

AUSTRALIAN CUSTOMS SERVICE

SECTION 1: AGENCY OVERVIEW	101
SECTION 2: AGENCY RESOURCES FOR 2005–06	104
2.1: Appropriations and other resources	104
2.2: 2005–06 budget measures	104
2.3: Other receipts available to be used	109
2.5: Special appropriations	109
2.6: Special accounts	111
SECTION 3: AGENCY OUTCOMES	112
3.1: Summary of outcomes, outputs and administered items	112
3.2: Outcomes – departmental and administered	112
3.3: Outcome 1 - resourcing	112
SECTION 4: OTHER REPORTING REQUIREMENTS	121
4.1: Purchaser-provider arrangements	121
4.2: Cost recovery arrangements	122
4.3: Australian Government Indigenous Expenditure (AGIE)	123
SECTION 5: BUDGETED FINANCIAL STATEMENTS	124
5.1: Analysis of budgeted financial statements	124
5.2: Budgeted financial statements tables	126
5.3: Notes to the financial statements	133

AUSTRALIAN CUSTOMS SERVICE

Section 1: Agency overview

The goal of the Australian Customs Service is to provide the nation with effective border management. In line with the Government's commitments to increase border protection and to combat the importation and use of illicit drugs, Customs protects Australia's interests by detecting, controlling and, where appropriate, preventing the entry and exit of individuals and goods that have the potential to adversely affect the safety or quality of life in Australia. Customs provide effective border management to facilitate the legitimate movement of goods and people across the Australian border while protecting the community and maintaining appropriate compliance with our laws. In addition, Customs collects revenue and administers trade measures and certain Government industry schemes.

The Government announced in the 2005-06 Budget the three per cent tariff applying to business inputs imported under a Tariff Concession Order (TCO) would be removed effective from 11 May 2005. Currently, business inputs imported under a TCO attract a three per cent concessional tariff rate, as the imported goods do not have any domestically produced substitutes. This measure will now provide these business inputs with duty free entry, thus helping to reduce business input costs and increase competitiveness of Australian business. The measure is expected to cost \$1.29b over five years including \$36m in 2004-05.

In 2005-06, Customs will continue to support the Government priorities relating to counter-terrorism, security arrangements and *Protecting our Borders*. Customs will continue to strengthen maritime security including having responsibility for jointly co-ordinating with Defence, available resources through the new Joint Offshore Protection Command role to address maritime oil and gas infrastructure.

Biometric Technology

The Government has agreed to provide Customs additional funding of \$61.7m in 2005-06 to 2008-09 for the development and implementation of biometric technology for border processing at Australia's major airports.

The new technology will enable better and more accurate identification and screening of passengers and an increased capacity to process passengers speedily.

Biometric technology makes use of facial recognition technology to automate the processing of passengers who are holders of biometric enabled ePassports. This initiative is timed to accommodate the progressive introduction of ePassport in Australia from October 2005 and builds on the technology developed through the SmartGate trial in Sydney and Melbourne airports.

Arming of Customs Patrol Boats

The increased funding of \$25.2m over four years in the 2005–06 Budget will enable Customs to install deck mounted machine guns on its eight 38 metre Bay Class vessels.

Customs has assessed that the level of risk when conducting boarding at sea has increased significantly in the last three years. The boarding parties currently carry out these operations with limited personal protection. Intercepted vessels are increasingly refusing to comply with directions to stop. This new initiative will increase Australian Customs Vessels (ACV) capacity both to enforce directions to vessels to comply with directions to stop and allow boarding, and also enhance the safety of the boarding party.

Southern Ocean Maritime Patrol and Response

The Government has committed to the continuation of armed patrols to the Southern Oceans through to 2010 at a total cost of \$201.3m for the period 2005–06 to 2009–10. This highlights the Government's commitment to long-term protection of Australian interests in its territorial waters surrounding Heard Island and McDonald Islands.

This funding extends the existing armed patrols in the Southern Ocean utilising a leased vessel.

These patrols protect against illegal fishing and other criminal activity in Australian territorial waters, and have proven to be very effective. This initiative, coupled with strong relationships and treaties Australia has forged with other nations demonstrates that Australia is leading the way in the fight against illegal fishing in this sensitive environmental and ecological environment.

Additional Customs Resources in China

The Government has agreed to provide Customs \$7.4m over four years in the 2005–06 Budget to extend activities in China to strengthen its capacity to deal with anti dumping matters, other trade measures and border protection. The additional resources reflect the importance of Australia's developing relationship with China.

Solomon Islands Customs and Excise division institutional strengthening program

With the stabilisation of law and order in the Solomon Islands, the program of reform has been expanded. Customs has been allocated \$5.2m over four years to assist the Solomon Islands to better protect the integrity of its borders and improve commercial processes and revenue collections.

