so that they can, in turn, inform their members and customers.
	Issue publications and media releases, speak to the public, conduct public meetings and conferences and use the latest technology to reach businesses and consumers throughout Australia.
	Work with other competition, fair trading and consumer protection agencies in Australia and overseas.
	Develop industry specific codes of conduct.
	Publicise merger and authorisation decisions, arbitrations, undertakings and access arrangements and monitoring activities and inquiry findings.
	Assist parliamentary inquiries and government agencies to develop policies and processes that are consistent with the competition, fair trading and consumer protection laws.
	Liaise with other regulators, business and consumer associations, speak to the public, participate in meetings and conferences, nationally and internationally.
	Help overseas trading partners to develop and implement effective competition regimes to benefit Australian industry.
	Price: \$63.3 million

Table 3.2: Performance information for Outcome 1 (continued)

<p>Output 1.1.2 - Competitive market structures and informed behaviour</p>	<p>Quality: Assess the competition effects of mergers, acquisitions or asset sales. Encourage competition in markets that depend on monopoly services. Ensure that access regulation provides incentives for efficient business investment and use of infrastructure. Ensure that businesses using monopoly services pay prices that reflect efficient costs. Adjudicate authorisation applications (where anti-competitive behaviour is claimed to deliver public benefits). Monitor prices to assess the impact of market conditions on price levels of goods and services. Price: \$42.2 million</p>
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Evaluations for Outcome 1

There are no evaluations planned for Outcome 1 in 2006-07.

Output performance indicators (shown in Table 3.2) will be used to measure evaluation activity for this outcome. The results of the evaluation will be shown in the ACCC Annual Report.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The Australian Competition and Consumer Commission (ACCC) does not have any purchaser-provider arrangements with any other Government agencies.

4.2 COST RECOVERY ARRANGEMENTS

The ACCC currently levies a variety of fees and charges under the *Trade Practices Act 1974*. Revenue from these fees and charges is identified in Table 2.3 in Section 2.

It should be noted that with the exception of those revenues generated from discretionary services, where it has been agreed that these revenues can be retained by the ACCC in recognition of the costs associated with the provision of these services, all other revenue generated by the ACCC is refunded back to Government via the Consolidated Revenue Fund.

The ACCC undertook a review of its cost recovery arrangements in March 2004 in accordance with the Australian Government's five year review schedule for existing arrangements. A summary of the review is contained in the *Treasury Portfolio Budget Statements 2004-05* on pages 101 to 103.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

The ACCC does not have any specific indigenous expenditure.

Section 5: Budgeted financial statements

The budgeted financial statements contain the estimates prepared in accordance with the requirements of the government's financial budgeting and reporting framework, including the adoption of Australian Equivalents to International Financial Reporting Standards (AIEFRS), as well as specific guidelines issued by the Department of Finance and Administration. They show the planned financial performance for the 2006-07 Budget year and each of the forward years from 2007-08 to 2009-10. The statements also include the estimated actual for 2005-06 for comparative purposes.

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

An analysis of the Australian Competition and Consumer Commission's (ACCC) budgeted financial statements, as reflected in the budgeted departmental financial statements and administered schedules for 2006-07, is provided below.

Departmental

Income Statement

The ACCC is budgeting for a break even result for 2006-07. The estimated actual operating result for 2005-06 is an accounting operating loss of \$7.3 million attributable to timing of expenditure against funds received in 2004-05.

Operating Revenues

Total revenue in 2006-07 is estimated to be \$105.6 million, an increase of \$6.3 million from the 2005-06 estimated actual. The increase is primarily as a result of the net increase in funding from measures disclosed in the 2006-07 Budget (\$19.8 million) (details are provided in Table 2.2).

Operating Expenses

Total expenses are estimated to be \$105.6 million. This is a decrease of \$0.9 million from the 2005-06 estimated actual. The decrease is primarily due to the full year impact in 2006-07 of initiatives funding in 2005-06 together with those funded in the Budget.

Balance Sheet

The ACCC budgeted net asset position of \$24.9 million represents an increase of \$4.0 million from the 2005-06 estimated actual. The increase is primarily attributable to an equity injection of \$3.9 million associated with the Canberra accommodation Budget measure, the Criminal cartel enforcement – investigations and prosecutions Budget measure, the Downstream Petroleum Reform Package – dispute resolution and

enforcement funding Budget measure and the increase in provisions relating to employee provisions and a decrease in receivables.

Total assets are expected to increase by \$4.7 million to \$40.2 million reflecting a projected increase in buildings and infrastructure plant and equipment. The receivables will decrease due primarily to the ACCC funding part of the new building fitout.

The ACCC's primary liability continues to be accrued employee leave entitlements of \$11.7 million. The liability is expected to increase by around \$0.7 million during 2006-07.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	89,794	104,984	111,497	118,270	119,389
Goods and services	9,460	575	575	575	575
Total revenue	99,254	105,559	112,072	118,845	119,964
Total income	99,254	105,559	112,072	118,845	119,964
EXPENSE					
Employees	50,040	55,356	58,060	60,944	60,806
Suppliers	53,720	47,284	50,768	54,657	55,914
Depreciation and amortisation	2,744	2,919	3,244	3,244	3,244
Total expenses	106,504	105,559	112,072	118,845	119,964
Operating result from continuing operations	(7,250)	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	(7,250)	-	-	-	-

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	1,608	1,608	1,608	1,608	1,608
Receivables	25,626	24,321	25,069	25,863	26,657
Total financial assets	27,234	25,929	26,677	27,471	28,265
Non-financial assets					
Land and buildings	3,524	7,862	6,625	5,388	4,151
Infrastructure, plant and equipment	3,596	5,416	6,450	7,737	9,133
Inventories	105	105	105	105	105
Intangibles	256	56	259	209	50
Other	920	920	920	920	920
Total non-financial assets	8,401	14,359	14,359	14,359	14,359
Total assets	35,635	40,288	41,036	41,830	42,624
LIABILITIES					
Provisions					
Employees	11,038	11,733	12,481	13,275	14,069
Total provisions	11,038	11,733	12,481	13,275	14,069
Payables					
Suppliers	3,169	3,169	3,169	3,169	3,169
Other	469	469	469	469	469
Total payables	3,638	3,638	3,638	3,638	3,638
Total liabilities	14,676	15,371	16,119	16,913	17,707
EQUITY					
Contributed equity	29,067	33,025	33,025	33,025	33,025
Reserves	968	968	968	968	968
Accumulated deficits	(9,076)	(9,076)	(9,076)	(9,076)	(9,076)
Total equity	20,959	24,917	24,917	24,917	24,917
Current assets	28,154	26,557	27,305	28,099	28,893
Non-current assets	7,481	13,731	13,731	13,731	13,731
Current liabilities	9,157	9,504	9,878	10,275	10,672
Non-current liabilities	5,519	5,867	6,241	6,638	7,035

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	9,400	500	500	500	500
Appropriations	89,794	104,984	111,497	118,270	119,389
Cash received from OPA	7,250	-	-	-	-
Total cash received	106,444	105,484	111,997	118,770	119,889
Cash used					
Employees	49,488	54,661	57,312	60,150	60,012
Suppliers	53,660	47,209	50,693	54,582	55,839
Cash returned to OPA	552	695	748	794	794
Total cash used	103,700	102,565	108,753	115,526	116,645
Net cash from or (used by) operating activities	2,744	2,919	3,244	3,244	3,244
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	6,228	8,877	3,244	3,244	3,244
Total cash used	6,228	8,877	3,244	3,244	3,244
Net cash from or (used by) investing activities	(6,228)	(8,877)	(3,244)	(3,244)	(3,244)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	1,975	3,958	-	-	-
Cash received from OPA	1,509	2,000	-	-	-
Total cash received	3,484	5,958	-	-	-
Net cash from or (used by) financing activities	3,484	5,958	-	-	-
Net increase or (decrease) in cash held	-	-	-	-	-
Cash at the beginning of the reporting period	1,608	1,608	1,608	1,608	1,608
Cash at the end of the reporting period	1,608	1,608	1,608	1,608	1,608

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	(9,076)	968	-	29,067	20,959
Opening balance	(9,076)	968	-	29,067	20,959
Income and expense					
Net operating result	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Transactions with owners					
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	3,958	3,958
Sub-total transactions with owners	-	-	-	3,958	3,958
Estimated closing balance as at 30 June 2007	(9,076)	968	-	33,025	24,917

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	1,975	3,958	-	-	-
Total capital appropriations	1,975	3,958	-	-	-
Represented by:					
Purchase of non-financial assets	1,975	3,958	-	-	-
Total represented by	1,975	3,958	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	1,975	3,958	-	-	-
Funded internally by departmental resources	4,253	4,919	3,244	3,244	3,244
Total	6,228	8,877	3,244	3,244	3,244

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	\$'000	\$'000	\$'000	military	infrastructure	and cultural	software	intangibles	
		property		equipment	plant and	assets			
					equipment				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2006									
Gross book value	-	-	4,811	-	5,815	-	2,101	-	12,727
Accumulated depreciation	-	-	(1,287)	-	(2,219)	-	(1,845)	-	(5,351)
Opening net book value	-	-	3,524	-	3,596	-	256	-	7,376
Additions:									
by purchase	-	-	5,250	-	3,627	-	-	-	8,877
Depreciation/amortisation expense	-	-	(912)	-	(1,807)	-	(200)	-	(2,919)
As at 30 June 2007									
Gross book value	-	-	10,061	-	9,442	-	2,101	-	21,604
Accumulated depreciation	-	-	(2,199)	-	(4,026)	-	(2,045)	-	(8,270)
Estimated closing net book value	-	-	7,862	-	5,416	-	56	-	13,334

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation					
Other taxes, fees and fines	20,000	10,000	10,000	10,000	10,000
Total taxation	20,000	10,000	10,000	10,000	10,000
Total revenues administered on behalf of Government	20,000	10,000	10,000	10,000	10,000
Total income administered on behalf of Government	20,000	10,000	10,000	10,000	10,000

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	4,000	4,000	4,000	4,000	4,000
Total financial assets	4,000	4,000	4,000	4,000	4,000
Total assets administered on behalf of Government	4,000	4,000	4,000	4,000	4,000

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Other taxes, fees and fines	19,220	9,220	9,220	9,220	9,220
Fines and costs	777	777	777	777	777
Other	3	3	3	3	3
Total cash received	20,000	10,000	10,000	10,000	10,000
Net cash from or (used by) operating activities	20,000	10,000	10,000	10,000	10,000
Net increase or (decrease) in cash held	20,000	10,000	10,000	10,000	10,000
Cash at beginning of reporting period	1	-	-	-	-
Cash to Official Public Account	20,001	10,000	10,000	10,000	10,000
Cash at end of reporting period	-	-	-	-	-

Table 5.10: Schedule of administered capital budget

The ACCC does not have any administered items.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

The ACCC does not have any administered items.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Accounting policy

The budgeted financial statements have been prepared on an accrual accounting basis, having regard to Statements of Accounting Concepts, and in accordance with:

- the Finance Minister's Orders;
- Australian Equivalents to International Accounting Standards (AIEFRS);
- other authoritative pronouncements of the Australian Accounting Standards Board; and
- the Consensus Views of the Urgent Issues Group.

Departmental and administered items

Agency assets, liabilities, revenues and expenses are those items that are controlled by the ACCC that are used by the ACCC in producing its outputs and include:

- computers, plant and equipment, and building fitout used in providing goods and services;
- liabilities for employee entitlements;
- revenue from appropriations or independent sources in payment for outputs; and
- employee, supplier and depreciation expenses incurred in providing agency outputs.

Administered items are those items incurred in providing programmes that are controlled by the Government and managed, or oversighted, by the ACCC on behalf of the Government. Administered revenues include fees and fines.

Departmental revenue

Revenue from government represents the purchase of outputs from the ACCC by the government and is recognised to the extent that it has been received into the ACCC's bank account.

Revenue from other sources, representing sales from goods and services, is recognised at the time that it is imposed on customers.

Departmental expenses – employees

Payments and net increases in entitlements to employees for services rendered in the financial year.

Departmental expenses – suppliers

Payments to suppliers for goods and services used in providing agency outputs.

Departmental expenses – depreciation and amortisation

Depreciable property plant and equipment, buildings and intangible assets are written-off to their estimated residual values over their estimated useful life, using straight-line calculation method.

Departmental assets – financial assets

The primary financial asset relates to receivables. Financial assets are used to fund the ACCC's capital programme, employee entitlements, creditors and to provide working capital.

Departmental assets – non-financial assets

These items represent future benefits that the ACCC will consume in producing outputs. The reported value represents the purchase paid less depreciation incurred to date in using the asset.

Departmental liabilities – provisions and payables

Provision has been made for the ACCC's liability for employee entitlements arising from services rendered by employees. This liability includes unpaid annual leave and long service leave. No provision has been made for sick leave because the level of sick leave is less on average than the amount which employees are entitled to each year.

Provision has also been made for unpaid expenses as at balance date.

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AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

Section 1: Overview

The Australian Office of Financial Management (AOFM), a 'prescribed agency' under the *Financial Management and Accountability Act 1997* (FMA), is responsible for the Australian Government's debt management activities.

The AOFM aims to manage the Australian Government's net debt portfolio at least cost over the medium term, subject to the Government's policies and risk preferences. It also aims to contribute to financial market efficiency by maintaining sufficient Commonwealth Government Securities on issue to support the Treasury bond futures market.

The AOFM issues long term fixed interest debt to meet government financing requirements and maintain the efficiency of the bond futures market. The AOFM issues bonds with tenors chosen to support the 3-year and 10-year bond futures baskets. The current strategy is to issue approximately \$5 billion in each bond line.

The AOFM manages the cost and risk inherent in the debt on issue by executing domestic interest rate swaps to achieve lower public debt servicing costs, while at the same time keeping the expected variability of cost to an acceptable level. It is guided in this task by reference to a benchmark portfolio.

Approximately 15 per cent of the long term debt portfolio is indexed debt. The AOFM does not actively manage (through derivative transactions) the interest rate risk inherent in this debt, although it is taken into account in setting the portfolio benchmark.

The AOFM also manages the overall level of cash in the Official Public Account with the Reserve Bank of Australia (RBA). It does this through making short term borrowings from the public and short term deposits with the RBA to offset fluctuations in the daily flows in and out of the Government's accounts.

On behalf of the Department of Communications, Information Technology and the Arts (DCITA), the AOFM currently acts as an agent for DCITA in making the investments for the newly created Communications Fund. These investments and their earnings are reported by DCITA and not the AOFM.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time	The AOFM aims to manage the Australian Government's net debt portfolio at least cost over the medium term, subject to the Government's policies and risk preferences. It also aims to contribute to financial market efficiency by maintaining sufficient Commonwealth Government Securities on issue to support the Treasury bond futures market.	Output Group 1.1 Australian Office of Financial Management

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations (including capital appropriations) and other resources for the Australian Office of Financial Management (AOFM) in the 2006-07 Budget is \$225,181.3 million, represented by departmental appropriations of \$8.4 million, administered appropriations of \$225,172.4 million and departmental revenues of \$0.5 million. The administered appropriations comprise two components, appropriations for expenses of \$5,124.4 million and debt redemption and financial investment activity of \$220,048.0 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how revenue will be applied by outcome and by administered and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

	Departmental				Administered				Total
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	SPPs \$'000	Appropriation Bill No. 2 Other \$'000	Special Appropriation \$'000	
Australian Office of Financial Management									
Outcome 1									
To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time	8,373	-	-	559	10	-	-	5,124,351	-
Special capital appropriation	-	-	-	-	-	-	-	220,048,000	-
Total	8,373	-	-	559	10	-	-	225,172,351	-
									5,133,293
									220,048,000
									225,181,293

2.2 2006-07 BUDGET MEASURES

Table 2.2 Australian Office of Financial Management measures

The AOFM does not have any 2006-07 Budget measures.

2.3 OTHER REVENUES

Table 2.3 provides details of estimated administered and departmental revenues for the AOFM for 2005-06 (estimated actual) and 2006-07 (Budget estimate). Departmental revenues are eligible items under the AOFM's section 31 of the Financial Management Act 1997 (FMA) net appropriation agreement and as a result can be applied to the AOFM's departmental activities. The AOFM's administered revenues are not available to meet financial commitments of the AOFM and are returned to the Official Public Account.

Table 2.3: Other revenues

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental other revenues (other than appropriations)		
Net annotated (section 31) receipts	720	559
Total departmental other revenues (other than appropriations)	720	559
Administered revenues (other than appropriations)		
<i>Financial Agreement Act 1994</i> - Interest paid by States and Northern Territory on other loans	684	-
<i>Financial Management and Accountability Act 1997</i> - Interest on financial assets	1,266,798	1,082,000
<i>Housing Agreements, Northern Territory Housing Agreement and Housing Assistance Acts</i> - Interest on advances to States and Northern Territory	88,862	86,131
<i>Loans Securities Act 1919</i> - Gain on foreign exchange	-	-
<i>Loans Securities Act 1919</i> - Swaps interest	1,983,718	1,720,840
<i>States (Works and Housing Assistance) Acts</i> - Interest on advances to States	66,890	66,055
<i>War Service Lands Settlements Acts</i> - Interest on advances to States	233	196
Total administered revenues (other than appropriations)	3,407,185	2,955,222

Departmental revenues comprise cost recovery arrangements from the States for security registry services incurred by the AOFM for managing debt on allocation for the States, recovery of expenses from salary packaging arrangements, and revenue from the Australian Agency for International Development (AusAID) to reimburse costs associated with overseas deployments and other support for debt management in the region.

Administered revenues include interest revenue on swap transactions and financial investments, interest on Commonwealth Government Securities allocated to the States and interest on other advances made to the States and the Northern Territory under Commonwealth – State financing arrangements.

Foreign currency denominated bonds are converted to Australian dollar equivalents using actual exchange rates for closed-out positions and Budget exchange rate assumptions for positions open at the time of preparing the Budget estimates. Estimated net exchange rate gains arising from currency translations on foreign denominated bonds on issue are disclosed in the table above.

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

The AOFM does not have any movement of administered funds from 2005-06 to 2006-07.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Estimated expenses		
<i>Airports (Transitional) Act 1996, Sec 78 - Interest</i>	-	-
<i>Australian National Railways Commission Sale Act 1997, Sec 67AW - Interest</i>	-	-
<i>Commonwealth Inscribed Stock Act 1911, Sec 6 - Loan flotation expenses</i>	150	150
<i>Commonwealth Inscribed Stock Act 1911, Sec 6 - Interest</i>	3,623,087	3,510,778
<i>Financial Agreement Act 1994, Sec 5 - Assistance to States for debt redemption¹</i>	220,040	-
<i>Financial Agreement Act 1994, Sec 5 - Contributions to the DRRTA and interest on State debt²</i>	1,009	-
<i>Loans Redemption and Conversion Act 1921, Sec 5 - Interest</i>	-	-
<i>Loans Securities Act 1919, Sec 4 - Interest</i>	2,000	1,000
<i>Loans Securities Act 1919, Sec 5B(2) - Interest on swaps</i>	1,845,868	1,610,423
<i>Moomba-Sydney Pipeline System Sale Act 1994, Sec 19(3) - Interest</i>	-	-
<i>Qantas Sale Act 1992, Sec 18 - Interest</i>	-	-
<i>Snowy Hydro Corporatisation Act 1997, Sec 22 - Interest</i>	3,483	2,000
<i>Treasury Bills Act 1914, Sec 6 - Interest</i>	-	-
Total special appropriation expenses	5,695,637	5,124,351
Annual appropriations	10	10
Total administered expenses	5,695,647	5,124,361

1 Debt redemption assistance to the States ceases in 2005-06. The figure for 2005-06 represents the payment marking finalisation of the arrangements under the *Financial Agreement Act 1994*.

2 Under the *Financial Agreement Act 1994* the Australian Government is required to pay contributions (\$0.3 million for 2005-06) to the Debt Retirement Reserve Trust Account (DRRTA) to meet the volume of the States and Northern Territory's maturing debt. It is also required to pay interest on the balance of monies standing to the credit of the Special Account. Interest paid to the DRRTA under the Act (section 5), can only be credited to the Special Account and expended for the purposes of the Special Account. Interest is expected to be negligible and therefore is not included in estimates above. A further \$0.7 million is estimated for interest payments on the States and Northern Territory's debt for 2005-06.

The commentary below summaries the key legislative mechanisms that establish the Australian Government's borrowing capacity.

The *Commonwealth Inscribed Stock Act 1911* and associated regulations provide for the creation and issuance of domestic stock prescribed under the Act, including Treasury Fixed Coupon Bonds, Treasury Indexed Bonds and Treasury Notes.

The *Financial Agreement Act 1994* formalises revised debt redemption arrangements applying since 1 July 1990 between the Australian Government and the States and the Northern Territory. The Act prescribes the contributions to be made by the Australian Government, the States and the Northern Territory to meet the volume of maturing State and Northern Territory debt. The Act also establishes compensation payments by the Australian Government to the States and the Northern Territory as a result of the new arrangements.

The *Loans Securities Act 1919* provides the Australian Government with additional borrowing flexibility, by allowing overseas borrowings and borrowings in foreign currencies, and by providing an explicit authority to enter into swaps and other financial arrangements.

The *Loans Redemption and Conversion Act 1921* gives the Treasurer the power to borrow money necessary for the purpose of paying off, repurchasing or redeeming any loan in accordance with the Act.

Section 39(2) of the *Financial Management and Accountability Act 1997* gives the Treasurer the power to invest public money in any authorised investment for the purposes of managing the public debt of the Australian Government. Section 39(9) appropriates funds for this purpose.

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for the special account used by the AOFM.

Table 2.6: Estimates of special account flows and balances

	Opening balance 2006-07 2005-06 \$'000	Credits 2006-07 2005-06 \$'000	Debits 2006-07 2005-06 \$'000	Adjustments 2006-07 2005-06 \$'000	Closing balance 2006-07 2005-06 \$'000
Debt Retirement Reserve Trust Account - <i>FMA Act 1997 (21)</i> ¹	- 1,602	- 129,116	- 130,718	- -	- -
Total special accounts 2006-07 Budget estimate	-	-	-	-	-
Total special accounts 2005-06 estimated actual	1,602	129,116	130,718	-	-

1 This special account is administered in nature and is governed by the *Financial Agreement Act 1994*.

Until July 1990, the Australian Government borrowed on behalf of the State and Territory governments and allocated a portion of its Treasury Bond raisings to those Governments to fund the redemption of previous allocations of bond raisings. Until 1986, the Australian Government also borrowed on behalf of the State and Territory

Governments to raise new borrowings. In addition there are outstanding balances of various loans raised by the State governments.

The annual funding of the redemption of the State and Territory allocated debt is governed by the *Financial Agreement Act 1994* (the Act) which requires the Australian Government to establish and maintain the Debt Retirement Reserve Trust Account (DRRTA), a special account, for the States and the Northern Territory. Monies standing to the credit of a State or the Northern Territory are applied by the Australian Government in connection with the repurchase and repayment of the debt of that State or the Northern Territory.

The Act prescribes the contributions to be made by the Australian Government and by the States and the Northern Territory to the DRRTA to meet the volume of maturing debt.

It is expected that arrangements under the Act will be finalised by 30 June 2006. However, finalisation by 30 June 2006 is subject to extinguishment, by the States, of debt initially issued by them.

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The AOFM is not seeking a departmental equity injection or loan in the 2006-07 Budget. The AOFM will carryover into 2006-07 unspent equity injections from previous financial years for the acquisition and maintenance of a specialist debt management system.

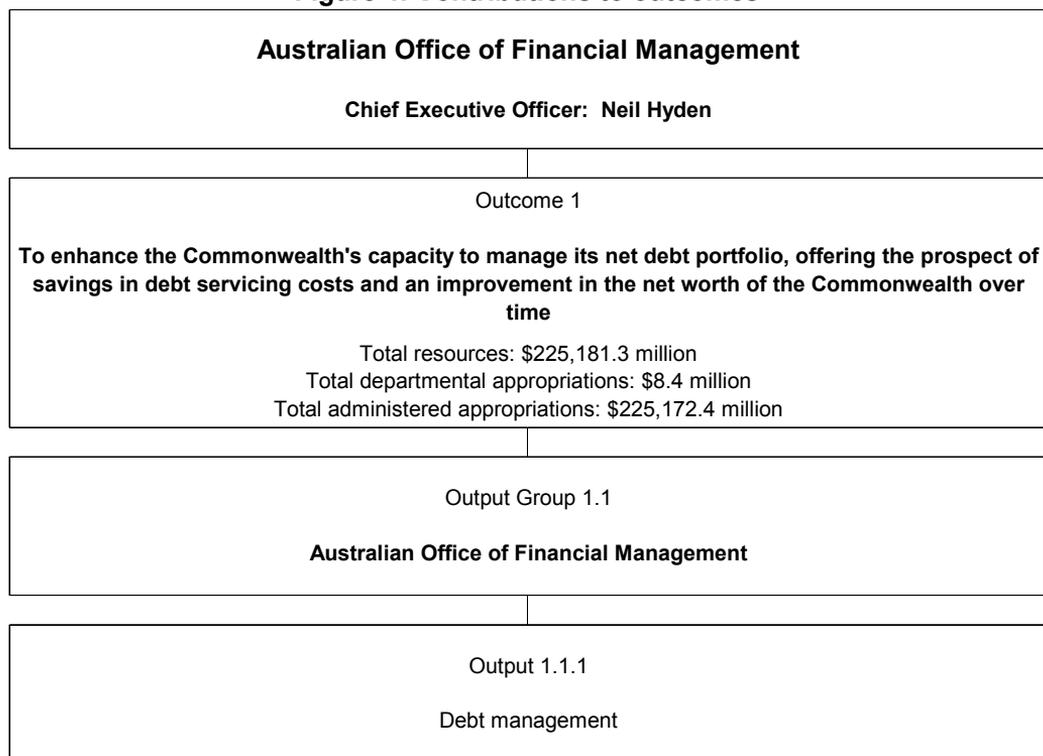
Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items for the Australian Office of Financial Management (AOFM).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The AOFM delivers a single output – debt management – which is fixed to a single outcome. The relationship between the activities of the AOFM and its outcome and output structure is summarised in Figure 4.

Figure 4: Contributions to outcomes



3.2 OUTCOMES — DEPARTMENTAL AND ADMINISTERED

The AOFM outcome is 'to enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time'. The total appropriation for this outcome for 2006-07 is \$225,180.8 million.

Figure 5: Departmental appropriations by outcome, 2006-07

As the AOFM has one outcome with a total departmental appropriation of \$8.4 million, this figure is not applicable.

Figure 6: Administered appropriations by outcome, 2006-07

As the AOFM has only one outcome with a total administered appropriation of \$225,172.4 million, this figure is not applicable.

3.3 OUTCOMES AND PERFORMANCE

Outcome 1 description

To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time.

Outcome 1 resourcing

Table 3.1 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 1.

Table 3.1: Total resources for Outcome 1

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Administered appropriations		
Special Appropriation - to Debt Retirement Reserve		
Trust Account	325	-
Other Special Appropriations	219,024,272	225,172,351
Annual Appropriations	10	10
Total administered appropriations	219,024,607	225,172,361
Special Accounts (estimated payments from Special Account balances)¹		
Debt Retirement Reserve Trust Account - s21 FMA Act ²	130,718	-
Total Special Account outflows	130,718	-
Departmental appropriations		
Output Group 1.1 - Australian Office of Financial Management		
Output 1.1.1 - Debt management	8,314	8,373
Total departmental appropriations	8,314	8,373
Departmental revenue from other sources		
Other revenues	720	559
Total departmental revenue from other sources	720	559
Total departmental resources	9,034	8,932
Total resources	219,033,641	225,181,293
	2005-06	2006-07
Average staffing level (number)	35	35

1 Special account outflows are shown in the payments column of the Special Account table in Table 2.6. The estimated payments from special account balances are provided by way of note only and do not form part of the total estimated resourcing.

2 *Financial Management and Accountability Act 1997 (FMA Act)*.

Contributions to achievement of Outcome 1

The AOFM achieves its output – debt management – through the issuance of Treasury Fixed Coupon Bonds, Treasury Indexed Bonds, Treasury Notes and the execution of associated derivatives. It also undertakes risk management activities, compliance activities, financial reporting, debt administration and the monitoring of conditions in Treasury bond and futures markets.

The debt portfolio is managed in line with the risk preferences and requirements of key stakeholders. Debt management activities comply with applicable accounting standards and legislative requirements.

Performance information for Outcome 1

Performance information for administered items, individual outputs and output groups relating to the Australian Office of Financial Management are summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Effectiveness - Overall achievement of the Outcome	
Debt issued by the Australian Government and debt assumed from Australian Government agencies.	Achievement of the Australian Government's financing task in a cost-effective manner, subject to the Government's policies and risk preferences. An efficient treasury bond market that supports an efficient Treasury bond futures market.
Performance indicators for individual outputs	
Output group 1.1: Australian Office of Financial Management	
Output 1.1.1 - Debt Management	Cost of Australian Government debt portfolio. Timely production of reports on debt management activities. Efficient execution of the Australian Government's borrowing activities. Partial indicators include the narrowness of the range of accepted bids and of the basis point spread between tender and secondary market yields. Efficient management of the Australian Government's cash balances. Indicators include adherence to limits on cash balances over the course of the year. Price: \$8.9 million

Evaluations for Outcome 1

Feedback will be sought on a regular basis from financial markets and key clients on the effectiveness of debt issuance and the efficiency of the Commonwealth Government Securities bond and futures markets. The appropriateness of the benchmark portfolio will also be reviewed regularly. Results of evaluations will be presented, as appropriate, in the AOFM's Annual Report.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The Australian Office of Financial Management (AOFM) does not have purchaser-provider arrangements in place.

4.2 COST RECOVERY ARRANGEMENTS

The AOFM does not carry out significant ongoing cost recovery arrangements.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

The AOFM does not have any specific indigenous expenditure.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental

Budgeted Income Statement

Since its inception as a separate agency in July 1999, the AOFM has been developing its resource base and functionality. Continuous improvements are being made in achieving best practice in policy, systems and methodology in the areas of financial market operations and risk management. The budget and forward years reflect periods when revenue and operating expenses are expected to be relatively stable.

Budgeted Balance Sheet

The AOFM's net asset (or equity) position is forecast to remain constant over the Budget and forward years, reflecting that current funding levels are expected to be adequate to support the AOFM's current operations during this period.

The AOFM forecasts that during the forward estimates period it will need to make renewed capital investment in agency infrastructure. Some further capital expenditure, particularly in relation to systems, both for development and replacement, is expected in the forward estimates period. Sufficient funding has been provided for this future capital investment from accumulated unspent outputs appropriations (depreciation funding) and equity injections.

Administered

Following the Government's decision, announced in the 2003-04 Budget, to maintain the market in Commonwealth Government Securities (CGS), the AOFM aims to contribute to financial market efficiency by maintaining sufficient Treasury bonds on issue to support the Treasury bond futures market. This will require ongoing issuance of bonds at the middle and long end of the yield curve. The Administered Budget and forward estimates reflect this government decision.

The AOFM executes interest rate swap transactions to manage the cost and risk of the net debt portfolio. The Administered Budget and forward estimates incorporate proposed interest rate swap transactions.

The Australian Government holds surplus funds as term deposits with the Reserve Bank of Australia. Estimates of these asset holdings have been included in the Administered Budget and forward estimates. The Future Fund is managed by the Future Fund Management Agency in the Finance and Administration Portfolio, and its

asset holdings are not included in the AOFM's administered budget and forward estimates.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	8,314	8,373	8,426	8,505	8,594
Goods and services	720	559	559	559	559
Total income	9,034	8,932	8,985	9,064	9,153
EXPENSE					
Employees	5,032	5,059	5,346	5,627	5,945
Suppliers	3,052	2,948	3,089	2,887	2,658
Depreciation and amortisation	950	925	550	550	550
Total expenses	9,034	8,932	8,985	9,064	9,153
Operating result	-	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	-	-	-	-	-

Table 5.2: Budgeted departmental balance sheet as at 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	863	1,003	1,689	2,430	2,739
Receivables ¹	7,971	7,971	7,971	7,971	7,971
Total financial assets	8,834	8,974	9,660	10,401	10,710
Non-financial assets					
Infrastructure, plant and equipment	997	576	426	176	426
Intangibles	674	1,170	870	570	270
Other	50	50	50	50	50
Total non-financial assets	1,721	1,796	1,346	796	746
Total assets	10,555	10,770	11,006	11,197	11,456
LIABILITIES					
Provisions					
Employees	1,113	1,328	1,564	1,755	2,014
Other	110	110	110	110	110
Total provisions	1,223	1,438	1,674	1,865	2,124
Payables					
Suppliers	83	83	83	83	83
Total payables	83	83	83	83	83
Total liabilities	1,306	1,521	1,757	1,948	2,207
EQUITY					
Contributed equity	5,688	5,688	5,688	5,688	5,688
Reserves	138	138	138	138	138
Retained surpluses	3,423	3,423	3,423	3,423	3,423
Total equity	9,249	9,249	9,249	9,249	9,249
Current assets	1,093	1,233	1,919	2,660	2,969
Non-current assets	9,462	9,537	9,087	8,537	8,487
Current liabilities	308	334	367	342	374
Non-current liabilities	998	1,187	1,390	1,606	1,833

¹ Receivables balance includes \$7.8 million of undrawn appropriations held in the Official Public Account.

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	8,314	8,373	8,426	8,505	8,594
Other	720	559	559	559	559
Total cash received	9,034	8,932	8,985	9,064	9,153
Cash used					
Employees	4,821	4,844	5,110	5,435	5,686
Suppliers	3,052	2,948	3,089	2,888	2,658
Total cash used	7,873	7,792	8,199	8,323	8,344
Net cash from or (used by) operating activities	1,161	1,140	786	741	809
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant, equipment and intangibles	400	1,000	100	-	500
Total cash used	400	1,000	100	-	500
Net cash from or (used by) investing activities	(400)	(1,000)	(100)	-	(500)
Net increase or (decrease) in cash held	761	140	686	741	309
Cash at the beginning of the reporting period	102	863	1,003	1,689	2,430
Cash at the end of the reporting period	863	1,003	1,689	2,430	2,739

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Retained surpluses	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	5,688	138	-	3,423	9,249
Adjusted opening balance	5,688	138	-	3,423	9,249
Income and expense					
Net operating result	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Estimated closing balance as at 30 June 2007	5,688	138	-	3,423	9,249

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
<i>Total capital appropriations</i>	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	400	1,000	100	-	500
Total	400	1,000	100	-	500

Table 5.6: Departmental property, plant, equipment and intangibles summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	property	property		military	infrastructure	and cultural	software	intangibles	
	\$'000	\$'000	\$'000	equipment	plant and	assets	\$'000	\$'000	\$'000
					equipment				
As at 1 July 2006									
Gross book value	-	-	-	-	2,031	-	2,680	-	4,711
Accumulated depreciation/amortisation	-	-	-	-	(1,034)	-	(2,006)	-	(3,040)
Opening net book value	-	-	-	-	997	-	674	-	1,671
Additions:									
by purchase	-	-	-	-	-	-	1,000	-	1,000
Depreciation/amortisation expense	-	-	-	-	(421)	-	(504)	-	(925)
As at 30 June 2007									
Gross book value	-	-	-	-	2,031	-	3,680	-	5,711
Accumulated depreciation/amortisation	-	-	-	-	(1,455)	-	(2,510)	-	(3,965)
Estimated closing net book value	-	-	-	-	576	-	1,170	-	1,746

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME AND EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue before re-measurements					
Non-taxation					
Interest	3,407,185	2,955,222	3,262,601	3,303,116	3,524,384
Total revenues before re-measurements	3,407,185	2,955,222	3,262,601	3,303,116	3,524,384
Expenses before re-measurements					
Grants	220,365	-	-	-	-
Interest and finance costs	5,475,282	5,124,361	4,808,443	4,321,979	4,048,772
Total expenses before re-measurements	5,695,647	5,124,361	4,808,443	4,321,979	4,048,772
Operating result before re-measurements	(2,288,462)	(2,169,139)	(1,545,842)	(1,018,863)	(524,388)
Re-measurements ¹					
Net market valuation gains / (losses)	695,576	332,528	261,135	165,576	133,147
Total re-measurements	695,576	332,528	261,135	165,576	133,147
Net Income	(1,592,886)	(1,836,611)	(1,284,707)	(853,287)	(391,241)

1 Since 1 July 2005 the AOFM's administered financial statements have been prepared on a fair value basis. Under fair value accounting, changes in the valuation of financial assets and financial liabilities due to changes in interest rates are reflected through the schedule of income and expenses (net market valuation gains/(losses)).

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash	609	609	609	609	609
Receivables	3,693,608	3,539,401	3,393,847	3,255,448	3,117,418
Investments (s.39 FMA Act)	17,718,000	28,597,000	38,672,000	47,057,000	55,686,000
Total financial assets	21,412,217	32,137,010	42,066,456	50,313,057	58,804,027
Total assets administered on behalf of Government	21,412,217	32,137,010	42,066,456	50,313,057	58,804,027
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest bearing liabilities					
Commonwealth Government Securities	59,579,000	58,386,000	60,191,000	60,260,000	59,449,000
Total interest bearing liabilities	59,579,000	58,386,000	60,191,000	60,260,000	59,449,000
Total liabilities administered on behalf of Government	59,579,000	58,386,000	60,191,000	60,260,000	59,449,000

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	3,600,903	2,951,739	3,325,993	3,362,083	3,551,917
Total cash received	3,600,903	2,951,739	3,325,993	3,362,083	3,551,917
Cash used					
Grant payments	220,365	-	-	-	-
Interest and other costs	6,266,018	5,127,068	4,892,127	4,466,099	4,050,366
Total cash used	6,486,383	5,127,068	4,892,127	4,466,099	4,050,366
Net cash from or (used by) operating activities	(2,885,480)	(2,175,329)	(1,566,134)	(1,104,016)	(498,449)
INVESTING ACTIVITIES					
Cash received					
Repayments of advances	84,576	86,703	88,821	91,430	93,686
Total cash received	84,576	86,703	88,821	91,430	93,686
Net cash from or (used by) investing activities	84,576	86,703	88,821	91,430	93,686
FINANCING ACTIVITIES					
Cash received					
Proceeds from borrowing	6,354,457	5,296,222	4,745,160	5,139,698	4,729,542
Term deposit maturities	213,945,000	203,086,000	203,891,000	205,585,000	205,336,000
Total cash received	220,299,457	208,382,222	208,636,160	210,724,698	210,065,542
Cash used					
Repayment of borrowings	7,155,960	6,102,852	2,922,302	5,098,005	5,709,000
Term deposit investments	206,173,000	213,945,148	213,645,698	213,644,995	213,644,990
Total cash used	213,328,960	220,048,000	216,568,000	218,743,000	219,353,990
Net cash from or (used by) financing activities	6,970,497	(11,665,778)	(7,931,840)	(8,018,302)	(9,288,448)
Net increase or (decrease) from activities	4,169,593	(13,754,404)	(9,409,153)	(9,030,888)	(9,693,211)
Cash at beginning of reporting period	609	609	609	609	609
Cash from Official Public Account for:					
- appropriations	219,813,686	225,175,068	221,460,127	223,209,099	223,404,356
- special accounts	130,718	-	-	-	-
Cash to Official Public Account for:					
- receipts	(223,984,936)	(211,420,664)	(212,050,974)	(214,178,211)	(213,711,145)
- special accounts	(129,061)	-	-	-	-
Cash at end of reporting period	609	609	609	609	609

Table 5.10: Schedule of administered capital budget

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Administered capital	-	-	-	-	-
Special appropriations	213,328,960	220,048,000	216,568,000	218,743,000	219,353,990
Total capital appropriations	213,328,960	220,048,000	216,568,000	218,743,000	219,353,990
Represented by:					
Purchase of non-financial assets	-	-	-	-	-
Other	213,328,960	220,048,000	216,568,000	218,743,000	219,353,990
Total	213,328,960	220,048,000	216,568,000	218,743,000	219,353,990
PURCHASE OF NON- FINANCIAL ASSETS					
Funded by capital appropriator	-	-	-	-	-
Funded internally by departmental resources	-	-	-	-	-
Total	-	-	-	-	-

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

AOFM does not have administered property, plant, equipment and intangibles.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The departmental financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for infrastructure, plant and equipment assets and employee entitlements. Infrastructure, plant and equipment assets are re-valued every three years using a fair value methodology. Employee entitlements are measured at the present value of estimated future cash flows based on periodic actuarial assessment.

Since 1 July 2005, the administered financial statements have been prepared on a fair value basis in accordance with Australian equivalents to international financial reporting standards. Prior to 1 July 2005 the administered financial statements were prepared on an accrual basis in accordance with the historical cost convention.

Fair value is synonymous with market value and represents the estimated exchange equivalent price using relevant inputs from reference markets and valuation techniques. Fair value is determined on the presumption of normal market conditions and that the reporting entity is not undertaking transactions on adverse terms.

On behalf of the Department of Communications, Information Technology and the Arts (DCITA), the AOFM currently acts as an agent for DCITA in making investments for the newly created Communications Fund. These investments and their earnings are reported by DCITA and not the AOFM.

Budgeted departmental and administered financial 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.

Under the Australian Government's accrual budgeting framework, transactions that agencies control (agency transactions) are separately budgeted for and reported 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.

- Agency assets, liabilities, revenues and expenses are those which are controlled by the agency. Agency expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services to government.
- Administered assets, liabilities, revenues and expenses are those which are managed on behalf of the Australian Government according to set government directions. Administered expenses include interest incurred on Commonwealth Government Securities. Administered revenues include interest earned on housing agreement loans, interest on investments and interest from swaps.

Administered internal transactions

Administered transactions between the AOFM and other agencies within the General Government Sector (administered internal transactions) are not reported in the schedule of budgeted administered income and expenses or the schedule of budgeted administered assets and liabilities.

However, for the purposes of disclosing all cash flows through AOFM's administered bank accounts, cash flows in the schedule of budgeted administered cash flows are reported inclusive of administered internal transactions.

Goods and services tax (GST)

All supplies provided by the AOFM are input taxed under *A New Tax System (Goods and Services Tax) Act 1999*.

Appropriations in the accrual budgeting framework

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

- agency price of outputs appropriations: representing the Australian Government's purchase of outputs from the AOFM; and
- administered expense appropriations: for the repayment of interest on lapsed coupons not supported by special appropriation.

Special appropriations fund the majority of administered payments made by the AOFM, including debt redemption, interest payments and financial investment activity.

Budgeted departmental income statement

Appropriations

Price of outputs appropriation estimates are not based on market price indicators. The agreed price of outputs appropriation is generally adjusted for wage cost indexation less an efficiency dividend.

For financial years from 2005-06 to 2007-08 (inclusive), the government has imposed an additional 0.25 per cent efficiency dividend on agencies, bringing the efficiency dividend to 1.25 per cent for these financial years.

Budgeted departmental balance sheet

Cash and undrawn appropriations

The estimated cash reserves and undrawn appropriations will be maintained to ensure that the AOFM is well placed to:

- settle employee liabilities as they fall due;
- make asset replacements; and
- repay liabilities.

Budgeted financial statements have been prepared on the assumption that unspent monies will not be withdrawn by the Department of Finance and Administration.

Administered schedule of budgeted income and expenses

Non-taxation revenue — interest

	Estimated Actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
Interest					
Interest on housing agreements	155,985	152,382	148,668	144,838	140,877
Interest on State and Northern Territory debt	684	-	-	-	-
Interest from other sources	3,250,516	2,802,840	3,113,933	3,158,278	3,383,507
Total interest	3,407,185	2,955,222	3,262,601	3,303,116	3,524,384

Interest from other sources includes interest from swaps and investments.

Expenses – grants

	Estimated Actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
Grants					
Grants to State and Northern Territory Governments	220,365	-	-	-	-
Total grants	220,365	-	-	-	-

Expenses — interest and financing costs

	Estimated Actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
Interest					
Interest on Commonwealth Government Securities	3,625,781	3,511,788	3,446,634	3,310,096	3,282,458
Interest on swaps	1,845,868	1,610,423	1,361,443	1,011,517	766,164
Interest on other debt	3,483	2,000	216	216	-
Other	150	150	150	150	150
Total interest and financing costs	5,475,282	5,124,361	4,808,443	4,321,979	4,048,772

Net market valuation gains

Net market valuation gains represents the estimated unrealised fair value gains on the net debt portfolio. This valuation gain represents the change in financial exposures due to changes in market conditions and the passage of time.

In a passive 'issue and hold to maturity' strategy, such as that relating to the AOFM's debt issuance and management activities, the revaluation effect will net to zero over the life of a financial instrument.

Administered schedule of budgeted assets and liabilities

Financial assets — receivables

	Estimated Actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
Receivables					
Loans to State and Northern Territory governments	3,433,691	3,346,988	3,258,167	3,166,737	3,073,051
Swaps	259,917	192,413	135,680	88,711	44,367
Total receivables	3,693,608	3,539,401	3,393,847	3,255,448	3,117,418

Financial assets — investments

The AOFM, on behalf of the Australian Government, holds surplus funds as term deposits with the Reserve Bank of Australia. Estimates of the fair value of these asset holdings are disclosed as administered investments. The asset holdings of the Future Fund and other government agencies are not included in these estimates.

Interest bearing liabilities — Commonwealth Government Securities

Commonwealth Government Securities represent the fair value of government securities on issue.

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AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

Section 1: Overview

The role of the Australian Prudential Regulation Authority (APRA) is developing and enforcing regulation that promotes prudent behaviour by authorised deposit-taking institutions, insurance companies, superannuation funds and other financial institutions with the key aim of protecting the interests of their depositors, policy holders and members.

Prudential regulation focuses on the quality of an institution's systems for identifying, measuring and managing the various risks in its business.

In carrying out this role, APRA will enhance public confidence in Australia's financial institutions through a framework of prudential regulation, which balances financial safety and efficiency, competition, contestability and competitive neutrality. This is achieved by:

- the formulation and promulgation of prudential policy and practice to be observed by regulated institutions;
- effective surveillance and compliance programmes and, where relevant, remediation or enforcement measures, to give effect to the laws administered by APRA and to standards issued under those laws; and
- advice to government on the development of regulation and legislation affecting regulated institutions and the financial markets in which they operate.

APRA was established by the *Australian Prudential Regulation Authority Act 1998* (APRA Act). The *Commonwealth Authorities and Companies Act 1997* currently applies to APRA. From 1 July 2007, the *Financial Management and Accountability Act 1997* (FMA Act) will apply to APRA. Details of legislative amendments to the APRA Act and other arrangements necessary to conform to the FMA Act will be determined prior to 1 July 2007.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality	The single outcome consists of one output group comprising three outputs; namely policy development, surveillance programmes and prudential advice.	Output Group 1.1 Australian Prudential Regulation Authority

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations and other resources for the agency in the 2006-07 Budget is \$97.6 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

	Departmental				Administered				Total
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation resources \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPPs \$'000	Other \$'000	Special Appropriation resources \$'000	
Australian Prudential Regulation Authority									
Outcome 1									
To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality	3,687	-	86,371	7,090	-	-	-	500	97,648
Total	3,687	-	86,371	7,090	-	-	-	500	97,648

2.2 2006-07 BUDGET MEASURES

Budget measures relating to the Australian Prudential Regulation Authority as explained in Budget Paper No. 2, *Budget Measures 2006-07* are summarised in Table 2.2. The table also identifies the relevant outcomes, administered items and outputs associated with each measure.

Table 2.2 Australian Prudential Regulation Authority measures

Measure	Output groups affected	2006-07			2007-08			2008-09			2009-10		
		Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
Expense measures													
Insurance industry - disqualification of persons	1.1	-	3,687	3,687	-	-	-	-	-	-	-	-	-
National Claims and Policies Database	1.1	-	1,478	1,478	-	1,229	1,229	-	1,221	1,221	-	407	407
Total expense measures		-	5,165	5,165	-	1,229	1,229	-	1,221	1,221	-	407	407
Non-tax revenue measures													
National Claims and Policies Database	1.1	-	(1,478)	(1,478)	-	(1,229)	(1,229)	-	(1,221)	(1,221)	-	(407)	(407)
Total non-tax revenue measures		-	(1,478)	(1,478)	-	(1,229)	(1,229)	-	(1,221)	(1,221)	-	(407)	(407)
Total measures		-	3,687	3,687	-	-	-	-	-	-	-	-	-

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by APRA for provision of goods or services. These resources are approved for use by APRA and are also included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated receipts 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Goods and services	5,225	4,250
Interest	2,350	2,250
Rents	692	540
Other	4,268	50
Total departmental resources available to be used	12,535	7,090

Goods and services of \$4.3 million in the above table represent cost recoveries for activities described more fully in Section 4.2 Cost Recovery Arrangements. Further implementation of the Basel II capital accord is expected to yield recoveries of \$3.0 million, statistical services for the Reserve Bank of Australia and the Australian Bureau of Statistics a further \$0.6 million, and licensing of superannuation funds \$0.3 million in 2006-07. Other minor amounts including \$0.1 million from AusAID projects are also anticipated.

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

APRA does not have any movement of administered funds.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

	Note	Estimated expenses 2005-06 \$'000	Budget estimate 2006-07 \$'000
Estimated expenses			
<i>Australian Prudential Regulation Authority Act 1998 - section 50</i>	1	80,504	83,545
<i>Financial Management and Accountability Act 1997 - section 28</i>	2	500	500
Total estimated expenses		81,004	84,045

1 Funding of APRA's operations.

2 Refund of overpayment of levies by financial institutions from administered funds (refer Table 5.7).

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each account used by APRA.

Table 2.6: Estimates of special account flows and balances

	Opening balance 2006-07 2005-06 \$'000	Credits 2006-07 2005-06 \$'000	Debits 2006-07 2005-06 \$'000	Adjustments 2006-07 2005-06 \$'000	Closing balance 2006-07 2005-06 \$'000
Superannuation Protection Account	-	-	-	-	-
Total special accounts	-	-	-	-	-
2006-07 Budget estimate	-	-	-	-	-
Total special accounts	-	-	-	-	-
2005-06 estimate actual	-	-	-	-	-

The Superannuation Protection Account was established under Section 234 of the *Superannuation Industry (Supervision) Act 1993* to facilitate the recovery of financial assistance provided to superannuation fund members suffering adverse outcomes from fraud and misappropriation by fund trustees. There have been no transactions to this account to date. Several rounds of financial assistance have been made to a number of superannuation funds by Treasury directly from the Consolidated Revenue Fund (CRF) in recent financial years. To date, APRA, on behalf of Treasury, has imposed two Financial Assistance Levies on the superannuation industry to recover assistance funds granted up to 2004-05, the proceeds of which were returned directly to the CRF. Further levies to recover other assistance provided by Treasury is anticipated, but is unlikely to impact on the special account in 2006-07.

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

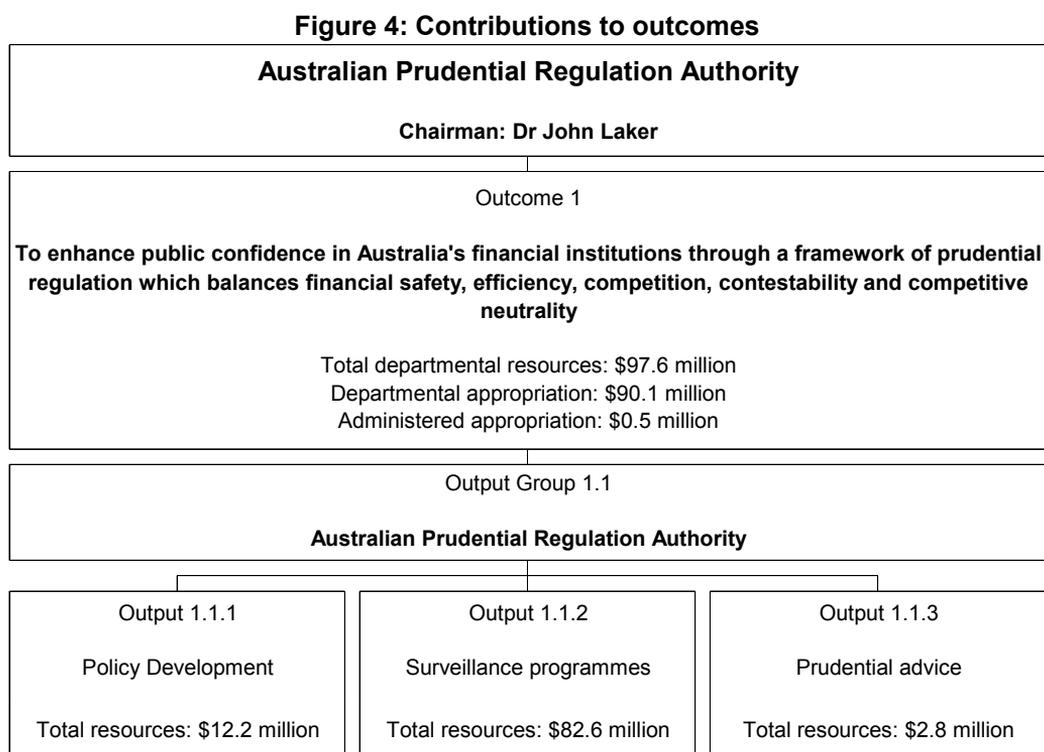
APRA does not have an appropriation for administered capital, departmental equity injection or loan in the 2006-07 Budget.

Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items to contribute to the outcome for the Australian Prudential Regulation Authority (APRA).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of APRA and the outcome is summarised in Figure 4.



APRA determines the relative contribution of its three outputs to the agency outcome using a time management system. Direct labour costs are captured by the system while costs associated with support and overhead activities are allocated across the three outputs in the ratio of each of the direct output costs to total direct output cost.

3.2 OUTCOMES — DEPARTMENTAL AND ADMINISTERED

APRA has one outcome, namely, 'to enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality'. The total appropriation for this outcome for 2006-07 is \$90.1 million.

Figure 5: Departmental appropriations by outcome, 2006-07

As APRA has one outcome this figure is not applicable.

Figure 6: Administered appropriations by outcome, 2006-07

As APRA has one outcome this figure is not applicable.

3.3 OUTCOMES AND PERFORMANCE

Outcome 1 description

To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality.

Outcome 1 resourcing

Table 3.1 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 1, including administered appropriations, departmental appropriations and departmental revenue from other sources.

Table 3.1: Total resources for Outcome 1

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Administered appropriations		
Special Appropriations		
<i>Financial Management and Accountability Act 1997</i>	500	500
Total administered appropriations	500	500
Departmental appropriations		
Output Group 1.1 - Australian Prudential Regulation Authority		
Output 1.1.1 - Policy development	10,465	11,228
Output 1.1.2 - Surveillance programmes	67,014	76,239
Output 1.1.3 - Prudential advice	4,025	2,591
Total departmental appropriations	81,504	90,058
Departmental revenue from other sources		
Goods and services	5,225	4,250
Interest	2,350	2,250
Other	4,960	590
Total departmental revenue from other sources	12,535	7,090
Total departmental resources	94,039	97,148
Total resources	94,539	97,648
	2005-06	2006-07
Average staffing level (number)	572	582

Measures affecting Outcome 1

A list of measures for APRA appears in Table 2.2. Details of measures are included in Budget Paper No. 2, *Budget Measures 2006-07*.

Contributions to achievement of Outcome 1

The outputs of APRA aim to enhance public confidence in Australia's financial institutions through a framework of prudential regulation, which balances financial safety and efficiency, competition, contestability and competitive neutrality.

The outputs involve formulation and promulgation of prudential policy and practice to be observed by regulated institutions; effective surveillance and compliance programmes and, where relevant, remediation and enforcement measures, to give effect to the laws administered by APRA and to standards issued under those laws; and advice to government on the development of regulation and legislation affecting regulated institutions and the financial markets in which they operate.

Administered activities

The activities of APRA are indirectly funded by the industries it regulates through the imposition and collection of levies on regulated institutions. Levies collected by APRA

on behalf of the Australian Government are swept to the Consolidated Revenue Fund from where APRA is appropriated a proportion of the collections in accordance with the *Australian Prudential Regulation Authority Act 1998*, to fund its operating (departmental) activities.