Table 1.1: Agency outcomes and output groups

Australian Customs Service	
CEO: Mr Lionel Woodward AO	
Total price of Outputs	\$978.4m
Departmental Outcome Appropriation	\$783.2m
Total Administered Expenses	\$0.28m
Outcome 1: Effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics	
Total Price	\$978.4m
Departmental Output Appropriation	\$783.2m
Total Administered Expenses	\$0.28m
Output Group 1: Passenger movement and intelligence	
Total Price	\$261.6m
Appropriation	\$241.0m
Administered Expenses	\$0.12m
Output Group 2: Border compliance and enforcement	
Total Price	\$375.8m
Appropriation	\$355.3m
Administered Expenses	\$0.12m
Output Group 3: Cargo regulation, trade facilitation and revenue collection	
Total price	\$104.4m
Appropriation	\$88.3m
Administered Expenses	\$0.04m
Output Group 4: Civil maritime surveillance and response	
Total price	\$236.6m
Appropriation	\$99.4m
Administered Expenses	Nil

Section 2: Agency resources for 2005–06

2.1: APPROPRIATIONS AND OTHER RESOURCES

The total Departmental appropriation for the Australian Customs Service in the 2005–06 Budget is \$783.2m.

This includes \$16.5m of new operating expense measures and \$3.1m in associated new capital measures.

Departmental equity injections and loans

During 2005–06 Customs will receive a Departmental equity injection of \$16.4m. The funding approved by the Government in the 2005–06 Budget process, includes \$1.5m for an increase in Customs compliance resources, \$0.8m for Arming of Australian Customs Vessels, \$0.7m for development of automated border processing system and \$0.1m to enable Customs to commence a program that will assist regional countries to improve border control in critical areas.

At 2004–05 Additional Estimates, Customs received capital funding for Biological and Chemical Agent Screening Capability (\$4.2m) and Waterfront Closed Circuit Television (\$5.9m) to add to the \$3.1m for the marine fleet finance lease payment which will be available in 2005–06.

2.2: 2005–06 BUDGET MEASURES

Budget measures relating to the Australian Customs Service as explained in Budget Paper No. 2 are summarised in Tables 2.2.1 and 2.2.2. The tables also identify the relevant outcomes and outputs associated with each measure.

Table 2.1: Appropriations and other revenue 2005–06¹ ('000)

Outcome	Appropriations					Revenue from Other Sources ⁵		Total Resources ⁷
	Bill No. 1	Bill No. 2 ²	Special approp ³	Total approp ⁴	% ⁶		% ⁶	
Outcome 1 Effective border management that, with minimal disruption to legitimate trade and travel prevents illegal movement across the border, raises revenue and provide trade statistics.								
Administered	280	-	-	280		311,202		311,482
Departmental	783,265	-	-	783,265	80	195,181	20	978,446
Total outcome 1	783,545	-	-	783,545		506,383		1,289,928
Departmental capital (equity injections)								
Previous year's outputs		16,452		16,452				16,452
Administered assets and liabilities								
Total resources	783,545	16,452	-	799,997		506,383		1,306,380

1 This table corresponds with Budget Paper No. 4 'Agency Resourcing'. It includes (where applicable) administered revenue from other sources.

2 Under the appropriation structure, Bill No. 2 includes Specific Purpose Payments (SPPs), New Agency Outcomes (NAOs), administered capital and departmental capital via departmental injections and loans.

3 Estimated expenses from individual Special appropriations are shown at Section 3, Tables 3.1, etc.

4 Total appropriations = Bill No. 1 + Bill No. 2 + Special appropriations.

5 Revenue from other sources includes FMA s.31 revenues, CAC body revenues that are available to be expensed, special accounts (non-appropriation revenues) and resources received free of charge.

6 Percentage figures indicate the percentage contribution of Revenue from Government (departmental appropriations) to the total price of outputs, by outcome, and the percentage contribution of Revenue from other sources (departmental) to the total price of outputs, by outcome.

7 Total resources = Total appropriations + Revenue from other sources.

Note: Refer to Departmental Budgeted statement of financial performance for application of agency revenue.