Departmental outputs

APRA has three outputs contributing to Outcome 1, as set out below.

Policy development comprising the issuance of prudential standards and guidelines to assist regulated industries manage risk, industry consultation in development of new prudential policies, cooperation with national and international agencies in the harmonisation of prudential standards and informing the public to enhance understanding of the role of APRA.

Surveillance programmes aim to minimise financial loss by depositors, policy holders and fund members which may result from the failure of regulated institutions to adequately manage risk; facilitate early identification of emerging prudential risks and supervision of necessary remedial actions through inspections and off-site surveillance of regulated entities; and exercise enforcement powers as appropriate to protect the interests of depositors, policy holders, superannuation funds members and the public interest generally.

Prudential advice to Government on prudential regulation policy development, advice to Government on amendments to legislation and regulations administered by APRA, liaison with Treasury and appropriate Ministers at regular intervals, briefing of Government on matters emerging in international forums which may impact on prudential policy.

Performance information for Outcome 1

Performance information for administered items, individual outputs and output groups relating to APRA is summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Performance indicators for group outputs

Output group 1.1: Australian Prudential Regulation Authority

Output 1.1.1 - Policy development

Quality:

Issuance of prudential standards, guidelines and like instruments which effectively address risk management exposures of regulated industries.

Comprehensive consultation with industry bodies, regulated institutions and professional associations on the development and implementation of prudential policy.

Effective communication and cooperation with relevant national and international agencies, including participation in the international development and harmonisation of prudential regulation policy and practice.

Promotion of public understanding of the role of APRA and informed debate on issues relating to prudential supervision through the publication of discussion papers, statistics and other relevant information.

Price \$12.2 million

Output 1.1.2 - Surveillance programmes

Quality:

Minimise the risk of financial loss by depositors or policy holders resulting from the failure of regulated institutions to observe laws, regulations or prudential standards administered by APRA.

The identification of emerging prudential risks within regulated institutions through programmes of inspection and off-site surveillance and the supervision of remedial actions to effectively manage such risks.

The exercise by APRA of formal enforcement powers where necessary to protect the interests of depositors, policy holders, superannuation fund members or the public interest generally (including powers to issue directions, disqualify persons from positions of management or trust, transferring engagements, withdrawing licences, or initiating prosecutions).

Price \$82.6 million

Output 1.1.3 - Prudential advice

Quality:

Regular liaison meetings with Treasury and with relevant Ministers and Parliamentary Committees.

Recommendations to Government on prudential regulation policy development involving legislative implementation (including amendments to all Acts of Parliament administered by APRA and regulations thereunder).

Timely briefings to Government on major items of policy interest emerging from APRA participations in international forums.

Maintenance of a memorandum of understanding with Treasury.

Price \$2.8 million

The primary business outcome of APRA is to protect beneficiaries of regulated financial institutions and to enhance public confidence in Australia's financial

institutions through a framework of prudential regulation which balances the objectives of financial safety and efficiency, competition, contestability and competitive neutrality. Key strategies have been identified that will achieve this business outcome in a cost effective manner. The three strategies that align with the APRA output are: supervision, enforcement and rehabilitation; policies, standards and guidelines for prudential supervision; and prudential advice covering relations with Government, Parliament and other interested parties.

The estimated percentage distribution of APRA's operating expenditure across these three elements of the APRA outcome in 2006-07 is 84 per cent for supervision, rehabilitation and enforcement, 13 per cent for development of prudential policies and standards and 3 per cent for prudential advice.

APRA has developed measures that provide a general quantitative indicator of its supervisory performance. Two such measures are the Performing Entity Ratio (PER), which is the number of APRA-regulated institutions which meet their commitments to beneficiaries in a given year, divided by the total number of APRA-regulated institutions and the Money Protected Ratio (MPR), which is the dollar value of liabilities to beneficiaries in Australia that remained safe in a given year, divided by the total dollar value of liabilities to beneficiaries in Australia in APRA-regulated institutions.

Evaluations for Outcome 1

Performance will be measured on a quarterly basis through an integrated programme of business planning, measurement and reporting. The business plan is expressed through six key results areas (KRAs), three of which represent the outputs described in Table 3.2 as well as three KRAs covering staff, infrastructure and accountability.

Feedback will be sought from key stakeholders on a regular basis on the development of policy and prudential advice.

The performance of surveillance programmes is evaluated through the measurement processes, through KPIs reported to and considered by the Executive on a quarterly basis.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The Australian Prudential Regulation Authority (APRA) is not party to any material cross agency purchaser-provider arrangements. Minor amounts are recovered from Australian Bureau of Statistics (ABS) and Reserve Bank of Australia (RBA) for provision of statistical data as recorded in the following section dealing with cost recovery arrangements.

4.2 COST RECOVERY ARRANGEMENTS

Cost recovery arrangements have been negotiated with the large banks to accelerate their preparations for opportunities available to them under the new Basel Capital Accord on capital adequacy. Cost recovery arrangements are also in place to fund the Registrable Superannuation Entity (RSE) licence for Superannuation Trustees based on a two year programme which commenced in 2004-05. Fees are imposed on General Insurers for use of a National Claims and Policies Database which will assist the general insurance industry and collect data on public liability and professional indemnity policies and claims. Licence fees are also charged to new authorised deposit-taking institutions and insurers in a tiered licensing arrangement for those institutions applying to operate in the financial system. Similarly, a small fee is charged to grant consent to foreign authorised deposit-taking institutions wishing to establish and maintain a representative office in Australia. Costs of providing statistical services to the RBA and the ABS, and prudential services to various State Governments are also recovered.

Outside the fee for service regime, APRA recovers costs on behalf of the Australian Taxation Office (ATO) and the Australian Securities and Investments Commission (ASIC) for various consumer protection, enforcement and Superannuation Complaints Tribunal activities and lost member and unclaimed superannuation arrangements as part of annual levies on financial institutions. These latter recoveries are not retained by APRA and are passed directly to the Consolidated Revenue Fund.

Summary of cost recovery impact statement

In accordance with the Government's cost recovery policy, APRA prepared a cost recovery impact statement dated February 2006 entitled *Periodic review of cost recovery arrangements of the Australian Prudential Regulation Authority*. The purpose of the cost recovery impact statement was to conduct a review consistent with the Government's five year review schedule of existing cost recovery arrangements and provide a comprehensive report to Government.

In 2006-07 APRA proposes to recover the following costs by way of fees for service:

- Licensing of superannuation trustees under the *Superannuation Industry (Supervision) Act 1993* as amended by the *Superannuation Safety Amendment Act 2004* which prescribes that an application fee may be charged for processing licence applications. The licensing arrangement was recommended by the Superannuation Working Group in October 2002 and subsequently adopted as Government policy and enables APRA to ensure that only suitable and adequately resourced entities remain in the superannuation industry. The licensing process is detailed and resource intensive requiring APRA to establish in the first instance a specialist team to process the 325 applications received. Licence fees have been set on a three tiered sliding scale according to the complexity of the assessment of the applicants, with the highest fee being paid by trustees of public offer entities and lesser fees for non-public offer entities;
- Licensing of authorised deposit-taking institutions, life and general insurance companies under the *Banking Act 1959*, *Life Insurance Act 1995* and *Insurance Act 1973* respectively. The legislation requires that entities wishing to conduct banking and insurances activities in Australia be licensed and enables APRA to set a fee for assessing applicants for a licence. The fees charged are a series of fixed fees for categories of applicants who are a bank or special service provider, a building society, a credit union, a specialist credit card institution, a general insurer, a life company other than a friendly society and a life company that is a friendly society and are payable on application;
- Granting consent for a representative office of a foreign bank to be established and maintained in Australia under s67 of the *Banking Act 1959*. The charge for granting initial consent is a once only fixed charge. A further annual fee is charged for maintaining the foreign representative office in Australia, of which there are currently about twenty four;
- A charge made under s51 of the *Australian Prudential Regulation Authority Act 1998* to the four major banks and other significant banks to enable the institutions to accelerate the models-based approach to capital adequacy provided for in the Basel II capital accord. This is a fixed charge to the four major banks and a lesser charge to other significant banks and has been imposed in the last two financial years;
- Fees on a class of general insurers to recover costs for use of National Claims and Policies Database which for 2004-05 and 2005-06 was on a voluntary basis and thereafter will be added as a levy on indemnity and liability insurers. The charge is made on about 60 general insurers under s51 of the *Australian Prudential Regulation Authority Act 1998*;
- Recovery of costs associated with prudential regulation services provided to non-regulated federal and state run institutions and statistical services provided to

RBA and ABS. These recoveries are on an agreed fee basis made under s9 of the *Australian Prudential Regulation Authority Act 1998* and are not required to be covered by a cost recovery impact statement; and

- Other miscellaneous cost recoveries such as recovery of rent from sub-letting of surplus leased space in the Canberra office to a third party and costs associated with overseas secondments and other services provided through the International Monetary Fund and AusAID. All are through the provisions of the *Australian Prudential Regulation Authority Act 1998*.

The fees outlined have been set in accordance with the Australian Government's cost recovery policy and guidelines, in consultation with Treasury and those that are required to be, are covered by cost recovery impact statements.

In total the above cost recoveries are budgeted to realise revenues of \$4.3 million in 2006-07.

In all instances, the cost recovery proposals have been discussed with the major stakeholders during annual industry consultations involving industry representative associations and/or the main affected institutions. In some instances, such as the Basel II accreditation work, the fees were set by direct negotiation and agreement with the institutions concerned. Other minor fees were also set by negotiation and mutual agreement with the institutions or organisations directly involved.

APRA's cost recovery arrangements are due to be reviewed again in 2011.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

APRA does not have any specific indigenous expenditure.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The Departmental Income Statement (refer Table 5.1) shows an increase in appropriations from \$81.5 million forecast for 2005-06 to \$90.1 million in 2006-07. The increase is due to the on-going effect of the Budget measure initiated in 2004-05 to strengthen the Australian Prudential Regulation Authority's (APRA) capability in supervision of regulated entities resulting from the Government response to the recommendations of the HIH Royal Commission. The 2004-05 measure was provided to engage additional qualified and experienced staff in the front line supervisory sections of APRA. In addition, the two new Budget measures (refer Table 2.2), National Claims and Policies Database (\$1.5 million) and Insurance industry – disqualification of persons (\$3.7 million), have added to resources provided by Government.

Income from rents is a result from sub-letting an area of surplus leased space in the Canberra office. Revenue from sale of goods and services includes the various cost recovery activities as described in Section 4.2.

Employee expenses will increase marginally from \$62.7 million to \$63.5 million in 2006-07 as a result of increased costs. The additional front line employees covered by the 2004-05 measure to strengthen APRA's supervision capability have now been recruited and APRA reached its target headcount in 2005-06.

Suppliers' costs are expected to be lower than 2005-06, reflecting the expected winding back of the superannuation licensing programme. The additional legal expenses incurred in 2005-06 pursuing the fit and proper prosecutions resulted in an operating loss and although still higher than the normal trend in 2006-07 these expenses will also be less than the prior year. Supplier costs will revert to more normal levels in the outer years.

APRA is budgeting for an operating surplus of \$2.8 million in 2006-07, to cover the expected operating loss in 2005-06.

The Departmental Balance Sheet (Table 5.2) shows an increase in total financial assets from the prior period consisting mainly of an increase in investments which is expected to result in part from the operating surplus.

A net reduction in non-financial assets is expected in 2006-07, due to the normal cycle of asset usage and replacement. Acquisitions will be funded from internally generated funds.

Provisions for employee entitlements cover accumulated annual and long service leave, which are expected to be maintained at approximately the same levels due to a levelling off in staffing numbers. The other provisions consist of making-good leased premises and equalising lease incentives, all of which decrease gradually over the expected life of the related leases.

APRA will maintain its sound financial position and continue to have sufficient resources available to cover all its known financial obligations.

Contributed equity will be maintained at the 2005-06 level. Retained surpluses are planned to maintain reserves at a level (5 to 10 per cent of levies) sufficient to accommodate unforeseen business needs which may arise from supervision of at-risk institutions and enforcement actions.

The Departmental Statement of Cash Flows (Table 5.3) reflects the increase in appropriations resulting from the two measures detailed in Table 2.2.

A new table required by the revised accounting standards has been introduced in 2006-07. Table 5.4 shows the expected changes in equity from one financial year to the next.

The Departmental Capital Budget Statement (Table 5.5) indicates APRA's capital requirements will be met from internally generated resources.

The expected movements in non-financial asset values between 2005-06 and 2006-07 are shown in Table 5.6, the main activity being in infrastructure, plant and equipment to replace retired assets.

The Schedule of Budgeted Income and Expenses Administered on behalf of Government (Table 5.7) shows the amounts APRA collects in supervisory levies from the finance industry on behalf of the Government under the *Financial Institutions Supervisory Levies Collection Act 1998*. In addition to the amount required to fund APRA, the levies also include amounts to fund the activities of the Australian Taxation Office for unclaimed moneys and lost member functions and the Australian Securities and Investments Commission for consumer protection and market integrity functions. The expenses shown are an estimate of the amount of levies and penalties that will be waived or written off in the year.

As indicated in the Schedule of Budgeted Administered Cash Flows (Table 5.9), the cash collected is swept daily from the APRA account to the Official Public Account, from which APRA, in turn, draws down the amounts appropriated to it by the Parliament, as shown in Table 5.3.

APRA does not administer any non-financial assets on behalf of the Government.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	81,504	90,058	86,285	87,140	87,048
Goods and services	5,225	4,250	2,220	1,495	1,495
Interest	2,350	2,250	2,400	2,500	2,550
Rents	692	540	-	-	-
Other	4,268	50	50	50	50
Total revenue	94,039	97,148	90,955	91,185	91,143
Total income	94,039	97,148	90,955	91,185	91,143
EXPENSE					
Employees	62,662	63,470	63,737	64,062	65,354
Suppliers	29,438	26,962	23,629	23,706	21,825
Depreciation and amortisation	3,993	3,890	3,401	3,311	3,864
Total expenses	96,093	94,322	90,767	91,079	91,043
Operating result from continuing operations	(2,054)	2,826	188	106	100
Net surplus or (deficit) attributable to the Australian Government	(2,054)	2,826	188	106	100

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	10,656	10,571	12,010	10,650	11,081
Receivables	1,352	1,593	1,979	2,076	1,935
Investments (s.39 FMA Act; s.18 CAC Act; s.19 CAC Act)	8,000	9,000	9,500	9,500	10,000
Accrued revenues	500	500	500	500	450
Total financial assets	20,508	21,664	23,989	22,726	23,466
Non-financial assets					
Infrastructure, plant and equipment	6,336	5,413	3,923	3,899	3,338
Intangibles	3,116	3,561	3,399	3,220	3,965
Other	1,079	1,080	1,079	1,079	1,080
Total non-financial assets	10,531	10,054	8,401	8,198	8,383
Total assets	31,039	31,718	32,390	30,924	31,849
LIABILITIES					
Provisions					
Employees	15,570	15,576	15,776	16,092	16,374
Other	1,669	1,469	1,269	1,069	890
Total provisions	17,239	17,045	17,045	17,161	17,264
Payables					
Suppliers	2,065	1,917	1,932	1,928	1,850
Total payables	2,065	1,917	1,932	1,928	1,850
Total liabilities	19,304	18,962	18,977	19,089	19,114
EQUITY					
Contributed equity	3,155	3,155	3,155	3,155	3,155
Reserves	382	382	382	382	382
Retained surpluses	8,198	9,219	9,876	8,298	9,198
Total equity	11,735	12,756	13,413	11,835	12,735
Current assets	21,587	22,744	25,068	23,805	24,546
Non-current assets	9,452	8,974	7,322	7,119	7,303
Current liabilities	10,156	9,917	9,976	9,998	9,990
Non-current liabilities	9,148	9,045	9,001	9,091	9,124

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	5,200	2,488	2,994	1,248	1,245
Appropriations	83,306	90,058	86,130	86,905	87,438
Interest	2,300	2,200	2,300	2,450	2,500
Other	1,899	483	50	50	50
Total cash received	92,705	95,229	91,474	90,653	91,233
Cash used					
Employees	62,000	63,470	63,737	65,322	65,354
Suppliers	30,230	26,626	22,302	22,091	20,948
Other	-	-	-	-	-
Total cash used	92,230	90,096	86,039	87,413	86,302
Net cash from or (used by) operating activities	475	5,133	5,435	3,240	4,931
INVESTING ACTIVITIES					
Cash received					
Investments (s.39 FMA Act; s.18 CAC Act; s.19 CAC Act)	1,919	-	-	-	-
Total cash received	1,919	-	-	-	-
Cash used					
Purchase of property, plant and equipment	3,762	4,218	3,496	4,600	4,000
Investments (s.39 FMA Act; s.18 CAC Act; s.19 CAC Act)	-	1,000	500	-	500
Total cash used	3,762	5,218	3,996	4,600	4,500
Net cash from or (used by) investing activities	(1,843)	(5,218)	(3,996)	(4,600)	(4,500)
FINANCING ACTIVITIES					
Cash used					
Other	3,000	-	-	-	-
Total cash used	3,000	-	-	-	-
Net cash from or (used by) financing activities	(3,000)	-	-	-	-
Net increase or (decrease) in cash held	(4,368)	(85)	1,439	(1,360)	431
Cash at the beginning of the reporting period	15,024	10,656	10,571	12,010	10,650
Cash at the end of the reporting period	10,656	10,571	12,010	10,650	11,081

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	8,198	382	-	3,155	11,735
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	8,198	382	-	3,155	11,735
Income and expense					
Income and expenses recognised directly in equity:					
Gain/loss on revaluation of property	(1,805)	-	-	-	(1,805)
Sub-total income and expense	(1,805)	-	-	-	(1,805)
Net operating result	2,826	-	-	-	2,826
Total income and expenses recognised directly in equity	1,021	-	-	-	1,021
Estimated closing balance as at 30 June 2007	9,219	382	-	3,155	12,756

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	4,029	4,218	3,496	4,600	4,187
Total	4,029	4,218	3,496	4,600	4,187

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	property	property		military	infrastructure	and cultural	software	intangibles	
	\$'000	\$'000	\$'000	equipment	plant and	assets	\$'000	\$'000	\$'000
					equipment				
As at 1 July 2006									
Gross book value	-	-	-	-	12,508	-	4,846	-	17,354
Accumulated depreciation	-	-	-	-	(6,172)	-	(1,730)	-	(7,902)
Opening net book value	-	-	-	-	6,336	-	3,116	-	9,452
Additions:									
by purchase	-	-	-	-	1,906	-	1,647	-	3,553
by finance lease	-	-	-	-	-	-	-	-	-
internally developed	-	-	-	-	-	-	665	-	665
Depreciation/amortisation expense	-	-	-	-	(2,140)	-	(1,750)	-	(3,890)
Impairments recognised in operating result	-	-	-	-	(689)	-	(117)	-	(806)
As at 30 June 2007									
Gross book value	-	-	-	-	13,725	-	7,041	-	20,766
Accumulated depreciation	-	-	-	-	(8,312)	-	(3,480)	-	(11,792)
Estimated closing net book value	-	-	-	-	5,413	-	3,561	-	8,974

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Other sources of non-taxation revenues	102,173	106,340	106,354	107,309	106,117
Total non-taxation	102,173	106,340	106,354	107,309	106,117
Total revenues administered on behalf of Government	102,173	106,340	106,354	107,309	106,117
Total income administered on behalf of Government	102,173	106,340	106,354	107,309	106,117
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Write down and impairment of assets	500	500	500	500	500
Total expenses administered on behalf of Government	500	500	500	500	500

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	150	150	150	150	150
Total financial assets	150	150	150	150	150
Total assets administered on behalf of Government	150	150	150	150	150

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Other	102,023	106,190	106,204	107,459	106,117
Total cash received	102,023	106,190	106,204	107,459	106,117
Net cash from or (used by) operating activities					
	102,023	106,190	106,204	107,459	106,117
FINANCING ACTIVITIES					
Cash used					
Cash to Official Public Account	102,023	106,190	106,204	107,459	106,117
Total cash used	102,023	106,190	106,204	107,459	106,117
Net cash from or (used by) financing activities					
	(102,023)	(106,190)	(106,204)	(107,459)	(106,117)
Net increase or (decrease) in cash held					
	-	-	-	-	-
Cash at beginning of reporting period	-	-	-	-	-
Cash at end of reporting period	-	-	-	-	-

Table 5.10: Schedule of administered capital budget

APRA does not have any administered capital items.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

APRA does not have any administered property, plant, equipment or intangibles.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

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

Budgeted departmental statement of financial performance

Revenues from government

APRA is funded by a special appropriation for levies and late payment penalties collected under the *Financial Institutions Supervisory Levies Collection Act 1998*. The revenue reported by APRA is net of the levies retained in the Official Public Account to fund the Australian Securities and Investments Commission (ASIC) for consumer protection and market integrity functions, and the Australian Taxation Office (ATO), for unclaimed monies and lost member functions.

Other revenue

Revenue from rendering of specific services is recognised by reference to the stage of completion of contracts or other agreements. Revenue from licence fees is recognised on receipt of the application and licence fee. Revenue from sub-lease rentals is recognised upon issue of invoice. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Depreciation and amortisation

APRA's depreciation expense remains in balance with the capital programme aimed at maintaining APRA's processes and infrastructure to an appropriate standard.

Budgeted departmental statement of financial position

Financial assets

These include within receivables, levies invoiced but still outstanding at the financial year end and accrued revenues being interest and fees prorated over the periods to which they relate.

All accounts receivable are recorded at their estimated recoverable amount.

Non-financial assets

Non-financial assets include leasehold improvements, furniture and fittings, computer hardware and office equipment. All of the foregoing assets are shown at fair value. Intangible assets comprise capitalised software, including work in progress and are shown at cost. APRA does not own any land or buildings.

Other non-financial assets include prepayments.

Provisions and payables

Provisions and payables represent liabilities for miscellaneous accruals and employee benefits, including accrued salary and leave entitlements and provisions for making good leased premises.

Equity

The opening balance represents the net value of assets and liabilities transferred from the Reserve Bank of Australia and the Insurance and Superannuation Commission on the formation of APRA on 1 July 1998, less an amount of \$2.1 million returned to the Consolidated Revenue Fund as a return of unused appropriation in 2004-05.

Budgeted departmental statement of cash flows

Cash received from operating activities includes the appropriation for levies collected from industry less amounts collected on behalf of the ATO and ASIC, cash from fees and charges, and interest earned on cash balances and investments held as government backed securities.

Schedule of budgeted revenues and expenses administered on behalf of Government

Revenues

The other non taxation revenues are the levies and late payment penalties collected under the *Financial Institutions Supervisory Levies Collection Act 1998*. The revenue reported in this statement is higher than that reported by APRA in the budgeted agency statement of financial position by the amount retained in the Official Public Account to fund ASIC and ATO activities described above.

Write down and impairment of assets

Write down and impairment of assets represents waivers and write-offs of levies.

Schedule of budgeted assets and liabilities administered on behalf of Government

Financial assets

The financial assets include levy debt invoiced and still outstanding at year end.

Schedule of budgeted administered cash flows

All cash collected by APRA for levies, late lodgement and late payment penalties under the *Financial Institutions Supervisory Levies Collection Act 1998* is transferred to the Official Public Account at the close of business each day.

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AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Section 1: Overview

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

The ASIC Act requires that the Commission:

- uphold the law uniformly, effectively and quickly;
- promote confident and informed participation by investors and consumers in the financial system;
- receive, process and store information about companies and other bodies and ensure that this information is made available to the public as soon as practicable; and
- improve the performance of the financial system and the entities within it.

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

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers	Through ASIC, the Government seeks to ensure that consumers and investors receive honest and competent financial advice that is untainted by conflicts of interest, and that information about corporations is current and accurate. ASIC also has an enforcement and regulatory role designed to deal with misconduct in order to promote a confident and informed market.	Output Group 1.1 Australian Securities and Investments Commission

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations (including capital appropriations) and other resources for the Australian Securities and Investments Commission (ASIC) in the 2006-07 Budget is \$312.3 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

	Departmental				Administered				Total
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPPs \$'000	Other Appropriation \$'000	Other resources \$'000	
Australian Securities and Investments Commission									
Outcome 1									
A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers	265,194	-	-	8,517	3,984	-	-	28,000	305,745
Equity injections	-	6,513	-	-	-	-	-	-	6,513
Total	265,194	6,513	-	8,517	3,984	-	-	28,000	312,258

2.2 2006-07 BUDGET MEASURES

Budget measures relating to ASIC as explained in Budget Paper No. 2, *Budget Measures 2006-07* are summarised in Table 2.2. The table also identifies the relevant outcomes, administered items and outputs associated with each measure.

Table 2.2 Australian Securities and Investments Commission measures

Measure	Output groups affected	2006-07 \$'000			2007-08 \$'000			2008-09 \$'000			2009-10 \$'000		
		Admin items	Dept outputs	Total									
Expense measures													
Australian Securities and Investments Commission - broadening surveillance capability	1.1	-	6,649	6,649	-	6,704	6,704	-	6,845	6,845	-	7,000	7,000
Australian Securities and Investments Commission - enforcement funding	1.1	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000
Australian Securities and Investments Commission - enhancement of information technology security and risk management	1.1	-	6,474	6,474	-	2,845	2,845	-	1,041	1,041	-	1,062	1,062
Australian Securities and Investments Commission - sustaining supervision and oversight capability	1.1	-	15,200	15,200	-	17,319	17,319	-	18,904	18,904	-	19,916	19,916
Australian Securities and Investments Commission - electronic registration of charges	1.1	-	237	237	-	(418)	(418)	-	(769)	(769)	-	(824)	(824)
Total expense measures		-	58,560	58,560	-	56,450	56,450	-	56,021	56,021	-	57,154	57,154

Table 2.2 Australian Securities and Investments Commission measures (continued)

Measure	Output groups affected	2006-07 \$'000			2007-08 \$'000			2008-09 \$'000			2009-10 \$'000		
		Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
Capital measures													
Australian Securities and Investments Commission - broadening surveillance capability	1.1	-	1,967	1,967	-	-	-	-	-	-	-	-	-
Australian Securities and Investments Commission - enhancement of information technology security and risk management	1.1	-	2,771	2,771	-	-	-	-	-	-	-	-	-
Australian Securities and Investments Commission - electronic registration of charges	1.1	-	1,775	1,775	-	-	-	-	-	-	-	-	-
Total capital measures		-	6,513	6,513	-	-	-	-	-	-	-	-	-
Non-tax revenue measures													
Business incorporation fee - reduction	1.1	(50,700)	-	(50,700)	(52,900)	-	(52,900)	(55,200)	-	(57,600)	-	(57,600)	-
Total non-tax revenue measures		(50,700)	-	(50,700)	(52,900)	-	(52,900)	(55,200)	-	(57,600)	-	(57,600)	-
Total measures		(50,700)	65,073	14,373	(52,900)	56,450	3,550	(55,200)	56,021	(57,600)	57,154	(446)	(446)

Note: The above amounts show the fiscal balance impact.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by ASIC for provision of goods or services. These resources are approved for use by ASIC and are included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated receipts 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Services	3,349	3,396
Interest	2,603	2,450
Other	2,792	2,671
Total departmental resources available to be used	8,744	8,517

The Productivity Commission's cost recovery guidelines apply to the sale of imaging/printing services, which is estimated to be \$0.5 million in 2006-07.

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

Revenue for services includes seminar fees, imaging/printing services, sale of database information, reimbursement of ASIC's expenses in discharging its responsibilities under s1341 of the *Corporations Act 2001* in relation to companies unclaimed monies.

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

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

Movement of administered funding between years		\$'000
Corporate insolvency law reform - strengthening creditor protection and deterring misconduct by company officers	Unspent appropriation of \$1.0 million from 2005-06 to 2006-07	1,000

In 2005, the Government provided ASIC with \$1.5 million to establish a fund to finance preliminary investigations by expert liquidators of companies, selected by ASIC, that have been left insolvent with little or no assets. ASIC has estimated to spend \$0.5 million in 2005-06, and the balance of \$1 million has been re-profiled to 2006-07.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

	Estimated expenses 2005-06 \$'000	Budget estimate 2006-07 \$'000
Estimated expenses		
<i>Banking Act 1959</i> - section 69	18,000	19,000
<i>Life Insurance Act 1995</i> - section 216	3,000	3,000
Total estimated expenses	21,000	22,000

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

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

Refund of overpayment of fees paid under the *Corporations Act 2001*: All fees and charges collected in accordance with the *Corporations Act 2001* are banked into consolidated revenue in accordance with Section 81 of the Constitution. In 2006-07 it is forecast that an amount of \$6.0 million of overpaid fees and charges will be refunded. This requires separate appropriation in accordance with Section 83 of the Constitution (appropriated under section 28 of the *Financial Management and Accountability Act 1997*).

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each special account used by ASIC.

Table 2.6: Estimates of special account flows and balances

	Opening balance 2006-07 2005-06 \$'000	Credits 2006-07 2005-06 \$'000	Debits 2006-07 2005-06 \$'000	Adjustments 2006-07 2005-06 \$'000	Closing balance 2006-07 2005-06 \$'000
Other Trust Moneys Account ¹	-	30,000	30,000	-	-
Services for other Governments and Non-Agency Bodies Account	-	-	-	-	-
Total special accounts					
2006-07 Budget estimate	-	30,000	30,000	-	-
Total special accounts 2005-06 estimated actual	-	-	-	-	-

¹ A special account is expected to be determined in 2006-07 for \$30 million enforcement funding. Further information can be found in Budget Paper No. 2, *Budget Measures 2006-07*.

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

ASIC will receive a departmental equity injection of \$6.5 million in the 2006-07 Budget to fund related capital costs for Budget measures shown in Table 2.2, which is summarised below:

- Broadening ASIC's surveillance capability (\$2.0 million): surveillance software and fit out to accommodate additional staff;
- Enhanced information technology security and risk management (\$2.8 million): associated hardware and software; and
- Electronic registration of charges (\$1.8 million): associated hardware and software.

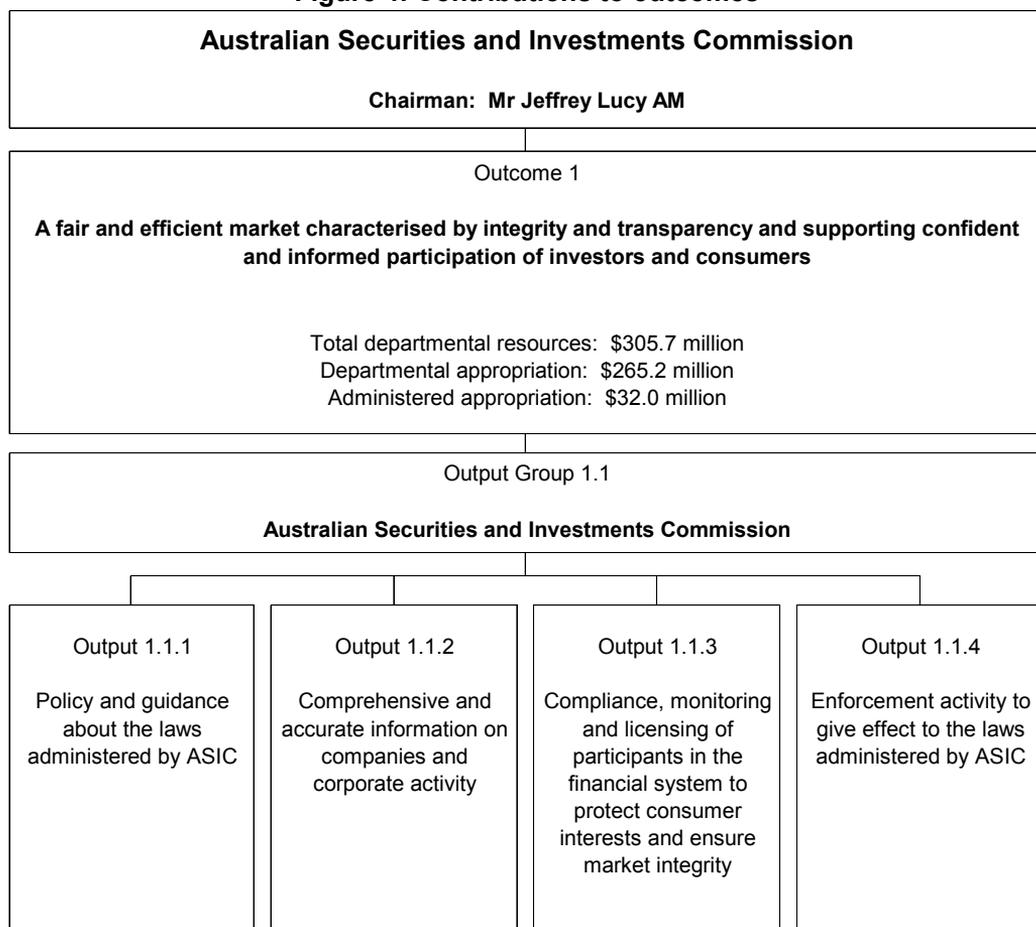
Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items to contribute to the outcome for the Australian Securities and Investments Commission (ASIC).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of ASIC and the outcome is summarised in Figure 4.

Figure 4: Contributions to outcomes



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

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

3.2 OUTCOMES — DEPARTMENTAL AND ADMINISTERED

Figure 5: Departmental appropriations by outcome, 2006-07

As ASIC has one outcome with a total departmental appropriation of \$265.2 million, this figure is not applicable.

Figure 6: Administered appropriations by outcome, 2006-07

As ASIC has one outcome with a total administered appropriation of \$4.0 million, this figure is not applicable.

3.3 OUTCOMES AND PERFORMANCE

Outcome 1 resourcing

Table 3.1 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 1, including administered appropriations, departmental appropriations and revenue from other sources.

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

Performance information for administered items, individual outputs and output groups relating to ASIC are summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Performance information for agency outputs	
Output Group 1.1 - Australian Securities and Investment Commission	
<p>Output 1.1.1- Policy and guidance about the laws administered by ASIC</p> <p>This includes:</p> <p>Effectiveness and timeliness of policy development and formulation.</p> <p>Liaison with overseas regulators.</p> <p>Provision of information about the Acts that come within ASIC's jurisdiction to consumers, companies and investors.</p>	<p>Quality:</p> <ul style="list-style-type: none"> - Extent to which advice is approved by the Minister. - Extent to which consumers, investors and other stakeholders are consulted during policy formulation. - Consumer issues in financial services exposed and steps taken to address them. - Stakeholder liaison to ensure understanding of emerging consumer issues. <p>Quantity:</p> <ul style="list-style-type: none"> - Press release to accompany all new policy statements, guidance notes and class orders. - 80% of advice to Minister on markets rule changes within 14 days of lodgement. - Number of information requests to and from overseas regulators. - Number of visits to FIDO (ASIC's consumer website - www.fido.gov.au) - Number of consumer publications distributed. <p>Price: \$8.3 million</p>
<p>Output 1.1.2 - Comprehensive and accurate information on companies and corporate activity</p> <p>This includes:</p> <p>Utilisation of ASIC's range of channels for the provision of advice and assistance about both lodging and searching company information.</p> <p>Facilitation of annual review by all companies of that information currently held by ASIC, and the process to ensure all necessary updates.</p> <p>Targeted compliance actions against those companies failing to provide the necessary information within the prescribed timeframes.</p> <p>Providing stakeholders with information about their obligations under the <i>Corporations Act 2001</i>.</p>	<p>Quality:</p> <ul style="list-style-type: none"> - Percentage availability of the database. - Percentage of online paid searches to counter searches. - Calls answered < 2 minutes. - % key documents processed <48 hours of receipt. - % of documents requiring further details before entering onto database. <p>Quantity:</p> <ul style="list-style-type: none"> - total use of the databases (free and paid) . - % of documents lodged electronically. - % of company data lodged on time. - number of companies targeted to ensure compliance. - number of companies deregistered for failing to pay their annual review fee. - number of civil actions undertaken to ensure lodgement of financial reports. <p>Price: \$70.1 million</p>

Table 3.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)

Output group 1.1: Australian Securities and Investment Commission

<p>Output 1.1.3 - Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity</p> <p>This includes:</p> <p>Undertaking compliance activities on specific patterns, problems or risk areas and to respond to these problems using a range of regulatory tools.</p> <p>License participants in the financial services sector.</p> <p>Receive and consider applications for relief from the <i>Corporations Act 2001</i>, and provide the outcome of ASIC's determination as soon as practicable.</p>	<p>Quality</p> <ul style="list-style-type: none"> - Feedback on extent to which market operators accept and implement ASIC's recommendations. - Extent to which serious compliance problems are identified <12 months after licence granted. - Stakeholders acceptance and understanding with discretionary decision making (number of Administrative Appeals Tribunal appeals) <p>Quantity</p> <ul style="list-style-type: none"> - 80% of findings on assessment of markets advised to Minister within 2 months of inspection. - 70% of applications for Australian Financial Services (AFS) licences and variations to AFS licences decided in 28 days. - 50% of managed investment schemes registered within 8 business days. - 70% of relief applications decided in principle within 15 business days. - Number of additional disclosures to the market obtained. - Number of disclosure documents reviewed: <ul style="list-style-type: none"> - Product Disclosure Statements; and - Prospectuses. - Percentage of documents reviewed where corrective disclosures achieved for: <ul style="list-style-type: none"> - Product Disclosure Statements; and - Prospectuses. - Number of compliance reviews of licensees. <p>Price: \$76.7 million</p>
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Table 3.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)	
Output group 1.1: Australian Securities and Investment Commission	
Output 1.1.4 - Enforcement activity to give effect to the laws administered by ASIC	Quality
This includes:	- 50% of investigations resourced that led to a conclusion within 6 months of commencement.
Undertaking investigations and litigation covering a range of breaches across the full spectrum of ASIC's responsibilities.	- No more than 15% of investigations resourced that led to a conclusion after 12 months of their commencement.
Expediting enforcement actions to maintain corporate and public confidence in financial markets, and compliance with the <i>Corporations Act 2001</i> generally.	- 70% of investigations resourced that lead to a enforcement outcome.
Investigation of reports of crime and misconduct received from the public.	- 75% of litigation commenced that leads to a decision in ASIC's favour.
	- Enforcement outcomes that lead to changes in compliance and governance procedures and processes.
	- % of briefs accepted by the Commonwealth Director of Public Prosecution (DPP).
	- Number of matters that lead to significant legal precedent.
	- No less than 50% of criminal convictions lead to a custodial sentence.
	- Analysis of reports within agreed timeframes.
	- % of complaints resolved.
	- Successful implementation of Assetless Administration Fund leading to more investigation of assetless administrations & enforcement actions arising from them.
	Quantity:
	- Number of investigations commenced.
	- Number of litigation concluded.
	- Number of goaling and number of banning.
	- Number of officers disqualified/banned from managing corporations.
	-Number of briefs provided to the DPP.
	- Number of illegal schemes investment wound up.
	- Amount of funds frozen and recovered for investors from illegal investment schemes.
	- Number of complaints analysed and assessed by ASIC.
	- Number of liquidators, administrators and receivers reports processed by ASIC.
	- Number of reports of crime and misconduct received.
	Price: \$110.1 million

Evaluations for Outcome 1

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

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

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

Cross agency overview

Information contained within ASIC's databases are purchased by several Australian Government agencies, including the Australian Taxation Office.

4.2 COST RECOVERY ARRANGEMENTS

ASIC does not carry out significant ongoing cost recovery arrangements.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

ASIC does not have any specific indigenous expenditure.

Section 5: Budgeted financial statements

The budgeted agency 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 (refer to Tables 5.1 to 5.9).

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 (incorporating the Australian Equivalents to International Financial Reporting Standards (AEIFRS)) and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

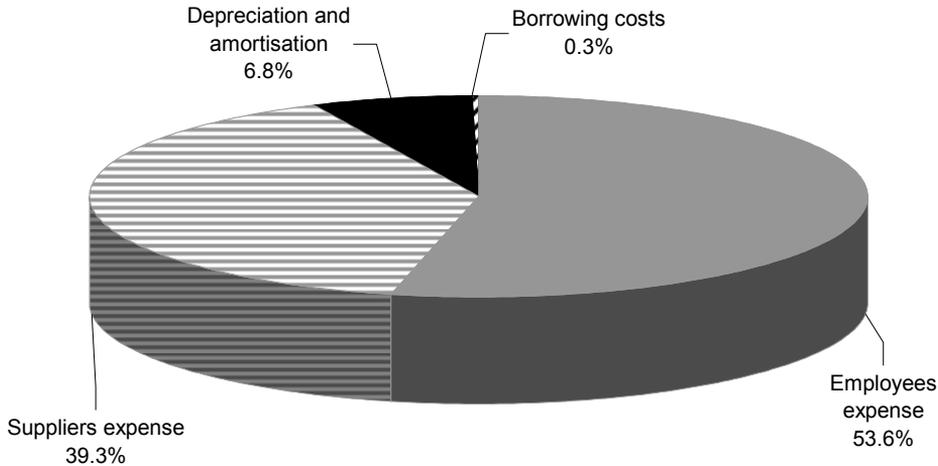
Budgeted departmental statement of financial performance

ASIC is budgeting for a break-even operating result for 2006-07 and for the remainder of the forward estimates.

Departmental appropriations for 2006-07 is \$265.2 million, which is an increase of \$38.4 million on the amount recognised in 2005-06. The rise in appropriation is attributed to the Government's decision to fund ASIC to sustain its operational capability and to broaden its surveillance capability, to fund enhanced information technology security and risk management initiatives and to fund a 'reducing red tape' initiative that will provide for the electronic registration of charges. Included in the total departmental appropriation is \$30.0 million that has been set aside in a special account to fund investigation and litigation costs relating to exceptional matters of significant public interest (also refer Table 2.6). ASIC will also generate \$8.5 million in receipts from independent sources.

Total expenses including borrowing costs for 2006-07 are estimated to be \$273.7 million, an increase of \$38.2 million over the prior financial year. The expenditure will be used to fund activities that contribute towards achieving the objective outputs 1.1.1 to 1.1.4 appearing in Table 3.2.

Budgeted total departmental expenses



Budgeted departmental statement of financial position

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

Equity

ASIC's budgeted equity (or net asset position) for 2006-07 is expected to be \$9.8 million. This includes additional capital funding of \$6.5 million associated with the following measures: Broadening ASIC's surveillance capability; Enhancement of information technology security and risk management; and Electronic registration of charges.

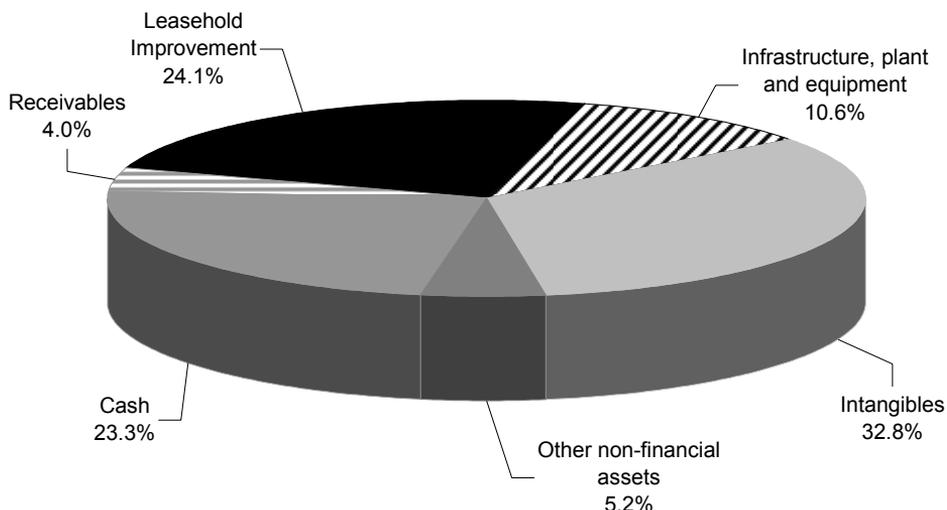
Financial Assets

ASIC's cash includes an amount of \$11.3 million which is a quarantined equity injection received in 2004-05. ASIC is required to keep a minimum cash level of \$11.3 million. Accounts receivable is expected to be \$2.7 million.

Non-Financial Assets

A formal revaluation of plant and equipment to fair value was undertaken in 2004-05 in accordance with ASIC's policy to revalue all classes of non-financial assets every three years, which is also required by Australian Equivalents to International Financial Reporting Standards (AEIFRS). Between formal valuations, plant and equipment assets are reviewed by the Australian Valuation Office to ensure that reported amounts are not materially different to their fair values.

Budgeted total departmental assets



Liabilities – Debt

The principal item under this heading is the estimated amount owing by ASIC in respect of finance leases for computer equipment and peripherals. Other interest bearing liabilities consists of amortised property lease incentives, which decreases gradually over the expected life of the related property leases.

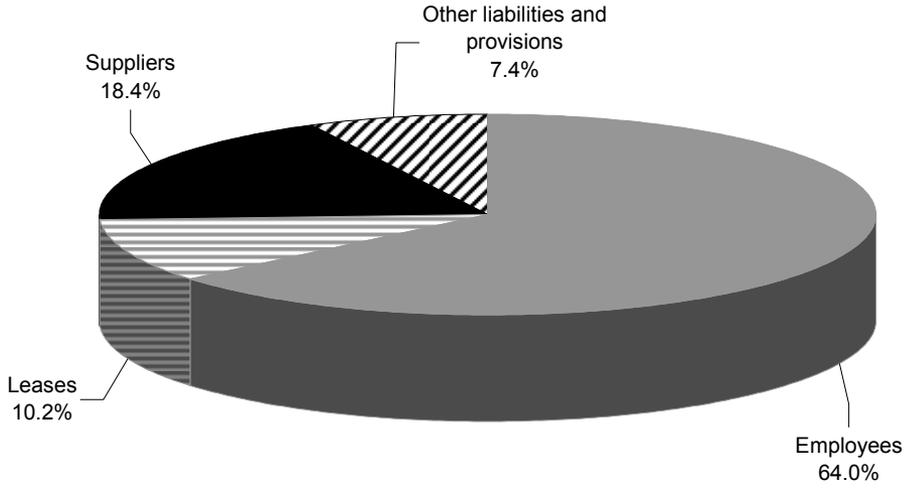
Provisions and payables

The principal item under this heading is employee leave provisions and accruals which include annual and long service leave. Other provisions and payables consist of a make-good provision for leased premises, which decreases gradually over the expected life of the related property leases.

Supplier payables

Represents amounts owing to suppliers remaining unpaid at 30 June each year. The increase of \$1.9 million over 2005-06 is in line with the increase in operating expenditure.

Budgeted total departmental liabilities



5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	226,765	265,194	263,538	260,491	264,059
Goods and services	3,349	3,396	3,464	3,533	3,603
Interest	2,603	2,450	2,450	2,450	2,450
Other	2,792	2,671	2,731	2,792	2,848
Total revenue	235,509	273,711	272,183	269,266	272,960
Total income	235,509	273,711	272,183	269,266	272,960
EXPENSE					
Employees	131,037	146,794	146,650	147,649	150,114
Suppliers	88,758	107,645	106,358	101,758	102,337
Depreciation and amortisation	15,067	18,569	18,645	19,271	19,917
Finance costs	647	703	530	588	592
Other					
Total expenses	235,509	273,711	272,183	269,266	272,960
Operating result from continuing operations	-	-	-	-	-
Operating result	-	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	-	-	-	-	-

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	15,793	15,889	15,939	19,951	20,547
Receivables	2,747	2,719	2,735	2,752	2,769
Total financial assets	18,540	18,608	18,674	22,703	23,316
Non-financial assets					
Leasehold Improvements	8,844	16,438	15,140	12,213	10,748
Infrastructure, plant and equipment	9,473	7,237	8,949	9,338	8,266
Intangibles	19,780	22,366	19,889	21,006	20,579
Other	2,937	3,562	3,519	3,367	3,386
Total non-financial assets	41,034	49,603	47,497	45,924	42,979
Total assets	59,574	68,211	66,171	68,627	66,295
LIABILITIES					
Interest bearing liabilities					
Leases	9,318	5,958	4,214	7,424	4,584
Other	1,681	1,230	931	647	366
Total interest bearing liabilities	10,999	7,188	5,145	8,071	4,950
Provisions					
Employees	33,321	37,328	37,292	37,551	38,182
Other	3,049	3,088	3,256	2,987	3,087
Total provisions	36,370	40,416	40,548	40,538	41,269
Payables					
Suppliers	8,876	10,765	10,636	10,176	10,234
Other					
Total payables	8,876	10,765	10,636	10,176	10,234
Total liabilities	56,245	58,369	56,329	58,785	56,453
EQUITY					
Contributed equity	13,675	20,188	20,188	20,188	20,188
Reserves	5,254	5,254	5,254	5,254	5,254
Accumulated deficits	(15,600)	(15,600)	(15,600)	(15,600)	(15,600)
Total equity	3,329	9,842	9,842	9,842	9,842
Current assets	21,477	22,170	22,193	26,070	26,702
Non-current assets	38,097	46,041	43,978	42,557	39,593
Current liabilities	38,946	42,048	40,945	42,213	41,254
Non-current liabilities	17,299	16,321	15,384	16,572	15,199

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	3,575	3,365	3,448	3,568	3,586
Appropriations	223,161	265,194	263,538	260,491	264,059
Interest	2,603	2,450	2,450	2,450	2,450
Dividends					
Other	13,130	14,489	14,075	14,115	14,577
Total cash received	242,469	285,498	283,511	280,624	284,672
Cash used					
Employees	131,637	146,301	154,292	151,463	149,483
Suppliers	98,428	115,038	110,313	109,921	114,208
Grants					
Financing costs	647	703	530	588	592
Other					
Total cash used	230,712	262,042	265,135	261,972	264,283
Net cash from or (used by) operating activities	11,757	23,456	18,376	18,652	20,389
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment					
Other	1,836	-	-	-	-
Total cash received	1,836	-	-	-	-
Cash used					
Purchase of property, plant and equipment	11,082	25,863	13,962	10,650	16,303
Other					
Total cash used	11,082	25,863	13,962	10,650	16,303
Net cash from or (used by) investing activities	(9,246)	(25,863)	(13,962)	(10,650)	(16,303)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	2,165	6,513	-	-	-
Total cash received	2,165	6,513	-	-	-
Cash used					
Other	3,790	4,010	4,364	3,990	3,490
Total cash used	3,790	4,010	4,364	3,990	3,490
Net cash from or (used by) financing activities	(1,625)	2,503	(4,364)	(3,990)	(3,490)
Net increase or (decrease) in cash held					
	886	96	50	4,012	596
Cash at the beginning of the reporting period	14,907	15,793	15,889	15,939	19,951
Cash at the end of the reporting period	15,793	15,889	15,939	19,951	20,547

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	(15,600)	5,254	-	13,675	3,329
Adjusted opening balance	(15,600)	5,254	-	13,675	3,329
Income and expense					
Income and expenses recognised directly in equity:					
Gain/loss on revaluation of property	-	-	-	-	-
Sub-total income and expense	-	-	-	-	-
Net operating result	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Transactions with owners					
Contribution by owners					
Appropriation (equity injection)	-	-	-	6,513	6,513
Sub-total transactions with owners	-	-	-	6,513	6,513
Estimated closing balance as at 30 June 2007	(15,600)	5,254	-	20,188	9,842

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	2,165	6,513	-	-	-
Total capital appropriations	2,165	6,513	-	-	-
Represented by:					
Purchase of non-financial assets	2,165	6,513	-	-	-
Other	-	-	-	-	-
Total represented by	2,165	6,513	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	2,165	6,513	-	-	-
Funded internally by departmental resources	8,917	19,350	13,962	10,650	16,303
Total	11,082	25,863	13,962	10,650	16,303

Table 5.6: Departmental property, plant, equipment and intangibles - summary of movement (Budget year 2006-07)

	Land	Investment	Leasehold	Specialist	Other	Heritage	Computer	Other	Total
	\$'000	\$'000	improve- ments	military equipment	infrastructure plant and equipment	and cultural assets	software	intangibles	\$'000
As at 1 July 2006									
Gross book value	-	-	31,576	-	15,293	-	41,338	-	88,207
Accumulated depreciation	-	-	(22,732)	-	(5,820)	-	(21,558)	-	(50,110)
Opening net book value	-	-	8,844	-	9,473	-	19,780	-	38,097
Additions:									
by purchase	-	-	11,107	-	3,431	-	11,325	-	25,863
by finance lease	-	-	-	-	650	-	-	-	650
internally developed	-	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	(3,513)	-	(6,317)	-	(8,739)	-	(18,569)
Other movements	-	-	-	-	-	-	-	-	-
As at 30 June 2007									
Gross book value	-	-	42,683	-	19,374	-	52,663	-	114,720
Accumulated depreciation	-	-	(26,245)	-	(12,137)	-	(30,297)	-	(68,679)
Estimated closing net book value	-	-	16,438	-	7,237	-	22,366	-	46,041

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	50	50	50	50	50
Other sources of non-taxation revenues	587,268	544,683	551,764	558,916	567,143
Total non-taxation	587,318	544,733	551,814	558,966	567,193
Total revenues administered on behalf of Government	587,318	544,733	551,814	558,966	567,193
Total income administered on behalf of Government	587,318	544,733	551,814	558,966	567,193
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Suppliers	460	3,984	3,196	3,416	3,416
Write down and impairment of assets	27,254	27,527	27,810	28,096	28,385
Other	21,000	22,000	24,000	25,000	26,000
Total expenses administered on behalf of Government	48,714	53,511	55,006	56,512	57,801

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash	3,939	3,989	4,039	4,089	4,139
Receivables	77,502	84,582	91,723	98,925	106,189
Total financial assets	81,441	88,571	95,762	103,014	110,328
Total assets administered on behalf of Government	81,441	88,571	95,762	103,014	110,328
Payables					
Other payables	5,600	5,600	5,600	5,600	5,600
Total payables	5,600	5,600	5,600	5,600	5,600
Total liabilities administered on behalf of Government	5,600	5,600	5,600	5,600	5,600

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	50	50	50	50	50
Other	558,452	516,438	523,104	529,929	537,805
Total cash received	558,502	516,488	523,154	529,979	537,855
Cash used					
Suppliers	460	3,984	3,196	3,416	3,416
Other	27,042	28,362	30,291	31,311	32,311
Total cash used	27,502	32,346	33,487	34,727	35,727
Net cash from or (used by) operating activities	531,000	484,142	489,667	495,252	502,128
FINANCING ACTIVITIES					
Cash received					
Cash from Official Public Account	27,460	31,984	33,196	34,416	35,416
Total cash received	27,460	31,984	33,196	34,416	35,416
Cash used					
Cash to Official Public Account	559,000	516,076	522,813	529,618	537,494
Total cash used	559,000	516,076	522,813	529,618	537,494
Net cash from or (used by) financing activities	(531,540)	(484,092)	(489,617)	(495,202)	(502,078)
Net increase or (decrease) in cash held	(540)	50	50	50	50
Cash at beginning of reporting period	4,479	3,939	3,989	4,039	4,089
Cash at end of reporting period	3,939	3,989	4,039	4,089	4,139

Table 5.10: Schedule of administered capital budget

ASIC does not have any administered capital.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

ASIC does not have any administered property, plant, equipment and intangibles.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

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

Budgeted departmental financial statements

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

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

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

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

ASIC has adopted fair value as a basis for valuing plant and equipment and leasehold improvements, which occurs on a three yearly revaluation cycle. Intangible assets include capitalised software and work in progress and are shown at cost.

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition.

Leases

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

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

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

Depreciation and amortisation

Depreciable leasehold improvements, plant and equipment assets are written down to their estimated residual values over their estimated useful lives to ASIC.

Plant and equipment

Computer equipment is depreciated using the declining-balance method whilst, for all other plant and equipment, the straight-line method of depreciation is applied. Depreciation of computer equipment was changed to the declining balance method for the first time in 2004-05. This change was made as the resultant depreciation pattern from the declining balance method more accurately reflects the reduction in fair value over the life of these assets.

Leasehold improvements

Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Receivables

A provision is raised for any doubtful debts based on a review of the collectability of all outstanding accounts as at year end.

Bad debts are written off during the year in which they are identified.

Provisions and payables

Provisions and payables represent liabilities for miscellaneous accruals and employee benefits, including accrued salary and leave entitlements and provisions for making-good leased premises. No provision for sick leave is required as all sick leave is non-vesting.

Schedule of budgeted revenues and expenses administered on behalf of Government

Revenues

Non-taxation revenues are predominately comprised of revenues from government, required for refunds paid under the *Banking Act 1959* and the *Life Insurance Act 1995*, and Corporations Act fees and charges.

Write down and impairment of assets

Write down and impairment of assets represents waivers and write-offs of Corporations Law fees.

Schedule of budgeted assets and liabilities administered on behalf of Government

Financial assets

The financial assets include Corporations Law debt invoiced and still outstanding at year-end.

Schedule of budgeted administered cash flows

All cash collected by ASIC for Corporations Law revenue, is transferred to the Official Public Account (OPA) at the close of business each day. Cash collected for Banking Act unclaimed monies and Life Insurance Act unclaimed monies is transferred to the OPA when received.

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AUSTRALIAN TAXATION OFFICE

Section 1: Overview

The role of the Australian Taxation Office (Tax Office) is to manage and shape taxation, excise and superannuation systems that fund services for Australians, giving effect to social and economic policy. Through these systems the Tax Office is the Australian Government's principal revenue management agency. In 2006-07, the Tax Office will collect 90.3 per cent of the Australian Government's revenue on behalf of the Australian community.

The main role of the Tax Office is to administer legislation for taxes, superannuation and excise (but not customs duty). In doing this, the Tax Office addresses broad issues affecting Australia's revenue system, such as aggressive tax planning, persistent tax debtors, globalisation and the cash economy.

The Tax Office also supports the delivery of community benefits, having roles in other services, including:

- Private Health Insurance;
- Family Assistance;
- Energy Grants Credits Scheme;
- Valuation Services; and
- Cross Agency Support, such as working with Centrelink to reduce benefit fraud, with the Child Support Agency to ensure income transfer for the care of children, and with the Australian Bureau of Statistics to reduce the cost to the community of collecting statistical data.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems	The provision of an integrated platform for a viable and sustainable revenue administration.	Output Group 1.1 Australian Taxation Office

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations (including capital appropriation) and other resources for the Australian Taxation Office (Tax Office) in the 2006-07 Budget is \$11,438.4 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

Australian Taxation Office	Departmental				Administered				Total
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPP \$'000	Other \$'000	Special Appropriation \$'000	
Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems	2,535,709	-	-	65,218	-	-	-	8,833,972	11,434,899
Equity injections	-	3,462	-	-	-	-	-	-	3,462
TOTAL	2,535,709	3,462	-	65,218	-	-	-	8,833,972	11,438,361

Note: Estimated expenses from individual special appropriations are shown in Table 2.5. The amount showing for appropriations represents appropriations to deliver Tax Office programmes. Amounts disclosed under special appropriations do not include expenditure to pay refunds under the tax system.

2.2 2006-07 BUDGET MEASURES

Budget measures relating to the Tax Office as explained in Budget Paper No. 2, *Budget Measures 2006-07* are summarised in Table 2.2. The table also identifies the relevant outcomes, administered items and outputs associated with each measure.

Table 2.2 Tax Office measures

Measure	Output groups affected	2006-07			2007-08			2008-09			2009-10		
		Admin items	Dept outputs	Total									
		\$'000			\$'000			\$'000			\$'000		
Expense measures													
Amendments to the research and development provisions	1.1	7,000	-	7,000	7,000	-	7,000	7,000	-	7,000	7,000	-	7,000
Fuel Excise Reform - implementation	1.1	-	14,261	14,261	-	16,079	16,079	-	5,515	5,515	-	1,122	1,122
Goods and services tax - additional compliance activities	1.1	-	10,553	10,553	-	17,805	17,805	-	18,017	18,017	-	-	-
Heavy vehicle road user charge - impact on fuel tax credit scheme	1.1	240,000	-	240,000	280,000	-	280,000	330,000	-	330,000	380,000	-	380,000
Renewable diesel - new tax concession	1.1	20,025	-	20,025	26,700	-	26,700	26,700	-	26,700	26,700	-	26,700
Superannuation Guarantee - improving the responsiveness to inquiries by employees	1.1	-	5,562	5,562	-	8,184	8,184	-	2,710	2,710	-	2,740	2,740
Tax Practitioner Legislative Framework - implementation	1.1	-	12,710	12,710	-	13,843	13,843	-	13,077	13,077	-	10,720	10,720
Tax compliance - high wealth individuals and associated entities	1.1	-	12,704	12,704	-	18,336	18,336	-	23,594	23,594	-	26,986	26,986
Electronic data provision for e-tax returns	1.1	-	5,000	5,000	-	5,000	5,000	-	-	-	-	-	-

Table 2.2 Tax Office measures (continued)

Measure	Output groups affected	2006-07			2007-08			2008-09			2009-10		
		Admin items	Dept outputs	Total									
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Expense measures (continued)													
Private health insurance - enhanced choices (a)	1.1	29	-	29	132	-	132	216	-	216	284	-	284
Child Support Reforms - a new formula (b)	1.1	-	-	-	-	-	-	9,733	-	9,733	10,200	-	10,200
Child Support Reforms - aligning income definitions (b)	1.1	-	-	-	-	-	-	(4,235)	-	(4,235)	(4,365)	-	(4,365)
Child Support Reforms - changes to the Family Tax Benefit maintenance arrangements (b)	1.1	218	-	218	463	-	463	875	-	875	937	-	937
National Emergency Call Centre - establishment (b)	1.1	-	189	189	-	191	191	-	188	188	-	159	159
Family Tax Benefit - extending the large family supplement (b)	1.1	11,400	-	11,400	12,500	-	12,500	12,800	-	12,800	12,900	-	12,900
Family Tax Benefit - increase Family Tax Benefit Part A income threshold (b)	1.1	22,300	-	22,300	22,600	-	22,600	22,700	-	22,700	23,200	-	23,200
Total expense measures		300,972	60,979	361,951	349,395	79,438	428,833	405,789	63,101	468,890	456,856	41,727	498,583
Capital measures													
Tax Practitioner Legislative Framework - implementation	1.1	-	1,341	1,341	-	3,281	3,281	-	2,563	2,563	-	-	-
Total capital measures		-	1,341	1,341	-	3,281	3,281	-	2,563	2,563	-	-	-
Total measures		300,972	62,320	363,292	349,395	82,719	432,114	405,789	65,664	471,453	456,856	41,727	498,583

(a) This is a cross portfolio measure with the Health and Ageing Portfolio.

(b) These are cross portfolio measures with the Families, Community Services and Indigenous Affairs Portfolio.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by the Tax Office for provision of goods or services. These resources are approved for use by the Tax Office and are included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated resources 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Department of Families, Community Services and Indigenous Affairs	9,015	9,015
Department of Health and Ageing	677	611
Child Support Agency	15,038	21,912
Sub-lease revenue	1,918	1,918
AusAID	907	854
National tax equivalent regime	1,155	1,145
Legal recovery from taxpayers	1,650	300
Other - resources received free of charge	1,820	1,910
Other	3,362	2,220
Total departmental resources available to be used	35,543	39,886

Note: This table represents own source receipts available for spending on departmental purposes. It does not include departmental special accounts and therefore does not match Table 3.1. These resources are collected under section 31 of the *Financial Management and Accountability 1997* and cover a range of services provided by the Tax Office.

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

The Tax Office does not have any movement of administered funds.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

	Estimated expenses 2005-06 \$'000	Budget estimate 2006-07 \$'000
Estimated expenses		
Refunds - s16 <i>Tax Administration Act 1953</i> ¹	55,752,000	63,520,054
Family Tax Benefit ²	1,900,000	1,973,918
Energy Grants (Credits) Scheme ³	3,535,783	-
Fuel Sales Grants Scheme ³	257,000	-
Measure for a Better Environment - Cleaner Fuels	13,000	86,000
Product Stewardship Waste Oil	19,000	21,000
Large Scale Film Production	40,000	50,000
R&D refundable tax offset for small companies	300,000	342,000
Superannuation Co-contribution	1,103,000	1,098,000
<i>Superannuation Guarantee (Administration) Act 1992</i> - Distribution of charges	200,000	175,000
Total estimated expenses⁴	63,119,783	67,265,972

1 Refunds under section 16 of the *Tax Administration Act 1953* are primarily taxation refunds but may include amounts for the First Child tax offset, the Private Health Insurance Benefit and interest on overpayments. In 2006–07 refunds include amounts previously reported under the Energy Grants (Credits) Scheme and Fuel Sales Grants Scheme.

2 This represents the portion of the Family Tax Benefit administered by the Tax Office only.

3 These figures will be reported under section 16 of the *Tax Administration Act 1953* from 2006–07.

4 The total amount showing for special appropriations differs to the amount shown in Tables 2.1 and 3.1 as it includes appropriations for taxation refunds. In other tables, taxation refunds are netted off against taxation revenue.

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each account used by the Tax Office.

Table 2.6: Estimates of special account flows and balances

	Opening balance 2006-07 2005-06 \$'000	Receipts 2006-07 2005-06 \$'000	Payments 2006-07 2005-06 \$'000	Closing balance 2006-07 2005-06 \$'000
Australian Valuation Office ¹	3,472 6,453	26,794 22,415	26,605 25,396	3,661 3,472
Excise Security Deposits ²	49 46	3 4	1 1	51 49
Other Trust Moneys Account ²	776 21,276	5,000 5,300	5,000 25,800	776 776
Superannuation Holding Accounts Reserve Trust Accounts ³	58,300 59,300	162,500 11,000	31,600 12,000	189,200 58,300
Total special accounts 2006-07 Budget estimate	62,597	194,297	63,206	193,688
Total special accounts 2005-06 estimated actual	87,075	38,719	63,197	62,597

1 This special account is departmental in nature and is governed by the *Financial Management and Accountability Act 1997*.

2 These special accounts are administered in nature and are governed by the *Financial Management and Accountability Act 1997*.

3 This special account is administered in nature and is governed by the *Superannuation Supervision Act 1995*.

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

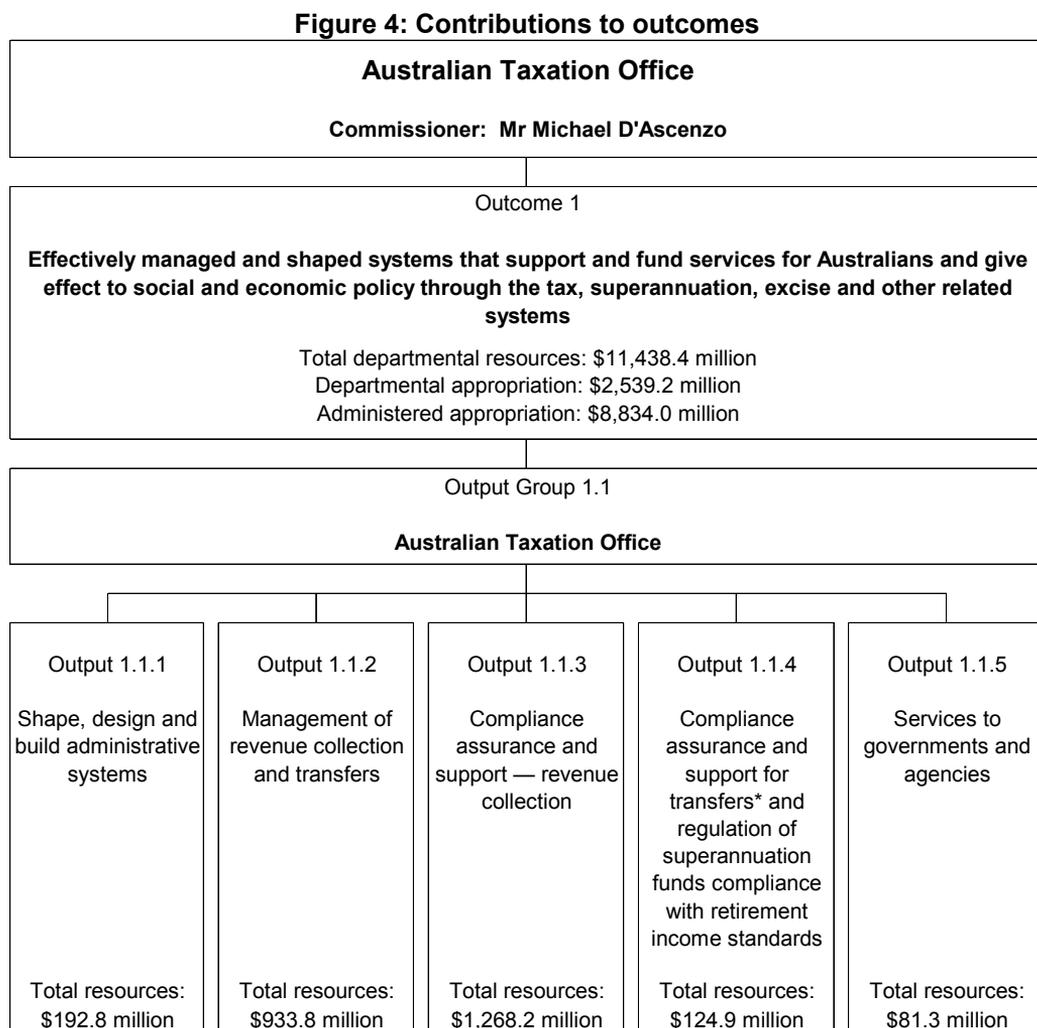
In the 2006–07 Budget, the Tax Office will receive a departmental equity injection of \$3.5 million. \$1.3 million is for the information technology system component of the Tax Practitioner Legislative Framework – implementation measure (refer Table 2.2) and \$2.1 million is for the information technology system component of Operation Wickenby – Investigations and Prosecutions (also refer page 113 of the *Treasury Portfolio Additional Estimates Statements 2005-06*).

Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items that contribute to the outcome of the Australian Taxation Office (Tax Office).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of the Tax Office and its outcome is summarised in Figure 4.



* Transfers - movement of money that is not revenue, for example: tax offsets; grants; super guarantee vouchers; and benefits distribution.

The Tax Office uses a process of cost allocation to determine its actual costs incurred on each of the five outputs.

Cost allocations are based on cost centre manager estimates and the results of time recording. The costs of corporate services and facilities, for example, accommodation and information technology, and corporate overhead are attributed to outputs using relevant cost drivers. The cost drivers generally represent resource usage, cost or full time equivalent (FTE). The relationship between activities of the Tax Office and the outcome is summarised in Figure 4.

3.2 OUTCOMES — DEPARTMENTAL AND ADMINISTERED

The Tax Office has one outcome, namely, ‘effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems’. The total appropriation for this outcome for 2006-07 is \$11,369.7 million.

Figure 5: Departmental appropriations by outcome, 2006-07

As the Tax Office has one outcome, this figure is not applicable.

Figure 6: Administered appropriations by outcome, 2006-07

As the Tax Office has one outcome, this figure is not applicable.

3.3 OUTCOMES AND PERFORMANCE

Outcome 1 description

Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems.

Outcome 1 resourcing

Table 3.1 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 1, including administered expenses, departmental appropriations and revenue from other sources.

Table 3.1: Total resources for Outcome 1

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Administered appropriations		
Special appropriations	8,168,783	8,833,972
Total administered appropriations	8,168,783	8,833,972
Departmental appropriations		
Output Group 1.1 - Australian Taxation Office		
Output 1.1.1 - Shape, design and build administrative systems	191,582	192,805
Output 1.1.2 - Management of revenue collection and transfers	927,890	933,811
Output 1.1.3 - Compliance assurance and support - revenue collection	1,219,251	1,268,186
Output 1.1.4 - Compliance assurance and support for transfers and regulation of superannuation funds compliance with retirement income standards	104,378	124,867
Output 1.1.5 - Services to government and agencies	15,938	16,040
Total departmental appropriations	2,459,039	2,535,709
Departmental revenue from other sources		
Goods and services	57,491	63,308
Other	1,820	1,910
Total departmental revenue from other sources	59,311	65,218
Total departmental resources	2,518,350	2,600,927
Total resources	10,687,133	11,434,899
	2005-06	2006-07
Average staffing level (number)	21,529	20,538

Measures affecting Outcome 1

A list of measures for the Tax Office appears in Table 2.2. These measures are detailed in Budget Paper No. 2, *Budget Measures 2006-07*.

Contributions to achievement of Outcome 1

Administered activities

The Tax Office is the Australian Government's principal revenue collection agency and forms part of the Treasury Portfolio. The Tax Office's aim is to manage and shape the revenue systems that support social and economic policy, and to fund services for Australians.

The Tax Office manages revenue through a range of collection systems, including income tax, GST (collected by the Australian Government on behalf of state and territory governments), superannuation and excise (but not customs duty). It also administers a range of benefits and refunds, including income tax and GST refunds, excise grants, family tax benefits, superannuation guarantees and the baby bonus.

The Tax Office also addresses broader issues affecting Australia's revenue systems, such as aggressive tax planning, persistent tax debtors, globalisation and the cash economy.

The main areas of legislation the Tax Office administers include:

- income tax;
- pay as you go withholding and instalments;
- the Australian Business Number and Australian Business Register;
- goods and services tax;
- fringe benefits tax;
- higher education funding (on a joint basis);
- excise duty;
- grants and schemes in relation to diesel and alternative fuels; and
- superannuation (including the superannuation guarantee, small superannuation accounts, 'lost' members, superannuation co-contribution and self managed superannuation funds).

The Tax Office also supports the delivery of community benefits, with roles in other areas such as private health insurance, family assistance and cross-agency support.

Departmental outputs

There are five distinct outputs that contribute to Outcome 1:

- Output 1.1.1: reflects the Tax Office's role in effectively shaping the systems to give effect to the legislation administered by the organisation;
- Output 1.1.2: represents the operational aspects of managing the tax, superannuation and excise systems;
- Output 1.1.3: represents the processes required to assure and support compliance with tax obligations, providing the community with information and assistance;
- Output 1.1.4: represents the processes required to assure and support compliance with transfers and superannuation obligations administered by the Tax Office, providing the community with information and assistance; and

- Output 1.1.5: reflects the range of services the Tax Office provides the Treasurer and the Minister for Revenue and Assistant Treasurer, to the Parliament and to other Australian Public Service agencies.

Performance information for Outcome 1

Performance information for administered items, individual outputs and output groups relating to the Tax Office are summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Overall achievement of the Outcome	Effectiveness Indicators
Deliver to Government	Revenue collections as a per cent of budgeted revenue Dollar value of transfers by transfer type Overall levels of compliance improved Implementing new policy measures, and specifically funded activities, efficiently and effectively
Maintain community confidence	Client perceptions of Tax Office professionalism and service a. Professionalism survey b. Taxpayers' Charter service standards c. Technical Quality Assurance
Minimise compliance costs (within Tax Office control)	Increasing ease of compliance
Efficient and adaptive organisation	Manage the Tax Office within budget
Performance indicators for administered items including third party outputs	
The management of administered items is integrated into outputs 1.1.2 and 1.1.4 to enable cost effective delivery of both revenue and transfers	
Performance indicators for individual outputs	
Output group 1.1 Australian Taxation Office	
Output 1.1.1 - Shape, design and build administrative systems	<p>Quality:</p> <ul style="list-style-type: none"> - Treasury is satisfied with the timeliness and quality of the Tax Office's input to the development of taxation policy and laws in relation to costings, modelling and forecasting work - The programme delivering easier, cheaper and more personalised service is implemented in accordance with the agreed intent and outcomes enabling delivery of of promised improved user experience - Integrated administrative design principles are applied in the implementation of all tax change - Tax Office evaluates the alignment of the change programme to progress or support strategic business outcomes <p>Quantity:</p> <ul style="list-style-type: none"> - Number of administrative advice and costings provided and managed to help shape the Government's programme -The programme delivering easier, cheaper and more personalised service is implemented in accordance with schedule and costs <p>Price \$192.8 million</p>

Table 3.2: Performance information for Outcome 1 (continued)

<p>Output 1.1.2 - Management of revenue collection and transfers</p>	<p>Quality:</p> <ul style="list-style-type: none"> - Performance to service standards - Client perceptions of professionalism in related areas against benchmark - Collectable debt compared with total collections <p>Quantity:</p> <ul style="list-style-type: none"> - Dollar value of revenue collected - Dollar value of revenue transferred - Number of registrations processed and records maintained - Number of accounts managed, refunds issued and payments processed - Number of debt cases finalised - Number of products processed <p>Price \$933.8 million</p>
<p>Output 1.1.3 - Compliance assurance and support for revenue collections</p>	<p>Quality:</p> <ul style="list-style-type: none"> - Evaluation of selected Tax Office information products from a client perspective, both pre and post implementation delivery - Percentage of technical advice passing quality assurance <ul style="list-style-type: none"> - trend over time - Performance to service standards - Client perceptions of professionalism in related areas against benchmark - Evaluation of Tax Office risk management and strategic intelligence <p>Quantity:</p> <ul style="list-style-type: none"> - Number of information, interpretation and active compliance products delivered, liabilities raised/collected and numbers of risk reviews conducted <p>Price \$1,268.1 million</p>
<p>Output 1.1.4 - Compliance assurance and support for transfers and regulation of superannuation funds' compliance with retirement income standards</p>	<p>Quality:</p> <ul style="list-style-type: none"> - Evaluation of selected Tax Office information products, from a client perspective, both pre and post implementation delivery - Percentage of technical advice passing quality assurance <ul style="list-style-type: none"> - trend over time - Performance to service standards - Client perceptions of professionalism in related areas against benchmark - Evaluation of Tax Office risk management and strategic intelligence <p>Quantity:</p> <ul style="list-style-type: none"> - Dollar value of required transfers effected - Numbers of information, interpretation and active compliance products delivered, liabilities raised/collected and numbers of risk reviews conducted <p>Price \$124.9 million</p>

Table 3.2: Performance information for Outcome 1 (continued)

Output 1.1.5 - Services to government and agencies	<p>Quality:</p> <ul style="list-style-type: none"> - Client satisfaction - number and percentage of work completed for Centrelink within seven to fourteen days - Cross Agency Support delivered to agreed standard and timeliness - Ministerial and Parliamentary services delivered to agreed standard and timeliness <p>Quantity:</p> <ul style="list-style-type: none"> - Number of Centrelink valuations completed - AVO level of net operating profit - on-going performance against budget - Required volume of services delivered for Cross Agency Support and Ministerial and Parliamentary services <p>Price \$81.3 million</p>
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Evaluations for Outcome 1

The Australian National Audit Office and Tax Office Internal Audit have a rolling programme of issues that are audited during the financial year. Other issues are evaluated within the Tax Office during the financial year as required. Results of evaluations will be shown in the Tax Office Annual Report.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

Cross agency overview

The Australian Taxation Office (Tax Office) maintains purchaser-provider arrangements with the Department of Families, Community Services and Indigenous Affairs (FaCSIA), Department of Human Services and the Department of Health and Ageing. These allow the Tax Office to provide services to each of these departments to enable them to achieve their stated outcomes in 2006-07.

The Tax Office will be providing services to:

- FaCSIA for the Family Assistance Office and administration of the Tax Office component of the family tax benefit;
- Department of Human Services for the Child Support Agency; and
- Department of Health and Ageing for the implementation of the Private Health Insurance rebate.

The Tax Office has negotiated a number of memorandums of understanding (MOUs) for the purchaser-provider arrangements outlined above. These MOUs include various levels and types of reporting responsibilities and control arrangements for the Tax Office and relevant agencies. Refer to Table 3.2 for performance information relating to cross agency support provided by the Tax Office.

4.2 COST RECOVERY ARRANGEMENTS

The Tax Office does not presently have any significant cost recovery arrangements. The majority of receipts from independent sources are excluded for the purposes of the Australian Government's Cost Recovery Guidelines for Regulatory Agencies as they relate to intergovernmental charging, taxation and/or comply with competitive neutrality principles. The Tax Office plans to undertake an agency initiated review during 2006-07.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

For information on the Tax Office's Australian Government Indigenous Expenditure refer to the Portfolio table on page 8.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted departmental income statement

The Australian Taxation Office (Tax Office) is budgeting for an operating surplus of \$0.6 million in 2006-07 after income tax equivalents payable by the Australian Valuation Office (AVO).

Operating revenues

Total agency revenue is estimated to be \$2,600.9 million and consists of \$2,535.7 million appropriation and revenue from other sources of \$65.2 million. This is an increase of \$82.6 million from the 2005-06 estimated actual.

This rise in revenue is primarily a result of increases in appropriation flowing from new budget measures.

Operating expenses

Total expenses are estimated to be \$2,600.1 million. This is an increase of \$66.9 million from the 2005-06 estimated actual.

Operating expenses consist of \$1,609.8 million in employees, \$871.3 million in suppliers and \$118.9 million in depreciation and amortisation.

Parameter adjustments

There was a reduction in appropriation of \$2.4 million in 2006-07 as a result of applying revised economic parameters. Employees account for \$1.5 million of the reduction, with the remaining \$0.8 million being supplier expenses.

Budgeted departmental balance sheet

In 2006-07 the Tax Office's equity position will be negative \$53.0 million. This is a slight improvement over the estimated actual position for 2005-06 of \$56.7 million.

Assets

The Tax Office's assets are predominantly non-financial assets. In 2006-07 the Tax Office will continue to maintain its commitment to long term improvement, investing \$160.8 million in capital expenditure.

A significant proportion of the Tax Office's capital investment is directed toward the development or improvement of internally developed systems and software in support of the Tax Office's intention of making people's experience with the revenue systems easier, cheaper and more personalised, and improving the integrity/flexibility of the superannuation business systems.

Liabilities

The Tax Office's liabilities are predominantly employee entitlements. Total liabilities have increased by \$20.4 million from 2005-06. This has been driven primarily by an increase in employee entitlements of \$24.7 million which is partially offset by minor decreases in other provisions.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	2,459,039	2,535,709	2,566,445	2,576,029	2,584,091
Goods and services	57,491	63,308	64,007	64,081	64,149
Other revenue	1,820	1,910	1,910	1,910	1,910
Total revenue	2,518,350	2,600,927	2,632,362	2,642,020	2,650,150
Total income	2,518,350	2,600,927	2,632,362	2,642,020	2,650,150
EXPENSE					
Employees	1,618,515	1,609,828	1,584,844	1,620,272	1,650,651
Suppliers	809,665	871,295	925,667	885,879	856,157
Depreciation and amortisation	105,000	118,936	120,985	135,000	142,473
Total expenses	2,533,180	2,600,059	2,631,496	2,641,151	2,649,281
Operating result from continuing operations	(14,830)	868	866	869	869
Income tax expenses	261	267	267	267	267
Operating result	(15,091)	601	599	602	602
Net surplus or (deficit) attributable to the Australian Government	(15,091)	601	599	602	602

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	28,454	37,265	33,250	36,864	48,029
Receivables	210,357	183,664	180,530	173,236	186,253
Total financial assets	238,811	220,929	213,780	210,100	234,282
Non-financial assets					
Land and buildings	87,272	94,888	94,361	93,834	93,307
Infrastructure, plant and equipment	107,707	99,082	94,924	90,766	86,608
Intangibles	289,373	332,218	365,628	375,186	374,708
Other	27,691	27,900	28,109	28,109	28,109
Total non-financial assets	512,043	554,088	583,022	587,895	582,732
Total assets	750,854	775,017	796,802	797,995	817,014
LIABILITIES					
Interest bearing liabilities					
Leases	52,176	52,176	52,176	52,176	52,176
Other	35,232	33,275	31,285	29,374	27,463
Total interest bearing liabilities	87,408	85,451	83,461	81,550	79,639
Provisions					
Employees	522,587	547,255	566,957	574,908	601,546
Other	29,818	29,550	29,283	29,283	29,283
Total provisions	552,405	576,805	596,240	604,191	630,829
Payables					
Suppliers	163,852	161,813	161,465	153,764	147,187
Other	3,900	3,907	3,907	3,907	4,174
Total payables	167,752	165,720	165,372	157,671	151,361
Total liabilities	807,565	827,976	845,073	843,412	861,829
EQUITY					
Contributed equity	184,896	188,358	192,758	195,321	195,321
Reserves	29,718	29,718	29,718	29,718	29,718
Accumulated deficits	(271,325)	(271,035)	(270,747)	(270,456)	(269,854)
Total equity	(56,711)	(52,959)	(48,271)	(45,417)	(44,815)
Current assets	261,961	244,253	237,279	233,599	257,781
Non-current assets	488,893	530,764	559,523	564,396	559,233
Current liabilities	370,564	379,059	384,138	381,658	398,661
Non-current liabilities	437,001	448,917	460,935	461,754	463,168

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	57,491	63,308	64,007	65,989	66,059
Appropriations	2,503,539	2,561,709	2,573,445	2,576,029	2,569,091
GST input credit receipts	81,867	85,043	86,154	91,972	78,404
GST receipts from customers	3,744	4,323	4,393	6,408	11,415
Total cash received	2,646,641	2,714,383	2,727,999	2,740,398	2,724,969
Cash used					
Employees	1,593,115	1,585,158	1,565,143	1,612,321	1,624,012
Suppliers	828,873	871,980	924,662	893,575	862,735
GST payments	85,104	90,553	96,321	93,000	89,747
Income tax equivalent payment	261	267	267	267	-
Total cash used	2,507,353	2,547,958	2,586,393	2,599,163	2,576,494
Net cash from or (used by) operating activities	139,288	166,425	141,606	141,235	148,475
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Purchase of property, plant and equipment	154,524	160,772	149,710	139,873	137,310
Total cash used	(154,524)	(160,772)	(149,710)	(139,873)	(137,310)
Net cash from or (used by) investing activities	(154,524)	(160,772)	(149,710)	(139,873)	(137,310)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	100	3,462	4,400	2,563	-
Total cash received	100	3,462	4,400	2,563	-
Cash used					
Repayments of debt					
Dividends paid	294	304	311	311	-
Total cash used	294	304	311	311	-
Net cash from or (used by) financing activities	(194)	3,158	4,089	2,252	-
Net increase or (decrease) in cash held	(15,430)	8,811	(4,015)	3,614	11,165
Cash at the beginning of the reporting period	43,884	28,454	37,265	33,250	36,864
Cash at the end of the reporting period	28,454	37,265	33,250	36,864	48,029

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	(271,324)	29,718	-	184,896	(56,710)
Adjusted opening balance	(271,324)	29,718	-	184,896	(56,710)
Income and expense					
Net operating expense	601	-	-	-	601
Total income and expenses recognised directly in equity	601	-	-	-	601
Transactions with owners					
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	3,462	3,462
Returns on capital - dividends	(311)	-	-	-	(311)
Sub-total transactions with owners	(311)	-	-	3,462	3,151
Estimated closing balance as at 30 June 2007	(271,034)	29,718	-	188,358	(52,958)

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	100	3,462	4,400	2,563	-
Total capital appropriations	100	3,462	4,400	2,563	-
Represented by:					
Purchase of non-financial assets	100	3,462	4,400	2,563	-
Total represented by	100	3,462	4,400	2,563	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	100	3,462	4,400	2,563	-
Funded internally by departmental resources	154,424	157,310	145,310	137,310	137,310
Total	154,524	160,772	149,710	139,873	137,310

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	property	property		military	infrastructure	and cultural	software	intangibles	
	\$'000	\$'000	\$'000	equipment	plant and	assets	\$'000	\$'000	\$'000
					equipment				
As at 1 July 2006									
Gross book value	-	-	114,659	-	153,538	-	554,534	-	822,731
Accumulated depreciation	-	-	(27,387)	-	(45,831)	-	(265,161)	-	(338,379)
Opening net book value	-	-	87,272	-	107,707	-	289,373	-	484,352
Additions:									
by purchase	-	-	35,140	-	12,150	-	113,482	-	160,772
Depreciation/amortisation expense	-	-	(27,524)	-	(20,775)	-	(70,637)	-	(118,936)
As at 30 June 2007									
Gross book value	-	-	149,799	-	165,688	-	668,016	-	983,503
Accumulated depreciation	-	-	(54,911)	-	(66,606)	-	(335,798)	-	(457,315)
Estimated closing net book value	-	-	94,888	-	99,082	-	332,218	-	526,188

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation					
Income tax	177,420,000	185,340,000	193,490,000	203,250,000	215,820,000
Indirect tax	60,920,000	63,790,000	66,380,000	69,070,000	71,760,000
Other taxes, fees and fines	17,600	18,900	20,200	21,500	22,800
Total taxation	238,357,600	249,148,900	259,890,200	272,341,500	287,602,800
Non-taxation					
Other sources of non-taxation revenues	350,000	325,000	355,000	395,000	435,000
Total non-taxation	350,000	325,000	355,000	395,000	435,000
Total revenues administered on behalf of Government	238,707,600	249,473,900	260,245,200	272,736,500	288,037,800
Total income administered on behalf of Government	238,707,600	249,473,900	260,245,200	272,736,500	288,037,800
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Subsidies	4,164,783	4,909,025	5,136,700	5,526,700	5,648,700
Personal benefits	3,404,000	3,419,947	3,434,695	3,429,089	3,477,202
Write down and impairment of assets	2,750,000	2,760,000	2,785,000	2,790,000	2,815,000
Finance costs	400,000	330,000	330,000	330,000	330,000
Other	200,000	175,000	190,000	215,000	235,000
Total expenses administered on behalf of Government	10,918,783	11,593,972	11,876,395	12,290,789	12,505,902

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash	69,350	69,350	69,350	69,350	69,350
Receivables	15,130,104	16,530,104	18,130,104	19,935,104	21,940,104
Total financial assets	15,199,454	16,599,454	18,199,454	20,004,454	22,009,454
Non-financial assets					
Other	9,369	9,369	9,369	9,369	9,369
Total non-financial assets	9,369	9,369	9,369	9,369	9,369
Total assets administered on behalf of Government	15,208,823	16,608,823	18,208,823	20,013,823	22,018,823
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Provisions					
Taxation refunds provided	1,412,334	1,377,334	1,342,334	1,307,334	1,267,334
Other provisions	5,049,322	5,229,694	5,316,374	5,493,316	5,689,022
Total provisions	6,461,656	6,607,028	6,658,708	6,800,650	6,956,356
Total liabilities administered on behalf of Government	6,461,656	6,607,028	6,658,708	6,800,650	6,956,356

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Income tax	174,680,000	182,240,000	190,250,000	199,880,000	212,300,000
Indirect tax	60,010,000	62,790,000	65,310,000	67,930,000	70,560,000
Other taxes, fees and fines	17,600	18,900	20,200	21,500	22,800
Other	260,000	230,000	245,000	275,000	295,000
Total cash received	234,967,600	245,278,900	255,825,200	268,106,500	283,177,800
Cash used					
Interest paid	400,000	330,000	330,000	330,000	330,000
Subsidies paid	4,177,000	4,784,600	5,144,900	5,433,100	5,590,100
Personal benefits	3,005,000	3,349,000	3,379,815	3,390,747	3,385,096
Other	237,000	190,000	150,000	170,000	190,000
Total cash used	7,819,000	8,653,600	9,004,715	9,323,847	9,495,196
Net cash from or (used by) operating activities	227,148,600	236,625,300	246,820,485	258,782,653	273,682,604
FINANCING ACTIVITIES					
Cash received					
Cash from Official Public Account	7,819,000	8,653,600	9,004,715	9,323,847	9,495,196
Total cash received	7,819,000	8,653,600	9,004,715	9,323,847	9,495,196
Cash used					
Cash to Official Public Account	234,967,600	245,278,900	255,825,200	268,106,500	283,177,800
Total cash used	234,967,600	245,278,900	255,825,200	268,106,500	283,177,800
Net cash from or (used by) financing activities	(227,148,600)	(236,625,300)	(246,820,485)	(258,782,653)	(273,682,604)
Net increase or (decrease) in cash held					
Cash at beginning of reporting period	69,350	69,350	69,350	69,350	69,350
Cash at end of reporting period	69,350	69,350	69,350	69,350	69,350

Table 5.10: Schedule of administered capital budget

This table is not applicable to the Tax Office.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

This table is not applicable to the Tax Office.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The budgeted financial statements have been prepared on an accrual basis.

Notes to the departmental statements

Details of agency items in the financial statements included in Tables 5.1 to 5.6 have been prepared on the basis of Australian Accounting Standards and Department of Finance and Administration guidance for the preparation of financial statements.

The budget statements and estimated forward years have been prepared to reflect the following matters.

Australian Valuation Office

The Tax Office's agency budget statements are consolidated to include the financial operations of the Australian Valuation Office.

Cost of administering goods and services tax

Departmental statements include the estimated costs of administering the goods and services tax pursuant to the 'intergovernmental agreement on the reform of Commonwealth State Financial Relations'. The GST revenue is collected on behalf of the States and Territories which agree to compensate the Australian Government for the agreed GST administration costs.

The recovery of GST administration costs are reported under the Department of the Treasury.

Notes to the administered statements

The administered financial statements included in Table 5.7 to 5.9 have been prepared on the basis of Australian Accounting Standards. These require that taxation revenue be recognised in the reporting period in which the taxpayer earns the income that is subsequently subject to taxation — the Economic Transactions Method (ETM). The standards also permit government report using an alternative approach when the ETM

approach would generate unreliable measures of taxation revenues – the Transactions Liability Method (TLM).

Commencing with this budget, the Tax Office has adopted ETM revenue recognition for all revenue heads where the measurement issues are not material, but will retain TLM revenue recognition where ETM measurement issues may be material. Consequently, the taxation revenues that will continue to be recognised on a TLM basis are:

- Individuals and other withholding taxation;
- Company income taxation; and
- Superannuation taxation.

The budget statements and forward years have been prepared on the basis noted below and to reflect the following matters.

Recognition of taxation revenue

Since 1999-00 administered taxation revenue has been brought to account on a year by year basis where:

- the client or the client group can be identified in a reliable manner;
- an amount of tax or other statutory charge is payable by the client or client group under legislative provisions; and
- the amount of the tax or statutory charge payable by the client or client group can be reliably measured, and it is probable that the amount will be collected.

This recognition policy does not include the following items as revenue of the period:

- estimates of future collections or refunds from individuals in respect of income tax returns to be lodged for the current financial year ended at 30 June; and
- estimates of instalments of tax and final payments for companies due after 30 June.

Items recognised as reductions to taxation revenue

The following items are recognised as reductions (increases) to taxation revenue and not as an expense:

- refunds of revenue; and
- increase (decrease) in movement of provision for credit amendments.

CORPORATIONS AND MARKETS ADVISORY COMMITTEE

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CORPORATIONS AND MARKETS ADVISORY COMMITTEE

Section 1: Overview

The Corporations and Markets Advisory Committee (CAMAC) was established in September 1989. Its role, as set out in section 148 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act), is to advise the Minister on any matters concerning the Corporations Act or improving the efficiency of financial markets. CAMAC may undertake reviews on its own initiative, as well as at the request of the Minister.

The Legal Committee was established in September 1991 to provide expert legal analysis, assessment and advice to the Advisory Committee.

The Treasurer appoints the members of the Advisory Committee and Legal Committee in their personal capacities.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers	CAMAC is a statutory body that is the principal source of external advice to the Australian Government on issues in corporations and financial markets law and practice.	Output Group 1.1 Corporations and Markets Advisory Committee

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations and other resources for the Corporations and Markets Advisory Committee (CAMAC) in the 2006-07 Budget is \$1.1 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

	Departmental				Administered				Total
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPPs \$'000	Other Appropriation \$'000	Special resources \$'000	
Corporations and Markets Advisory Committee									
Outcome 1									
A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers	1,058	-	-	-	-	-	-	-	1,058
Total	1,058	-	-	-	-	-	-	-	1,058

2.2 2006-07 BUDGET MEASURES

Budget measures relating to CAMAC as explained in Budget Paper No. 2, *Budget Measures 2006-07* are summarised in Table 2.2. The table also identifies the relevant outcomes, administered items and outputs associated with each measure.

Table 2.2 Corporations and Markets Advisory Committee measures

Measure	Output groups affected	2006-07 \$'000			2007-08 \$'000			2008-09 \$'000			2009-10 \$'000		
		Admin items	Dept outputs	Total									
Expense measures													
Corporations and Markets Advisory Committee - additional funding	1.1	-	180	180	-	181	181	-	185	185	-	189	189
Total expense measures		-	180	180	-	181	181	-	185	185	-	189	189

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by CAMAC for provision of goods or services. These resources are approved for use by CAMAC and are included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated receipts 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Interest	25	-
Total departmental resources available to be used	25	-

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

CAMAC does not have any administered funds.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

CAMAC does not have any special appropriations.

2.6 SPECIAL ACCOUNTS

Table 2.6: Estimates of special account flows and balances

CAMAC does not have any special accounts.

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

CAMAC does not have an appropriation for administered capital, departmental equity injection or loan in the 2006-07 Budget.

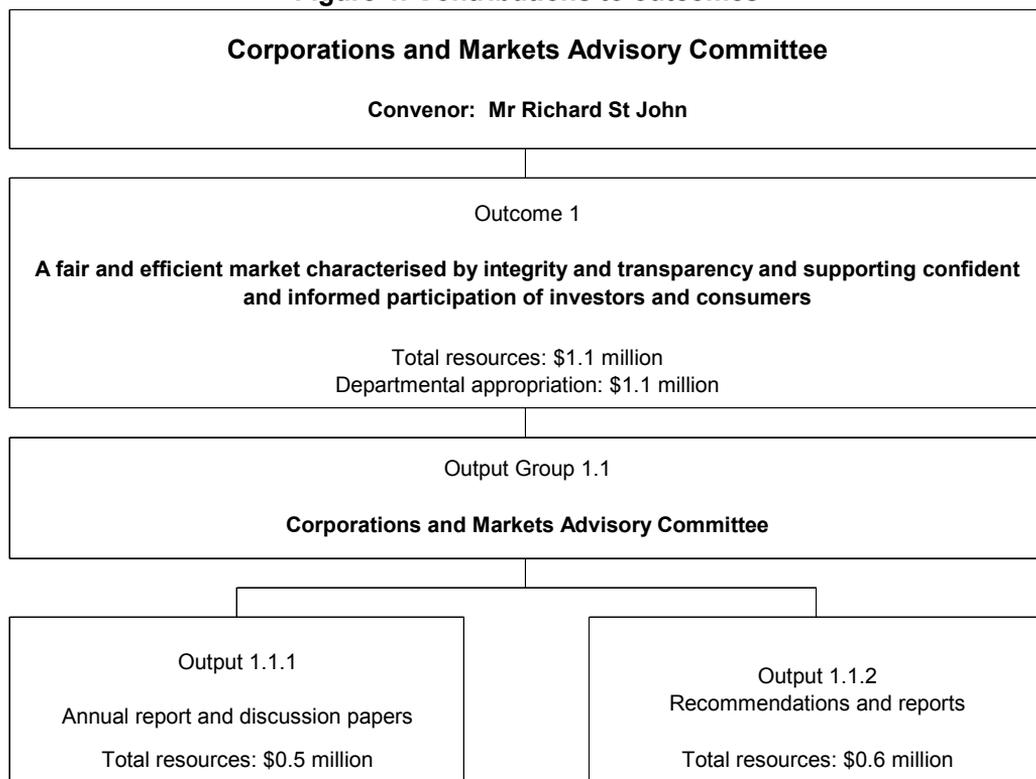
Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs to contribute to the outcome for the Corporations and Markets Advisory Committee (CAMAC).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of CAMAC and the outcome is summarised in Figure 4. There have been no changes to the number, wording or structure of outcomes or outputs since the *Portfolio Budget Statements 2005-06*.

Figure 4: Contributions to outcomes



3.2 OUTCOMES — DEPARTMENTAL AND ADMINISTERED

CAMAC has one outcome, namely, ‘a fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers’.

Figure 5: Departmental appropriations by outcome, 2006-07

As CAMAC has one outcome with a total departmental appropriation of \$1.1 million, this figure is not applicable.

Figure 6: Administered appropriations by outcome, 2006-07

CAMAC does not have any administered appropriations.

3.3 OUTCOMES AND PERFORMANCE

Outcome 1 description

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

Outcome 1 resourcing

Table 3.1 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 1, including departmental appropriations and revenue from other sources.

Table 3.1: Total resources for Outcome 1

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental appropriations		
Output Group 1.1 - Corporations and Markets Advisory Committee		
Output 1.1.1 - Annual Report and discussion papers	403	497
Output 1.1.2 - Recommendations and reports	460	561
Total departmental appropriation	863	1,058
Revenue from other sources		
Interest	25	-
Total revenue from other sources	25	-
Total resources	888	1,058
	2005-06	2006-07
Average staffing level (number)	3	4

Measures affecting Outcome 1

A list of measures for CAMAC appears in Table 2.2. Details of measures are included in Budget Paper No. 2, *Budget Measures 2006-07*.

Contributions to achievement of Outcome 1

The output of CAMAC focuses on the legislation related to corporations and financial markets. Its operations involve either on its own initiative or at the request of the Government conducting major policy reviews, which may include analysing procedural and other issues in current practice. This process is basic to achieving the Government outcome of fair and efficient financial markets characterised by integrity and transparency and supporting confident and informed participation of investors and consumers.

Administered activities

CAMAC has no administered activities.

Departmental outputs

Output 1.1.1 Annual Report and discussion papers

The Advisory Committee publishes discussion papers that seek to inform, stimulate and lead public debate on the enhancement of standards for corporations and participants in financial markets. For this purpose, the papers propose regulatory reform where necessary. This public consultation process is designed to ensure that the commercial community has the opportunity to participate fully in the law reform process.

The Committee's annual report consolidates this public consultation process by summarising in a publicly available document the work of the Committee over the previous financial year.

Output 1.1.2 Recommendations and reports

The Committee builds on the public consultation process by thoroughly reviewing all submissions on discussion papers and providing timely advice to the Australian Government in the form of Advisory Committee reports, containing detailed law reform recommendations, where appropriate.

Performance information for Outcome 1

Performance information for individual outputs and output group relating to CAMAC is summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Performance indicators for agency outputs

Output group 1.1: Corporations and Markets Advisory Committee

Output 1.1.1 - Annual Report and discussion papers

The Advisory Committee seeks to stimulate and lead public debate on the enhancement of standards for corporations and participants in financial markets, and proposes regulatory reform where necessary.

Price: \$0.5 million

Output 1.1.2 - Recommendations and reports

To achieve these performance goals, the Advisory Committee seeks the expert advice of its Legal Committee, encourages public comment on its discussion papers and thoroughly reviews all submissions received by them. This well-established process of public review is designed to ensure that the commercial community has the opportunity to fully participate in the law reform process.

Through this consultation and review process, and the provision of timely advice to the Treasurer in the form of Advisory Committee Reports and other papers, the Committee seeks to ensure that Australian financial markets and corporations continue to operate in a commercial environment of the highest standards supported by appropriate legislation.

Price: \$0.6 million

Evaluations for Outcome 1

There are no planned evaluation activities in the 2006-07 financial year.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The Corporations and Markets Advisory Committee (CAMAC) does not have any purchaser-provider arrangements with any other Government agencies.

4.2 COST RECOVERY ARRANGEMENTS

CAMAC does not have any cost recovery arrangements.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

CAMAC does not have any specific indigenous expenditure.

Section 5: Budgeted financial statements

The budgeted financial statements contain the estimates prepared in accordance with the requirements of the government's financial budgeting and reporting framework, including the principles of the Australian Equivalents to International Accounting Standards, the Statements of Accounting Concepts and the Australian Accounting Standards Board framework, as well as specific guidelines issued by the Department of Finance and Administration. They show planned income and expenditure for the budget year and each of the forward years, and estimated results for the 2005-06 financial year.

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted departmental income statement

CAMAC is budgeting for a break-even operating result for 2006-07.

Budgeted departmental balance sheet

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

Budgeted departmental statement of cash flows

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

Departmental capital budget statement

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

Departmental property, plant, equipment and intangibles — summary of movement

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

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	863	1,058	1,039	1,053	1,064
Interest	25	-	-	-	-
Total revenue	888	1,058	1,039	1,053	1,064
EXPENSE					
Employees	494	584	582	590	597
Suppliers	379	459	442	448	452
Depreciation and amortisation	15	15	15	15	15
Total expenses	888	1,058	1,039	1,053	1,064
Operating result from continuing operations	-	-	-	-	-
Operating result	-	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	-	-	-	-	-

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	630	68	63	58	53
Receivables	14	14	14	14	14
Total financial assets	644	82	77	72	67
Non-financial assets					
Land and buildings	17	16	15	14	13
Infrastructure, plant and equipment	92	98	104	110	116
Other	16	16	16	16	16
Total non-financial assets	125	130	135	140	145
Total assets	769	212	212	212	212
LIABILITIES					
Provisions					
Employees	164	164	164	164	164
Other	38	38	38	38	38
Total provisions	202	202	202	202	202
Total liabilities	202	202	202	202	202
EQUITY					
Reserves	10	10	10	10	10
Retained surpluses	557	-	-	-	-
Total equity	567	10	10	10	10
Current assets	660	98	93	88	83
Non-current assets	109	114	119	124	129
Current liabilities	37	37	37	37	37
Non-current liabilities	165	165	165	165	165

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	863	1,058	1,039	1,053	1,064
Interest	25	-	-	-	-
GST Recovered	39	39	39	39	39
Total cash received	927	1,097	1,078	1,092	1,103
Cash used					
Employees	494	584	582	590	597
Suppliers	418	498	481	487	491
Total cash used	912	1,082	1,063	1,077	1,088
Net cash from or (used by) operating activities	15	15	15	15	15
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	20	20	20	20	20
Total cash used	20	20	20	20	20
Net cash from or (used by) investing activities	(20)	(20)	(20)	(20)	(20)
FINANCING ACTIVITIES					
Cash used					
Other	-	557	-	-	-
Total cash used	-	557	-	-	-
Net cash from or (used by) financing activities	-	(557)	-	-	-
Net increase or (decrease) in cash held	(5)	(562)	(5)	(5)	(5)
Cash at the beginning of the reporting period	635	630	68	63	58
Cash at the end of the reporting period	630	68	63	58	53

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	557	10	-	-	567
Adjusted opening balance	557	10	-	-	567
Income and expense					
Net operating result	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Transactions with owners					
<i>Distribution to owners</i>					
Returns of capital					
Restructuring	(557)	-	-	-	(557)
Sub-total transactions with owners	-	-	-	-	-
Estimated closing balance as at 30 June 2007	-	10	-	-	10

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
<i>Total capital appropriations</i>	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	20	20	20	20	20
Total	20	20	20	20	20

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	property	property		military	infrastructure	and cultural	software	intangibles	
	\$'000	\$'000	\$'000	equipment	plant and	assets	\$'000	\$'000	\$'000
					equipment				
As at 1 July 2006									
Gross book value	-	-	21	-	248	-	-	-	269
Accumulated depreciation	-	-	(4)	-	(156)	-	-	-	(160)
Opening net book value			25		92				109
Additions:									
by purchase	-	-	-	-	20	-	-	-	20
Depreciation/amortisation expense	-	-	(1)	-	(14)	-	-	-	(15)
As at 30 June 2007									
Gross book value	-	-	21	-	268	-	-	-	289
Accumulated depreciation	-	-	(5)	-	(170)	-	-	-	(175)
Estimated closing net book value			16		98				114

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

CAMAC does not have any administered items.

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

CAMAC does not have any administered items.

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

CAMAC does not have any administered items.

Table 5.10: Schedule of administered capital budget

CAMAC does not have any administered items.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

CAMAC does not have any administered items.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

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

INSPECTOR-GENERAL OF TAXATION

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INSPECTOR-GENERAL OF TAXATION

Section 1: Overview

The *Inspector-General of Taxation Act 2003* established an independent statutory agency to review:

- systems established by the Australian Taxation Office to administer the tax laws; and
- systems established by tax laws in relation to administrative matters.

The Inspector-General of Taxation seeks to improve the administration of the tax laws for the benefit of all taxpayers. This is to be achieved by identifying and conducting reviews of systemic issues in the administration of the tax laws and providing independent advice to the Government.

To ensure that reviews undertaken reflect areas of key concern to the Australian community, the Inspector-General develops a work programme following broad-based consultation with other stakeholders including taxpayers and their representatives, the Commonwealth Ombudsman, the Commonwealth Auditor-General and the Commissioner of Taxation.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
Improved administration of the tax laws for the benefit of all taxpayers	Identify and investigate systemic issues in tax administration to provide independent advice to government.	Output Group 1.1 Inspector-General of Taxation

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations and other resources for the Inspector-General of Taxation (IGT) in the 2006-07 Budget is \$2.2 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

Inspector-General of Taxation	Departmental				Administered				Total \$'000	
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPPs \$'000	Other \$'000	Special Appropriation \$'000		Other resources \$'000
Outcome 1										
Improved administration of the tax laws for the benefit of all taxpayers	2,170	-	-	52	-	-	-	-	-	2,222
Total	2,170	-	-	52	-	-	-	-	-	2,222

2.2 2006-07 BUDGET MEASURES

Table 2.2 Inspector-General of Taxation measures

The IGT does not have any 2006-07 Budget measures.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by the IGT for the provision of goods or services. These resources are approved for use by the agency and are also included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated receipts 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Goods and services	60	52
Total departmental resources available to be used	60	52

Note: Departmental resources are collected under section 31 of the *Financial Management and Accountability Act 1997*.

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

The IGT does not have any administered funds.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

The IGT does not have any special appropriations.

2.6 SPECIAL ACCOUNTS

Table 2.6: Estimates of special account flows and balances

The IGT does not have any special accounts.

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

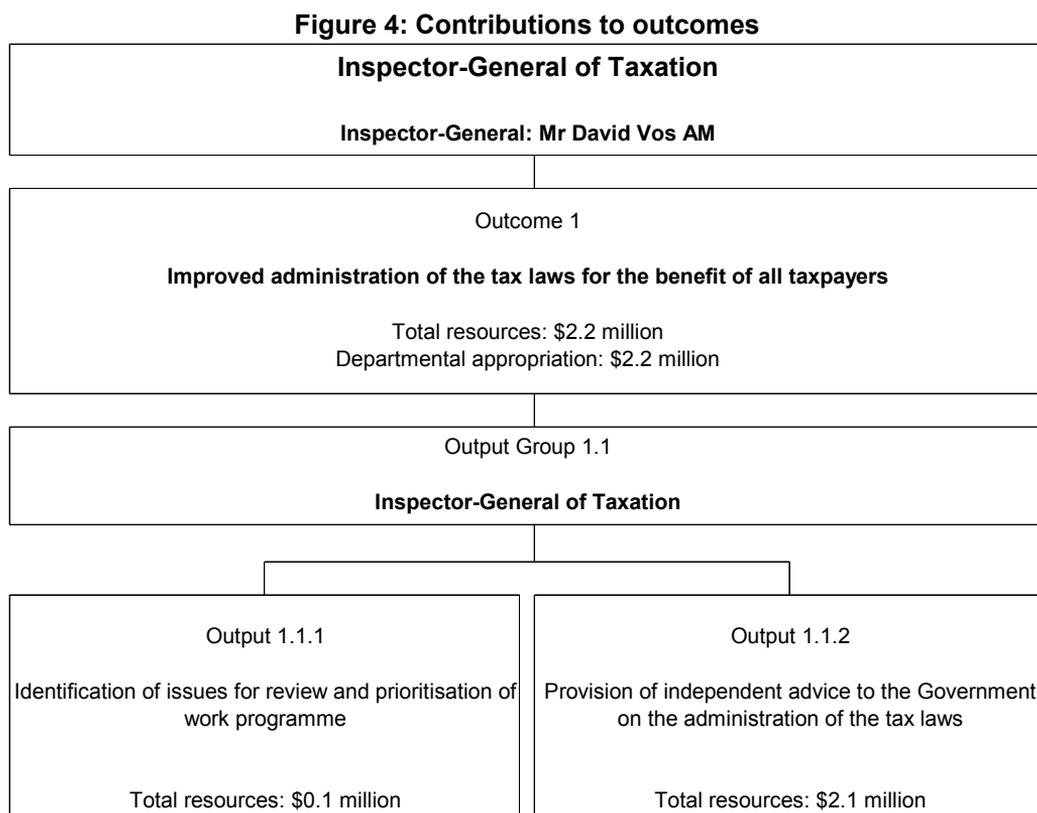
The IGT does not have an appropriation for administered capital, departmental equity injection or loan in the 2006-07 Budget.

Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs that contribute to the outcome for the Inspector-General of Taxation (IGT).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of the IGT and the outcome is summarised in Figure 4.



The IGT has two outputs, being identification of a work programme and provision of advice to Government following review activities. The two outputs are strongly linked, with review topics often identified during the conduct of the actual work programme (in addition to specific consultative processes). Informed estimates indicate that approximately five per cent of staff resources are utilised on Output 1.1.1, and 95 per cent are utilised on Output 1.1.2.

The IGT's two outputs derive from the statutory functions. These outputs involve, firstly, the identification of systemic issues for review and the prioritisation of the work programme and, secondly, the provision of independent advice to Government on the administration of the tax laws.

The scope of the work programme is determined by the identification and prioritisation of a systemic issue by the Inspector-General. However, the *Inspector-General of Taxation Act 2003* also provides that the Minister may direct that a matter be included on the work programme, and that the Inspector-General considers requests to conduct reviews from:

- the Minister (separate from the direction provision); or
- the Commissioner of Taxation; or
- a resolution of either House, or both Houses, of the Parliament; or
- a resolution of a Committee of either House, or both Houses, of the Parliament.

Broad-based community involvement in the identification of issues and the opportunity for all stakeholders to provide submissions ensures that reviews undertaken are relevant and timely for all stakeholders. In view of this, the Inspector-General requires the flexibility to vary resourcing allocations so as to allow emerging and important systemic issues to be addressed in a manner that is timely and relevant to government.

The IGT has no power to direct the Commissioner of Taxation in the administration of the tax laws. The effectiveness with which the Inspector-General's advice to Government contributes to the achievement of the outcome may be difficult to assess. In some instances, the provision of advice to Government may lead to legislative change to address an identified systemic issue. However, on other occasions the Commissioner of Taxation may independently address a systemic issue identified by the IGT either as a result of undertaking a review, or following the release of a Review Report by the Minister or the publication of an Issues Paper or Work Programme by the Inspector-General.

Performance information for Outcome 1

Performance information for individual outputs and output groups relating to the IGT are summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Performance indicators for individual outputs

Output Group 1.1 - Inspector-General of Taxation

Output 1.1.1 - Identification of issues for review and prioritisation of work programme

Quality:

Broad-based community involvement in the identification of systemic issues in the administration of tax laws

Reviews undertaken are relevant and timely for government and other stakeholders

Price: \$0.1 million

Output 1.1.2 - Provision of independent advice to the Government on the administration of the tax laws

Quality:

Reports, undertaken in accordance with required processes, are of a high standard, timely and useful to government.

Findings and recommendations achieve improved administration.

Price: \$2.1 million

Evaluations for Outcome 1

Internal, informal monitoring of the IGT's performance and output is undertaken on a continuous basis.

Evaluation of actual levels of achievement will be shown in the IGT's 2005-06 Annual Report.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The Inspector-General of Taxation (IGT) does not have any purchaser-provider arrangements with any other Government agencies.

4.2 COST RECOVERY ARRANGEMENTS

The IGT does not have any cost recovery arrangements in place in respect of operational activities. Various organisations do provide travel and accommodation associated with some speaking engagements. The Inspector-General has negotiated a cost recovery/contra agreement with the Australian Reinsurance Pool Corporation in respect of office arrangements in Sydney and Canberra. While mutually beneficial to both organisations, the arrangement is revenue positive for the Inspector-General and the proceeds are covered by an agreement under section 31 of the *Financial Management and Accountability Act 1997*.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

The IGT does not have any specific indigenous expenditure.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

For 2006-07, the office of the Inspector-General of Taxation (IGT) is expected to consist of a statutory office holder and six staff. The IGT relies upon the support and contribution to reviews of many in the private sector, particularly professional associations and business groups. The cooperation and support of relevant Government agencies is also very important to the achievement of the outcome.

It is expected that for 2006-07, approximately 50 per cent of the budget allocation will be expended on employee costs, 25 per cent on office accommodation and corporate overheads, and 25 per cent on direct costs associated with completion of the work programme. It is expected that this expenditure pattern will also continue in future years.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	2,149	2,170	2,190	2,215	2,230
Goods and services	60	52	54	54	55
Total revenue	2,209	2,222	2,244	2,269	2,285
Total income	2,209	2,222	2,244	2,269	2,285
EXPENSE					
Employees	999	1,107	1,185	1,198	1,233
Suppliers	678	1,005	946	958	997
Depreciation and amortisation	71	110	113	113	55
Total expenses	1,748	2,222	2,244	2,269	2,285
Operating result from continuing operations	461	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	461	-	-	-	-

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	1,304	1,393	1,501	1,573	1,590
Receivables	264	264	264	264	264
Total financial assets	1,568	1,657	1,765	1,837	1,854
Non-financial assets					
Infrastructure, plant and equipment	283	223	148	73	56
Total non-financial assets	283	223	148	73	56
Total assets	1,851	1,880	1,913	1,910	1,910
LIABILITIES					
Provisions					
Employees	308	308	308	308	308
Other	61	61	61	61	61
Total provisions	369	369	369	369	369
Payables					
Suppliers	50	79	112	109	109
Total payables	50	79	112	109	109
Total liabilities	419	448	481	478	478
EQUITY					
Retained surpluses	1,432	1,432	1,432	1,432	1,432
Total equity	1,432	1,432	1,432	1,432	1,432
Current assets	1,568	1,657	1,765	1,837	1,854
Non-current assets	283	223	148	73	56
Current liabilities	230	278	316	326	333
Non-current liabilities	189	170	165	152	145

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	134	52	54	54	55
Appropriations	2,000	2,170	2,190	2,215	2,230
Total cash received	2,134	2,222	2,244	2,269	2,285
Cash used					
Employees	999	1,107	1,185	1,198	1,233
Suppliers	744	976	913	961	997
Total cash used	1,743	2,083	2,098	2,159	2,230
Net cash from or (used by) operating activities	391	139	146	110	55
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	-	50	38	38	38
Total cash used	-	50	38	38	38
Net cash from or (used by) investing activities	-	(50)	(38)	(38)	(38)
Net increase or (decrease) in cash held	391	89	108	72	17
Cash at the beginning of the reporting period	913	1,304	1,393	1,501	1,573
Cash at the end of the reporting period	1,304	1,393	1,501	1,573	1,590

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	554	-	-	1	555
Adjusted opening balance	554	-	-	1	555
Net operating result	-	-	-	-	-
Estimated closing balance as at 30 June 2007	554	-	-	1	555

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	-	50	38	38	38
Total	-	50	38	38	38

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	property	property		military	infrastructure	and cultural	software	intangibles	
	\$'000	\$'000	\$'000	equipment	plant and	assets	\$'000	\$'000	\$'000
					equipment				
As at 1 July 2006									
Gross book value	-	-	-	-	347	-	-	-	347
Accumulated depreciation	-	-	-	-	(64)	-	-	-	(64)
Opening net book value	-	-	-	-	283	-	-	-	283
Additions:									
by purchase	-	-	-	-	50	-	-	-	50
Depreciation/amortisation expense	-	-	-	-	(110)	-	-	-	(110)
As at 30 June 2007									
Gross book value	-	-	-	-	397	-	-	-	397
Accumulated depreciation	-	-	-	-	(174)	-	-	-	(174)
Estimated closing net book value	-	-	-	-	223	-	-	-	223

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

The IGT does not have any administered items.

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

The IGT does not have any administered items.

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

The IGT does not have any administered items.

Table 5.10: Schedule of administered capital budget

The IGT does not have any administered items.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

The IGT does not have any administered items.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

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

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NATIONAL COMPETITION COUNCIL

Section 1: Overview

The role of the National Competition Council (NCC) is to oversee and assist the implementation of National Competition Policy and related reforms as outlined in frameworks developed and agreed by all governments, including whether the Australian Government, States and Territories made satisfactory progress towards their commitments to competition policy reform. Its responsibilities also include assisting public awareness of governments' competition reform agendas and recommending on the design and coverage of infrastructure access regimes under Part IIIA of the *Trade Practices Act 1974* and the National Third Party Access Code for Natural Gas Pipeline Systems (National Gas Code).

Through constructive engagement with governments the NCC has worked to complete the reform programme agreed by governments in April 1995. The NCC also helps the community to become better attuned to the scope and potential favourable outcomes of competition reform. This approach facilitates increased competition where it will result in greater economic growth, less unemployment, better social outcomes and the better use of resources for the benefit of all Australians. This vision is embodied in the NCC's mission: 'To improve the wellbeing of all Australians through growth, innovation, and rising productivity, by promoting competition that is in the public interest'.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
The achievement of effective and fair competition reforms and better use of Australia's infrastructure for the benefit of the community	Provide advice to governments on competition policy and infrastructure access and public information on competition policy.	Output Group 1.1 National Competition Council

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations and other resources for the National Competition Council (NCC) in the 2006-07 Budget is \$4.1 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

National Competition Council	Departmental				Administered				Total \$'000
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPPs \$'000	Other Appropriation \$'000	Special Appropriation resources \$'000	
Outcome 1									
The achievement of effective and fair competition reforms and better use of Australia's infrastructure for the benefit of the community	4,031	-	-	52	-	-	-	-	-
Total	4,031	-	-	52	-	-	-	-	4,083

2.2 2006-07 BUDGET MEASURES

Table 2.2 National Competition Council measures

The NCC does not have any 2006-07 Budget measures.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by the NCC for the provision of goods or services. These resources are approved for use by the NCC and include *Financial Management and Accountability Act 1997* section 31 receipts and resources received free of charge.

Table 2.3: Other resources available to be used

	Estimated receipts 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Goods and Services	33	33
Other - resources received free of charge	19	19
Total departmental resources available to be used	52	52

The NCC levies charges on applications for coverage and revocation of coverage of pipelines under the National Gas Pipelines Access Law and the National Gas Code.

The NCC recovers approximately one per cent of revenue from cost recovery arrangements and receives free of charge the services of the Australian National Audit Office.

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

The NCC does not have any administered funds.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

The NCC does not have any special appropriations.

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes.

Table 2.6: Estimates of special account flows and balances

The NCC does not have any special accounts.

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

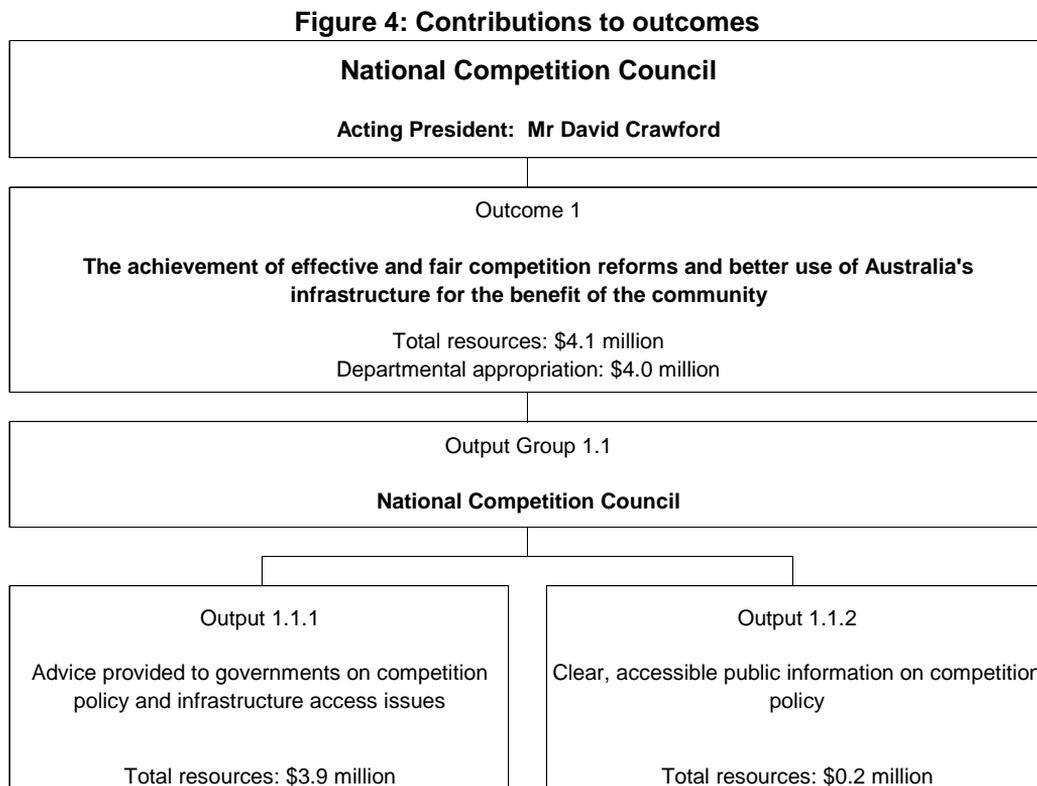
The NCC does not have an appropriation for administered capital, departmental equity injection or loan in the 2006-07 Budget.

Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items to contribute to the outcome for the National Competition Council (NCC).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of the NCC and the outcome is summarised in Figure 4.



The NCC uses a process of cost allocation to estimate the costs for each output in Table 3.1.

The cost of output 1.1.1 is comprised of direct and indirect costs. The cost of output 1.1.2 primarily includes direct costs only as the expenditure is not material to the NCC's budget.

Contributions to achievement of Outcome 1

The NCC pursues goals and strategies that allow it to provide advice to governments on competition policy and infrastructure access and public information on competition policy. These goals and strategies work towards the achievement of effective and fair competition reforms and better use of Australia’s infrastructure for the benefit of the community.

Departmental outputs

The NCC has two outputs that contribute to the achievement of the defined outcome. The outcome is for effective and fair competition reforms and better use of Australia’s infrastructure for the benefit of the community. The outputs are:

- advice provided to governments on competition policy and infrastructure access issues; and
- clear, accessible public information on competition policy.

Performance information for Outcome 1

Performance information for individual outputs and output groups relating to the NCC are summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Performance indicators for group outputs	
Output group 1.1: National Competition Council	
Output 1.1.1 - Advice provided to governments on competition policy and infrastructure access issues	<p>Quality: Advice and recommendations meet criteria of robustness, quality and timeliness.</p> <p>Advice and recommendations take into account all relevant considerations and meet Ministers' needs.</p> <p>Recommendations to governments and representations to the Australian Competition Tribunal on access to essential infrastructure services, and responses to reviews requested by governments, are effective and timely.</p> <p>Price: \$3.9 million</p>
Output 1.1.2 - Clear, accessible public information on competition policy	<p>Quality: Publications and explanatory material, including the Annual Report and the Councils' website are comprehensive and meet deadlines, and information provided is effective in promoting understanding of competition reform, policy and processes.</p> <p>Price: \$0.2 million</p>

Evaluations for Outcome 1

Internal, informal monitoring of the NCC's performance and output is undertaken on a continuous basis.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The National Competition Council (NCC) does not have any purchaser-provider arrangements with other Government agencies.

4.2 COST RECOVERY ARRANGEMENTS

The National Gas Pipelines Access Law and the National Gas Code allow the NCC to charge for coverage and revocation applications. The NCC has determined the appropriate charge to be \$7,500 per application, which represents partial cost recovery. In 2006-07 cost recovery charges are expected to collect revenue of approximately \$30,000.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

The NCC does not have any specific indigenous expenditure.

Section 5: Budgeted financial statements

The budgeted financial statements contain the estimates prepared in accordance with the requirements of the Government's financial budgeting and reporting framework, including the principles of the Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration. They show the planned financial performance for the 2006-07 budget year and each of the forward years from 2007-08 to 2009-10. The statements also include the estimated actual for 2005-06 for comparative purposes.

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

An analysis of the National Competition Council's (NCC) budgeted financial statements is provided below.

Budgeted departmental income statement

The NCC is budgeting for a breakeven operating result in 2006-07.

Operating Revenues

Total agency revenue is estimated to be \$4.1 million. This is an increase of \$0.1 million from the 2005-06 estimated actual.

Operating Expenses

Total expenses are estimated to be \$4.1 million. This is an increase of \$0.1 million from the 2005-06 estimated actual.

Operating expenses consist of \$1.7 million in employee expenditure, \$2.4 million in supplier expenditure and \$0.1 million in depreciation and amortisation.

Budgeted departmental balance sheet

In 2006-07 the NCC's equity position will be positive \$0.4 million.

Assets

The NCC's assets are predominantly financial assets. In 2006-07 the NCC will be investing \$0.1 million in capital.

Liabilities

The NCC's liabilities are mainly employee entitlements. There is no significant movement in total liabilities from 2005-06.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	3,954	4,031	4,021	4,064	4,103
Other	52	52	52	52	52
Total revenue	4,006	4,083	4,073	4,116	4,155
Total income	4,006	4,083	4,073	4,116	4,155
EXPENSE					
Employees	2,108	1,650	1,681	1,746	1,746
Suppliers	1,841	2,377	2,336	2,314	2,353
Depreciation and amortisation	57	56	56	56	56
Total expenses	4,006	4,083	4,073	4,116	4,155
Operating result from continuing operations	-	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	-	-	-	-	-

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	592	592	592	592	592
Receivables	320	374	428	482	536
Other receivables	39	39	39	39	39
Total financial assets	951	1,005	1,059	1,113	1,167
Non-financial assets					
Land and buildings	-	-	-	-	-
Infrastructure, plant and equipment	61	61	61	61	61
Other	11	11	11	11	11
Total non-financial assets	72	72	72	72	72
Total assets	1,023	1,077	1,131	1,185	1,239
LIABILITIES					
Provisions					
Employees	367	421	475	529	583
Total provisions	367	421	475	529	583
Payables					
Suppliers	239	239	239	239	239
Total payables	239	239	239	239	239
Total liabilities	606	660	714	768	822
EQUITY					
Reserves	3	3	3	3	3
Retained surpluses	414	414	414	414	414
Total equity	417	417	417	417	417
Current assets	962	1,016	1,070	1,124	1,178
Non-current assets	61	61	61	61	61
Current liabilities	423	450	477	504	531
Non-current liabilities	183	210	237	264	291

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	3,954	4,031	4,021	4,064	4,103
Other	33	33	33	33	33
Total cash received	3,987	4,064	4,054	4,097	4,136
Cash used					
Employees	2,034	1,596	1,627	1,692	1,692
Suppliers	1,822	2,358	2,317	2,295	2,334
Total cash used	3,856	3,954	3,944	3,987	4,026
Net cash from or (used by) operating activities	131	110	110	110	110
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	15	56	56	56	56
Total cash used	15	56	56	56	56
Net cash from or (used by) investing activities	(15)	(56)	(56)	(56)	(56)
FINANCING ACTIVITIES					
Cash used					
Other	74	54	54	54	54
Total cash used	74	54	54	54	54
Net cash from or (used by) financing activities	(74)	(54)	(54)	(54)	(54)
Net increase or (decrease) in cash held	42	-	-	-	-
Cash at the beginning of the reporting period	550	592	592	592	592
Cash at the end of the reporting period	592	592	592	592	592

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	414	-	3	-	417
Adjusted opening balance	414	-	3	-	417
Income and expense					
Net operating result	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Estimated closing balance as at 30 June 2007	414	-	3	-	417

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	15	56	56	56	56
Total	15	56	56	56	56

Table 5.6: Departmental property, plant, equipment and intangibles summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	\$'000	\$'000	\$'000	military	infrastructure	and cultural	software	intangibles	
				equipment	plant and	assets			
					equipment				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2006									
Gross book value	-	-	144	-	254	-	-	-	398
Accumulated depreciation	-	-	(109)	-	(228)	-	-	-	(337)
Opening net book value	-	-	35	-	26	-	-	-	61
Additions:									
by purchase	-	-	-	-	56	-	-	-	56
Depreciation/amortisation expense	-	-	(35)	-	(21)	-	-	-	(56)
As at 30 June 2007									
Gross book value	-	-	144	-	310	-	-	-	454
Accumulated depreciation	-	-	(144)	-	(249)	-	-	-	(393)
Estimated closing net book value	-	-	-	-	61	-	-	-	61

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

The NCC does not have any administered items.

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

The NCC does not have any administered items.

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

The NCC does not have any administered items.

Table 5.10: Schedule of administered capital budget

The NCC does not have any administered items.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

The NCC does not have any administered items.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

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

PRODUCTIVITY COMMISSION

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PRODUCTIVITY COMMISSION

Section 1: Overview

The Productivity Commission (the Commission) is the Australian Government's principal review and advisory body on microeconomic policy and regulation. The Commission's work covers all sectors of the economy. It extends to the public and private sectors and focuses on areas of Australian Government as well as State and Territory responsibility.

As a review and advisory body the Commission does not have responsibility for implementing government programmes. It carries out research, inquiry, advising and incidental functions prescribed under the *Productivity Commission Act 1998*.

The Commission contributes to well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective. It does this by undertaking:

- government commissioned projects;
- performance reporting and other services to government bodies;
- regulation review activities;
- competitive neutrality complaints activities; and
- supporting research and activities and statutory annual reporting.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective	To enhance understanding and community awareness of how Australia's productivity and living standards can be improved.	Output Group 1.1 Productivity Commission

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations and other resources for the Productivity Commission (the Commission) in the 2006-07 Budget is \$28.6 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

Productivity Commission	Departmental				Administered				Total
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPPs \$'000	Other \$'000	Special Appropriation \$'000	
Outcome 1									
Well-informed policy decision-making and public understanding on matters relating to Australia's productivity based on independent and transparent analysis from a community-wide perspective	28,471	-	-	85	-	-	-	-	28,556
Total	28,471	-	-	85	-	-	-	-	28,556

2.2 2006-07 BUDGET MEASURES

Table 2.2 Productivity Commission measures

The Commission does not have any 2006-07 Budget measures.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by the Commission for provision of goods or services. These resources are approved for use by the Commission and are also included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated receipts 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Goods and services	50	50
Other	35	35
Total departmental resources available to be used	85	85

Note: Departmental resources are collected under s.31 of the *Financial Management and Accountability Act 1997*.

Receipts from goods and services include sale of publications, sale of surplus equipment and external use of the Commission's library (of which some \$9,000 is due to cost recovery arrangements).

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

The Commission does not have any administered funds.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

The Commission does not have any special appropriations.

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each account used by the Commission.

Table 2.6: Estimates of special account flows and balances

	Opening balance	Credits	Debits	Adjustments	Closing balance
	2006-07	2006-07	2006-07	2006-07	2006-07
	2005-06	2005-06	2005-06	2005-06	2005-06
	\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Monies	-	-	-	-	-
Services for Other Government and Non-Agency Bodies	-	-	-	-	-
Total special accounts					
2006-07 Budget estimate	-	-	-	-	-
Total special accounts 2005-06 estimated actual	-	-	-	-	-

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The Commission does not have an appropriation for administered capital, departmental equity injection or loans in the 2006-07 Budget.

Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items to contribute to the outcome for the Productivity Commission (the Commission).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The Commission has one outcome:

Well-informed policy decision-making and public understanding on matters relating to Australia’s productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

The Commission’s five outputs derive from its statutory functions. The quantum and scope of the work under each output is largely determined externally (for example, government commissioned projects, regulation impact statement assessments, and competitive neutrality complaints investigations). In view of this, the Commission requires the flexibility to vary resources amongst its various outputs.

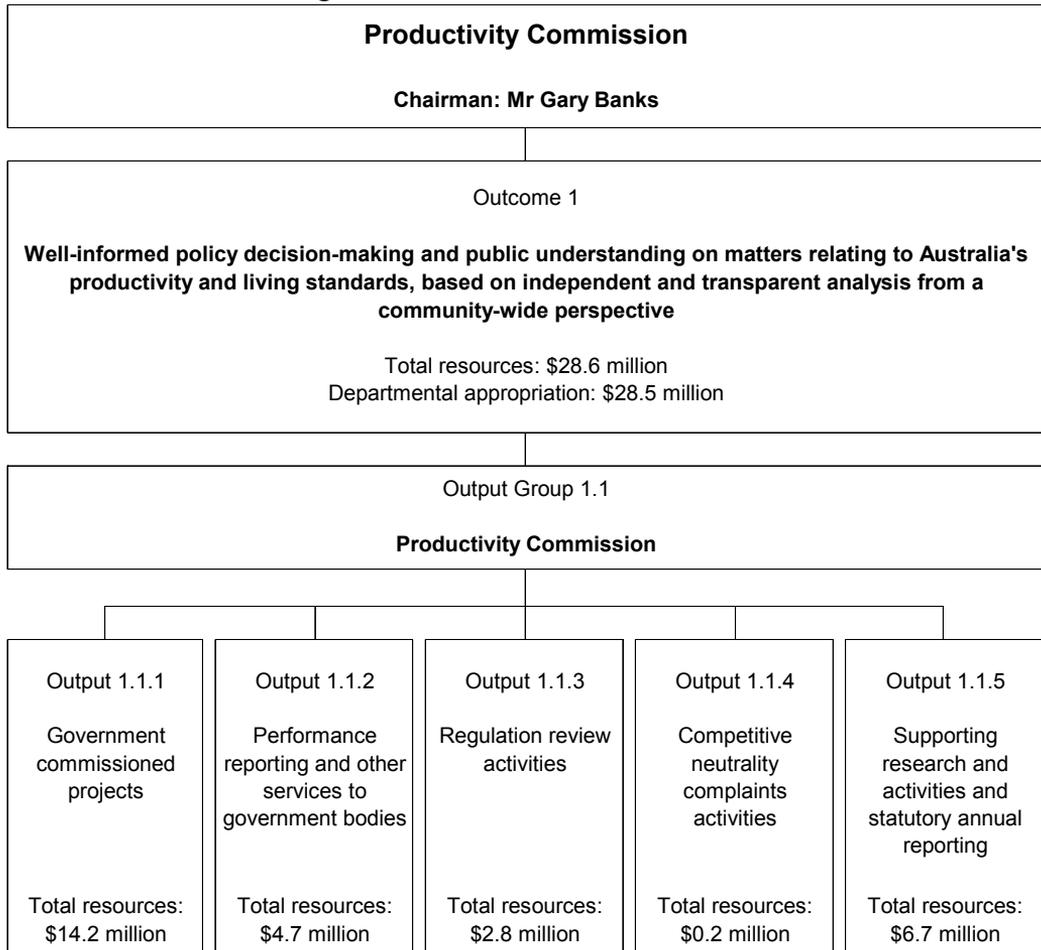
The effectiveness with which the Commission’s outputs contribute to achievement of the outcome is difficult to assess. The Commission is but one source of policy advice on matters relating to Australia’s productivity and living standards and many issues are complex and long term. The Commission aims to demonstrate its effectiveness by reporting annually on the relevance, quality, timeliness and cost effectiveness of its outputs.

An elaboration of the activities covered by each of the outputs is included under ‘Contribution to achievement of Outcome 1’.

Overheads and other indirect expenses that cannot be directly attributed to outputs are allocated to outputs in proportion to the direct costs (principally salaries) of the activities undertaken within each output.

The relationship between activities of the Commission and the outcome is summarised in Figure 4.

Figure 4: Contributions to outcomes



3.2 OUTCOMES — DEPARTMENTAL AND ADMINISTERED

Figure 5: Departmental appropriations by outcome, 2006-07

As the Commission has one outcome with a total departmental appropriation of \$28.5 million, this figure is not applicable.

Figure 6: Administered appropriations by outcome, 2006-07

The Commission does not have any administered appropriations.

3.3 OUTCOMES AND PERFORMANCE

Outcome 1 description

Well-informed policy decision-making and public understanding on matters relating to Australia’s productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

Outcome 1 resourcing

Table 3.1 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 1, including departmental appropriations and revenue from other sources.

Table 3.1: Total resources for Outcome 1

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental appropriations		
Output Group 1.1 - Productivity Commission		
Output 1.1.1 - Government commissioned projects	14,200	14,100
Output 1.1.2 - Performance reporting and other services to government bodies	4,700	4,700
Output 1.1.3 - Regulation review activities	2,800	2,800
Output 1.1.4 - Competitive neutrality complaints activities	200	200
Output 1.1.5 - Supporting research and activities and statutory annual reporting	6,549	6,671
Total departmental appropriations	28,449	28,471
Revenue from other sources		
Goods and services	50	50
Other	35	35
Total revenue from other sources	85	85
Total resources	28,534	28,556
	2005-06	2006-07
Average staffing level (number)	200	200

Contributions to achievement of Outcome 1

Output 1: Government commissioned projects

Public inquiries (for example, reviews of waste generation and resource efficiency, conservation of historic heritage places and road and rail freight infrastructure pricing), case studies and other commissioned work (such as the economic impacts of migration and population growth, standards and accreditation and science and innovation).

Output 2: Performance reporting and other services to government bodies

Government services performance reports including Australian Government, State or Territory service provision, key indicators of indigenous disadvantage, financial performance monitoring and related research on government trading enterprises.

Output 3: Regulation review activities

Assessments of regulation impact statements, and a range of associated activities such as annual reporting, research, advice and education.

Output 4: Competitive neutrality complaints activities

Investigations of competitive neutrality complaints and associated activities such as research, advice and education.

Output 5: Supporting research and activities and statutory annual reporting

Statutory annual reporting; research and working papers in support of the Commission's varying inquiry programme and to contribute to public policy issues; and associated activities such as submissions, conferences and speeches.

Performance information for Outcome 1

Performance information for individual outputs and output groups relating to the Commission are summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Performance indicators for individual outputs

Output group 1.1: Productivity Commission

Output 1.1.1 - Government commissioned projects

Quality:

Projects of a high standard, useful to government, undertaken in accordance with required processes and on time.

Quantity:

Capacity to undertake projects to the total price of outputs.

Price: \$14.1 million

Output 1.1.2 - Performance reporting and other services to government bodies

Quality:

Reports of a high standard, useful to government, and completed on time.

Quantity:

Capacity to provide reports and services to the total price of outputs.

Price: \$4.7 million

Output 1.1.3 - Regulation review activities

Quality:

Regulation Impact Statement (RIS) assessments and associated activities of a high standard, advice useful to government and on time.

Quantity:

Capacity to undertake RIS assessments and associated activities to the total price of outputs.

Price: \$2.8 million

Output 1.1.4 - Competitive neutrality complaints activities

Quality:

Competitive neutrality complaints successfully resolves within 90 days; associated activities of a high standard and useful to government.

Quantity:

Capacity to undertake activities to the total price of outputs.

Price: \$0.2 million

Output 1.1.5 - Supporting research and activities and statutory annual reporting

Quality:

Reports, projects and associated activities of a high standard, useful to government, raising community awareness and on time.

Quantity:

Capacity to undertake research that supports the government's current and emerging policy agenda to the total price of outputs.

Price: \$6.7 million

Evaluations for Outcome 1

Evaluation of actual levels of achievement will be shown in the Commission's 2006-07 Annual Report.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The Productivity Commission (the Commission) has no purchaser-provider arrangements with any other Government agencies.

4.2 COST RECOVERY ARRANGEMENTS

As disclosed in the comments for Table 2.3: Other resources available to be used, the Commission has a single cost recovery arrangement for the external use of its library and expects to receive approximately \$9,000 in 2006-07.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

In the 2003-04 Budget, the Government provided the Commission with additional funding of \$2.4 million over four years to prepare a report annually on key indicators of indigenous disadvantage.

As part of the Council of Australian Governments' Reconciliation agenda, the objective is to identify key indicators that are of relevance to all governments and indigenous stakeholders, and that can demonstrate the impact of programme and policy interventions on addressing indigenous disadvantage.

Table 4.1: Australian Government Indigenous Expenditure

For information on the Commission's Australian Government Indigenous Expenditure refer to the Portfolio table on page 8.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The budgeted financial statements will form the basis of the financial statements that will appear in the Productivity Commission's (the Commission) 2006-07 Annual Report and form the basis for the input into the Whole of Government Accounts. The financial statements should be read in conjunction with the accompanying notes.

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.

Budgeted departmental financial statements

The Commission is budgeting for a break-even operating result in 2006-07 and the forward estimate years. The Commission has a sound financial position and currently has sufficient financial assets to fund ongoing provisions and payables, and asset replacement, as they fall due.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	28,449	28,471	28,653	28,830	29,061
Goods and services	50	50	50	50	50
Other	35	35	35	35	35
Total revenue	28,534	28,556	28,738	28,915	29,146
Total income	28,534	28,556	28,738	28,915	29,146
EXPENSE					
Employees	21,944	21,780	21,919	22,114	22,325
Suppliers	5,841	6,027	6,070	6,118	6,138
Depreciation and amortisation	749	749	749	683	683
Write-down of assets and impairment of assets	-	-	-	-	-
Total expenses	28,534	28,556	28,738	28,915	29,146
Operating result from continuing operations	-	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	-	-	-	-	-

Table 5.2: Budgeted departmental balance sheet as at 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	296	262	257	273	241
Receivables	6,800	7,300	7,900	8,300	8,900
Other	235	211	215	241	230
Total financial assets	7,331	7,773	8,372	8,814	9,371
Non-financial assets					
Infrastructure, plant and equipment	1,962	1,818	1,419	1,201	924
Intangibles	24	19	14	9	4
Total non-financial assets	1,986	1,837	1,433	1,210	928
Total assets	9,317	9,610	9,805	10,024	10,299
LIABILITIES					
Provisions					
Employees	7,238	7,493	7,646	7,825	8,060
Leasehold make-good	720	758	800	840	880
Total provisions	7,958	8,251	8,446	8,665	8,940
Payables					
Suppliers	120	120	120	120	120
Total payables	120	120	120	120	120
Total liabilities	8,078	8,371	8,566	8,785	9,060
EQUITY					
Contributed equity	1,711	1,711	1,711	1,711	1,711
Reserves	1,172	1,172	1,172	1,172	1,172
Accumulated deficits	(1,644)	(1,644)	(1,644)	(1,644)	(1,644)
Total equity	1,239	1,239	1,239	1,239	1,239
Current assets	7,331	7,773	8,372	8,814	9,371
Non-current assets	1,986	1,837	1,433	1,210	928
Current liabilities	620	620	620	620	620
Non-current liabilities	7,458	7,751	7,946	8,165	8,440

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	50	50	50	50	50
Appropriations	28,449	28,471	28,653	28,830	29,061
Total cash received	28,499	28,521	28,703	28,880	29,111
Cash used					
Employees	21,846	21,617	21,776	21,944	22,011
Suppliers	5,851	6,048	6,097	6,070	6,127
Cash to Official Public Account	300	300	500	400	600
Total cash used	27,997	27,965	28,373	28,414	28,738
Net cash from or (used by) operating activities	502	556	330	466	373
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	10	10	10	10	10
Total cash received	10	10	10	10	10
Cash used					
Purchase of property, plant and equipment	426	600	345	460	415
Total cash used	426	600	345	460	415
Net cash from or (used by) investing activities	(416)	(590)	(335)	(450)	(405)
Net increase or (decrease) in cash held	86	(34)	(5)	16	(32)
Cash at the beginning of the reporting period	210	296	262	257	273
Cash at the end of the reporting period	296	262	257	273	241

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	(1,644)	1,172	-	1,711	1,239
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	(1,644)	1,172	-	1,711	1,239
Net operating result	-	-	-	-	-
Estimated closing balance as at 30 June 2007	(1,644)	1,172	-	1,711	1,239

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	426	600	345	460	415
Total	426	600	345	460	415

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	property	property		military	infrastructure	and cultural	software	intangibles	
	\$'000	\$'000	\$'000	equipment	plant and	assets	\$'000	\$'000	\$'000
					equipment				
As at 1 July 2006									
Gross book value	-	-	-	-	4,658	-	574	-	5,232
Accumulated depreciation	-	-	-	-	(2,696)	-	(550)	-	(3,246)
Opening net book value	-	-	-	-	1,962	-	24	-	1,986
Additions:									
by purchase	-	-	-	-	585	-	15	-	600
Depreciation/amortisation expense	-	-	-	-	(729)	-	(20)	-	(749)
Disposals:									
other disposals	-	-	-	-	-	-	-	-	-
As at 30 June 2007									
Gross book value	-	-	-	-	5,243	-	589	-	5,832
Accumulated depreciation	-	-	-	-	(3,425)	-	(570)	-	(3,995)
Estimated closing net book value	-	-	-	-	1,818	-	19	-	1,837

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

The Commission does not have any administered items.

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

The Commission does not have any administered items.

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

The Commission does not have any administered items.

Table 5.10: Schedule of administered capital budget

The Commission does not have any administered items.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

The Commission does not have any administered items.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention, except for certain assets which are at valuation.

ROYAL AUSTRALIAN MINT

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ROYAL AUSTRALIAN MINT

Section 1: Overview

The Royal Australian Mint (the Mint) is a prescribed agency under the *Financial Management and Accountability Act 1997*. The Mint is responsible for producing all circulating and some numismatic coin for Australia. The Mint also produces a range of high quality collector coins together with minted non-coin products including medallions. The Mint's collector coin and minted non-coin business is commercial, within Government set parameters.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
Satisfy the Reserve Bank of Australia's forecast for circulated coin	The single outcome consists of one output group, namely coin production, associated policy advice and visitors services.	Output Group 1.1 Royal Australian Mint

Section 2: Resources for 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total capital appropriation for the Mint in the 2006-07 Budget is \$11.0 million. This appropriation represents the capital for refurbishment and the purchase of plant and equipment. The total resources (including capital appropriation) required for the Mint's operations in 2006-07 is estimated to be \$64.4 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

	Departmental				Administered				Total
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation resources \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	Appropriation SPPs \$'000	Other Appropriation resources \$'000	Special Appropriation resources \$'000	
Royal Australian Mint									
Outcome 1									
Satisfy the Reserve Bank of Australia's forecast for circulating coin	-	-	-	53,399	-	-	-	-	53,399
Equity injections	-	11,015	-	-	-	-	-	-	11,015
Total	-	11,015	-	53,399	-	-	-	-	64,414

2.2 2006-07 BUDGET MEASURES

Table 2.2 Royal Australian Mint measures

The Mint does not have any 2006-07 Budget measures.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by the Mint for provision of goods or services. These resources are approved for use by the Mint and are included in Table 2.1.

The use of a special account established under the *Financial Management and Accountability Act 1997* (FMA) enables the Mint to fund its operations from the production of circulating coin from the revenue received from the Reserve Bank of Australia. As such, funds are received indirectly via the amounts retained from seigniorage for the production of circulating coin.

The Mint uses the revenue from the sales of numismatic coins and like products to fund its other operations.

Table 2.3: Other resources available to be used

	Estimated receipts 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Goods and services	70,612	53,289
Other - resources received free of charge	110	110
Total departmental resources available to be used	70,722	53,399

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

The Mint does not have any movement of administered funds from 2005-06 to 2006-07.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

The Mint does not have any special appropriations.

2.6 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for the account used by the Mint. The Mint uses the special account for all of its operations.

Table 2.6: Estimates of special account flows and balances

	Opening balance	Credits	Debits	Adjustments	Closing balance
	2006-07	2006-07	2006-07	2006-07	2006-07
	<i>2005-06</i>	<i>2005-06</i>	<i>2005-06</i>	<i>2005-06</i>	<i>2005-06</i>
	\$'000	\$'000	\$'000	\$'000	\$'000
Royal Australian Mint Special Account	13,437 7,900	162,462 201,458	161,505 195,921	- -	14,394 13,437
Total special accounts					
2006-07 Budget estimate	13,437	162,462	161,505	-	14,394
Total special accounts 2005-06 estimated actual	7,900	201,458	195,921	-	13,437

Note: This special account is departmental in nature.

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The Mint will receive a departmental capital appropriation of \$11.0 million in 2006-07. This relates to funding of \$8.5 million for refurbishment of the Mint building and \$2.5 million for the purchase of plant and equipment. The Mint does not have an appropriation for administered capital or loan in the 2006-07 Budget.

Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items to contribute to the one outcome for the Royal Australian Mint (the Mint).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The Mint has one output, namely, ‘coin production, associated policy advice and visitors services’, that is fixed to a single outcome.

The relationship between activities of the Mint and the outcome is summarised in Figure 4.

Figure 4: Contributions to outcomes



Departmental outputs

The Mint delivers a single output – ‘coin production, associated policy advice and visitors services’.

Performance information for Outcome 1

Performance information for administered items, individual outputs and output groups relating to the Mint are summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Performance indicators for individual outputs

Output group 1: Royal Australian Mint

Output 1.1.1 - Coin production, associated policy advice and visitors services

Advice meets Treasury Portfolio Minister's needs in administering their responsibilities and implementing Government decisions as they relate to coinage and the Royal Australian Mint operations.

Produce circulating coin to Reserve Bank of Australia forecasts.

Meet financial performance targets.

Maintain the National Coin Collection and the Royal Australian Mint's Visitors Gallery and promote public understanding about the cultural and historical significance of coins.

Price: \$53.4 million

Evaluations for Outcome 1

Evaluation and review activities planned by the Mint for 2006-07 include:

- meeting RBA forecasts, measured on a monthly basis;
- review of the cost of production and related pricing of products;
- review of the organisational structure and work values; and
- feedback will be sought from key stakeholders on a regular basis on the effectiveness of advice and visitor services.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The Royal Australian Mint (the Mint) does not have any purchaser-provider arrangements with any other Government agencies.

4.2 COST RECOVERY ARRANGEMENTS

The Mint does not presently have cost recovery arrangements. All receipts from independent sources are excluded for the purposes of the *Australian Government Cost Recovery Guidelines* as the Mint complies with competitive neutrality principles.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

The Mint does not have any specific indigenous expenditure.

Section 5: Budgeted financial statements

A brief analysis of the Royal Australian Mint's (the Mint) budgeted financial statements is provided below. The budgeted financial statements will form the basis of the financial statements that will appear in the 2006-07 Annual Report.

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted financial statements

In the income statement the Mint has budgeted for a profit of \$1.2 million in 2006-07. Income from the sale of numismatic coin and like product is expected to remain steady in the forward years.

The balance sheet provides a consistent picture between the budget and previous financial years. The net asset position is expected to increase from previous financial years due to the replacement of old plant and equipment.

Departmental financial statements

The Mint has a sound financial position and currently has sufficient cash to fund ongoing provisions and payables, and asset replacements, as they fall due.

Budgeted departmental income statement

This statement provides a picture of the expected financial results for the Mint by identifying full accrual expenses and revenues, which indicates the sustainability of the Mint's finances.

The Mint is budgeting towards an operating result of a profit of \$1.2 million.

Budgeted departmental balance sheet

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

Budgeted departmental 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.

Departmental statement of changes in equity — summary of movement

Shows the budgeted movement in equity, from the operating result, changes in revaluations and injections of equity from capital appropriations.

Departmental capital budget statement

Shows all planned departmental capital expenditure, whether funded through capital appropriations for additional equity, or funded from internal sources.

Departmental property, plant, equipment and intangibles — summary of movement

Shows budgeted acquisitions and disposals of non financial assets during the Budget year.

Schedule of administered activity

Schedule of budgeted income and expenses administered on behalf of government

This schedule identifies the main revenues and expenses administered on behalf of the Australian Government.

Schedule of budgeted administered cash flows

This schedule identifies the cash flows administered on behalf of the Australian Government.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Goods and services	69,852	52,746	54,317	54,090	54,571
Interest	696	471	480	490	499
Rents	173	181	185	189	193
Total revenue	70,722	53,398	54,982	54,769	55,263
Total income	70,722	53,398	54,982	54,769	55,263
EXPENSE					
Employees	8,693	9,041	9,403	7,997	10,170
Suppliers	10,184	8,828	9,004	9,184	9,368
Depreciation and amortisation	1,133	1,152	1,135	1,144	1,157
Other	49,384	33,154	34,422	33,887	33,723
Total expenses	69,394	52,175	53,964	52,212	54,418
Operating result from continuing operations	1,326	1,223	1,018	2,557	845
Net surplus attributable to the Australian Government	1,326	1,223	1,018	2,557	845

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	13,446	14,403	16,846	18,095	20,254
Receivables	3,500	3,000	3,000	3,000	3,000
Tax assets	353	353	353	353	353
Total financial assets	17,298	17,756	20,198	21,447	23,606
Non-financial assets					
Infrastructure, plant and equipment	15,803	25,777	33,331	32,514	31,676
Inventories	21,223	22,000	22,000	22,000	22,000
Intangibles	373	296	257	230	211
Other	1,184	1,184	1,184	1,184	1,184
Total non-financial assets	38,583	49,257	56,772	55,928	55,071
Total assets	55,882	67,013	76,971	77,376	78,677
LIABILITIES					
Provisions					
Employees	3,150	3,276	3,054	2,964	3,407
Total provisions	3,150	3,276	3,054	2,964	3,407
Payables					
Suppliers	10,400	9,169	9,719	9,427	9,427
Other	1,031	1,043	1,055	1,068	1,080
Total payables	11,431	10,212	10,774	10,495	10,508
Total liabilities	14,581	13,488	13,828	13,458	13,915
EQUITY					
Contributed equity	12,789	24,344	32,388	32,388	32,388
Reserves	5,393	5,393	5,393	5,393	5,393
Retained surpluses	23,121	23,804	25,362	26,137	26,982
Total equity	41,301	53,541	63,143	63,918	64,762
Current assets	39,353	43,287	45,730	46,979	49,138
Non-current assets	16,529	23,726	31,241	30,397	29,540
Current liabilities	14,581	13,488	13,828	13,458	13,915
Non-current liabilities	-	-	-	-	-

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	197,086	151,280	158,943	155,214	155,696
Other	173	181	185	189	193
Total cash received	197,259	151,461	159,128	155,403	155,889
Cash used					
Employees	8,480	8,915	9,625	9,869	9,727
Suppliers	133,414	107,609	112,588	110,098	109,980
Other	49,384	33,931	34,422	33,887	33,723
Total cash used	191,278	150,455	156,635	153,854	153,430
Net cash from or (used by) operating activities	5,981	1,006	2,493	1,549	2,459
INVESTING ACTIVITIES					
Cash received					
Other	4,210	11,015	8,600	-	-
Total cash received	4,210	11,015	8,650	-	-
Cash used					
Purchase of property, plant and equipment	4,644	2,500	2,500	250	250
Other	-	8,565	6,150	50	50
Total cash used	4,644	11,065	8,650	300	300
Net cash from or (used by) investing activities	(434)	(50)	(50)	(300)	(300)
Net increase or (decrease) in cash held	5,547	956	2,443	1,249	2,159
Cash at the beginning of the reporting period	7,900	13,447	14,403	16,846	18,095
Cash at the end of the reporting period	13,447	14,403	16,846	18,095	20,254

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	23,121	5,393		12,789	41,303
Adjusted opening balance	23,121	5,393		12,789	41,303
Income and expense					
Sub-total income and expense	-	-	-	-	-
Net operating result	1,223	-	-	-	1,223
Total income and expenses recognised directly in equity	1,223	-	-	-	1,223
Transactions with owners					
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	11,015	11,015
Sub-total transactions with owners	-	-	-	11,015	11,015
Estimated closing balance as at 30 June 2007	24,344	5,393	-	23,804	53,541

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	4,210	11,015	8,600	-	-
Total loans	-	-	-	-	-
Total capital appropriations	4,210	11,015	8,600	-	-
Represented by:					
Purchase of non-financial assets	4,210	11,015	8,600	-	-
Other	-	-	-	-	-
Total represented by	4,210	11,015	8,600	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	4,210	11,015	8,600	-	-
Funded internally by departmental resources	434	50	50	300	300
Total	4,644	11,065	8,650	300	300

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	property	property		military	infrastructure	and cultural	software	intangibles	
	\$'000	\$'000	\$'000	equipment	plant and	assets	\$'000	\$'000	\$'000
					equipment				
As at 1 July 2006									
Gross book value	-	-	-	-	17,287	-	2,187	-	19,474
Accumulated depreciation	-	-	-	-	(1,484)	-	(1,814)	-	(3,298)
Opening net book value					15,803		373		16,176
Additions:									
by purchase	-	-	-	-	2,500	-	50	-	2,550
Depreciation/amortisation expense	-	-	-	-	(1,026)	-	(127)	-	(1,153)
As at 30 June 2007									
Gross book value	-	-	-	-	19,787	-	2,237	-	22,024
Accumulated depreciation	-	-	-	-	(2,510)	-	(1,942)	-	(4,452)
Estimated closing net book value					17,277		295		17,572

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Other sources of non-taxation revenues	122,876	99,264	104,076	101,417	101,125
Total non-taxation	122,876	99,264	104,076	101,417	101,125
Total revenues administered on behalf of Government	122,876	99,264	104,076	101,417	101,125
Total income administered on behalf of Government	122,876	99,264	104,076	101,417	101,125
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Other	122,876	99,264	104,076	101,417	101,125
Total expenses administered on behalf of Government	122,876	99,264	104,076	101,417	101,125

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

The Mint does not have any administered assets or liabilities.

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Other	122,878	99,264	104,076	101,417	101,125
Total cash received	122,878	99,264	104,076	101,417	101,125
Cash used					
Other	122,878	99,264	104,076	101,417	101,125
Total cash used	122,878	99,264	104,076	101,417	101,125
Net cash from or (used by) operating activities	-	-	-	-	-
Net increase or (decrease) in cash held	-	-	-	-	-
Cash at beginning of reporting period	-	-	-	-	-
Transfers from other entities (Finance - Whole of Government)	122,878	99,264	104,076	101,417	101,125
Transfers to other entities (Finance - Whole of Government)	122,878	99,264	104,076	101,417	101,125
Cash at end of reporting period	-	-	-	-	-

Table 5.10: Schedule of administered capital budget

The Mint does not have any administered capital.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

The Mint does not have any administered property, plant, equipment and intangibles.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Departmental

Basis of accounting

The Mint's budgeted statements have been prepared on an accrual basis and in accordance with historical cost convention, except for certain assets which are at valuation.

Revenues and expenses are recognised into the operating statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Budgeted departmental income statement

Revenues

Revenue is derived from the sale of numismatic coin, the production of circulating coin and the sale of coin like products. The amount of revenue earned in any one year is dependent upon the demand for such products by the coin collecting market.

Expenses

Employees

This includes wages and salaries, superannuation, provision for annual leave and long service leave and workers compensation.

Depreciation and amortisation

Depreciable assets are written off over their estimated useful lives. Depreciation is calculated using the straight-line method.

Other

Other expenses include the cost of goods sold.

Budgeted departmental balance sheet

Non-financial assets

Inventory

Inventories held for resale are at the lower of cost and net realisable value. Work in progress and finished goods are brought to account to include direct costs and a proportion of direct labour and overhead. All precious metals are purchased and brought to account at cost and expensed as used.

Provisions and payables

Employees

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave, as all sick leave is non vesting.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows in respect of all employees.

Asset valuation

Australian Government agencies are required to value property, plant and equipment and other infrastructure assets using the fair value method of valuation.

Departmental capital budget statement

This shows proposed capital expenditure for the ongoing replacement programme of non-financial assets. This asset replacement programme is being funded by capital appropriation. In 2006-07, \$2.5 million will be provided for the replacement of plant and equipment and \$8.5 million for the refurbishment of the Mint.

Administered

Seigniorage is collected by the Mint on behalf of the Australian Government. Seigniorage represents the difference between the face value of coinage sold to the Reserve Bank of Australia and its cost of production to the Mint. Seigniorage is treated as an administered item within the Mint's administered budget statements.

PORTFOLIO GLOSSARY

Accrual accounting	System of accounting where items are brought to account and included in the financial statements as they are earned or incurred, rather than as they are received or paid.
Accumulated depreciation	The aggregate depreciation recorded for a particular depreciating asset.
Administered items	Expenses, revenues, assets or liabilities managed by agencies on behalf of the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third party outputs.
Additional estimates	Where amounts appropriated at Budget time are insufficient, Parliament may appropriate more funds to portfolios through the Additional Estimates Acts.
Appropriation	An authorisation by Parliament to spend moneys from the Consolidated Revenue Fund for a particular purpose.
Annual Appropriation	Two appropriation Bills are introduced into Parliament in May and comprise the Budget for the financial year beginning 1 July. Further Bills are introduced later in the financial year as part of the additional estimates. Parliamentary departments have their own appropriations.
Capital expenditure	Expenditure by an agency on capital projects, for example purchasing a building.
Consolidated Revenue Fund	Section 81 of the Constitution stipulates that all revenue raised or money received by the Commonwealth forms the one consolidated revenue fund (CRF). The CRF is not a bank account. The Official Public Account reflects most of the operations of the CRF.

Departmental items	Assets, liabilities, revenues and expenses that are controlled by the agency in providing its outputs. Departmental items would generally include computers, plant and equipment assets used by agencies in providing goods and services and most employee expenses, supplier costs and other administrative expenses incurred.
Depreciation	Apportionment of an asset's capital value as an expense over its estimated useful life to take account of normal usage, obsolescence, or the passage of time.
Effectiveness indicators	Measures the joint or independent contribution of outputs and administered items to the achievement of their specified outcome.
Efficiency indicators	Measures the adequacy of an agency's management of its outputs (and where applicable, administered items). Includes price, quality and quantity indicators. The interrelationship between the three efficiency indicators of any one output should be considered when judging efficiency.
Equity or net assets	Residual interest in the assets of an entity after deduction of its liabilities.
Expense	Total value of all of the resources consumed in producing goods and services or the loss of future economic benefits in the form of reductions in assets or increases in liabilities of an entity.
Fair value	Valuation methodology: the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The fair value can be affected by the conditions of the sale, market conditions and the intentions of the asset holder.

Intermediate outcomes	More specific medium-term impacts (for example, trend data, targets or milestones) below the level of the planned outcomes specified in the Budget. A combination of several intermediate outcomes can at times be considered as a proxy for determining the achievement of outcomes or progress towards outcomes. (<i>see outcomes</i>)
Operating result	Equals revenue less expense.
Outcomes	The Government's objectives in each portfolio area. Outcomes are desired results, impacts or consequences for the Australian community as influenced by the actions of the Australian Government. Actual outcomes are assessments of the end-results or impacts actually achieved.
Output groups	A logical aggregation of agency outputs, where useful, and based either on homogeneity, type of product, business line or beneficiary target group. Aggregation of outputs may also be needed for the provision of adequate information for performance monitoring, or based on a materiality test.
Outputs	The goods and services produced by agencies on behalf of government for external organisations or individuals. Outputs also include goods and services for other areas of government external to the agency.
Price	One of the three key efficiency indicators. The amount the government or the community pays for the delivery of agreed outputs.
Quality	One of the three key efficiency indicators. Relates to the characteristics by which customers or stakeholders judge an organisation, product or service. Assessment of quality involves use of information gathered from interested parties to identify differences between user's expectations and experiences.

Glossary

Quantity	One of the three key efficiency indicators. Examples include: the size of an output; count or volume measures; how many or how much.
Revenue	Total value of resources earned or received to cover the production of goods and services.
Special Account	Balances existing within the Consolidated Revenue Fund (CRF) that are supported by standing appropriations (<i>Financial Management and Accountability Act 1997</i> (FMA Act), subsection 20 and 21). Special accounts allow money in the CRF to be acknowledged as set-aside (hypothecated) for a particular purpose. Amounts credited to a Special Account may only be spent for the purposes of the Special Account. Special Accounts can only be established by a written determination of the Finance Minister (section 20 FMA Act) or through an Act of Parliament (referred to in section 21 of the FMA Act).
Special Appropriations (including Standing Appropriations)	<p>An amount of money appropriated by a particular Act of Parliament for a specific purpose and number of years. For special appropriations the authority to withdraw funds from the Consolidated Revenue Fund does not generally cease at the end of the financial year.</p> <p>Standing appropriations are a sub-category consisting of ongoing special appropriations – the amount appropriated will depend on circumstances specified in the legislation.</p>