Table 2.2.1: Summary of expenses measures disclosed in the 2005–06 Budget (impact on fiscal balance)

Measure	Outcome	Outputs Affected	Appropriations Budget 2005–06 (\$'000)			Appropriations Forward Estimate 2006–07 (\$'000)			Appropriations Forward Estimate 2007–08 (\$'000)			Appropriations Forward Estimate 2008–09 (\$'000)			
			Admin Expenses	Dept Outputs	Total	Admin Expenses	Dept Outputs	Total	Admin Expenses	Dept Outputs	Total	Admin Expenses	Dept Outputs	Total	
Quarantine Border Security	1	1.1 1.2	-	-	-	-	-	62,500	-	62,500	-	-	62,500	-	62,500
Providing for Australia's Security - biometrics for border control - automated border processing	1	1.1	-	7,306	7,306	-	11,566	-	11,566	-	5,828	-	5,828	-	1,527
Providing for Australia's Security - regional counter-terrorism assistance - improved border control in the Sulu and Celebes Seas region	1	1.1	-	1,001	1,001	-	1,012	-	1,012	-	1,024	-	1,024	-	1,036
Regional Assistance Mission to the Solomon Islands	1	1.3	-	1,409	1,409	-	1,323	-	1,323	-	1,236	-	1,236	-	1,251
Asia Pacific Economic Cooperation 2007	1	1.3	-	146	146	-	517	-	517	-	353	-	353	-	-
Imports - additional revenue compliance activities	1	1.2	-	6,533	6,533	-	6,617	-	6,617	-	6,706	-	6,706	-	6,797
Southern Ocean Surveillance - continuation	1	1.2	-	-	-	-	41,071	-	41,071	-	41,433	-	41,433	-	41,926
Australia - United States Free Trade Agreement	1	1.3	-	343	343	-	347	-	347	-	351	-	351	-	363
Customs activities in China	1	1.3	-	1,816	1,816	-	1,836	-	1,836	-	1,857	-	1,857	-	1,879

Table 2.2.1: Summary of expenses measures disclosed in the 2005–06 Budget (impact on fiscal balance) (continued)

Measure	Outcome	Outputs Affected	Appropriations Budget 2005–06 (\$'000)			Appropriations Forward Estimate 2006–07 (\$'000)			Appropriations Forward Estimate 2007–08 (\$'000)			Appropriations Forward Estimate 2008–09 (\$'000)		
			Admin Expenses	Dept Outputs	Total	Admin Expenses	Dept Outputs	Total	Admin Expenses	Dept Outputs	Total	Admin Expenses	Dept Outputs	Total
Arming Australian Customs Service vessels	1	1.2	-	6,003	6,003	-	6,056	6,056	-	6,126	6,126	-	6,196	6,196
Efficiency dividend - increase in the rate from 1 per cent to 1.25 per cent	1	All	-	(1,435)	(1,435)	-	(2,948)	(2,948)	-	(4,460)	(4,460)	-	(4,460)	(4,460)
Total			-	23,122	23,122	-	67,397	67,397	-	122,954	122,954	-	119,015	119,015

Table 2.2.2: Summary of capital measures disclosed in the 2005–06 Budget

Measure	Outcome	Outputs Affected	Appropriations Budget 2005–06 (\$'000)			Appropriations Forward Estimate 2006–07 (\$'000)			Appropriations Forward Estimate 2007–08 (\$'000)			Appropriations Forward Estimate 2008–09 (\$'000)		
			Admin Expenses	Dept Outputs	Total	Admin Expenses	Dept Outputs	Total	Admin Expenses	Dept Outputs	Total	Admin Expenses	Dept Outputs	Total
Providing for Australia's Security - biometrics for border control - automated border processing	1	1.1	-	667	667	-	14,559	14,559	-	10,219	10,219	-	10,069	10,069
Providing for Australia's Security - regional counter-terrorism assistance - improved border control in the Sulu and Celebes Seas region	1	1.1	-	105	105	-	-	-	-	-	-	-	-	-
Imports - additional revenue compliance activities	1	1.2	-	1,584	1,584	-	-	-	-	-	-	-	-	-
Southern Ocean Surveillance - continuation	1	1.2	-	-	-	-	540	540	-	-	-	-	-	-
Arming Australian Customs Service vessels	1	1.2	-	820	820	-	-	-	-	-	-	-	-	-
Asia Pacific Economic Cooperation 2007	1	1.3	-	-	-	-	210	210	-	-	-	-	-	-
Total				3,176	3,176		15,309	15,309		10,219	10,219		10,069	10,069

2.3: OTHER RECEIPTS AVAILABLE TO BE USED

Relevant receipts for Customs are set out below.

Table 2.3: Other receipts available to be used

Outcome	Estimated Receipts 2004-05 \$'000	Budget Estimate 2005-06 \$'000
DEPARTMENTAL OTHER RECEIPTS		
Resources received free of charge	137,037	137,037
Sales of goods and services	55,606	58,144
Total departmental other receipts available to be used	192,643	195,181

2.5: SPECIAL APPROPRIATIONS

Of the gross Customs duty income, Customs collects on behalf of the Government, an estimate is made for the repayment of duty refunds and drawbacks resulting from overpayments of duty or subsequent export of previously imported goods. The figures in the table below represent the estimated duty rebates expected to be paid.

Table 2.5: Estimates of expenses from special appropriations

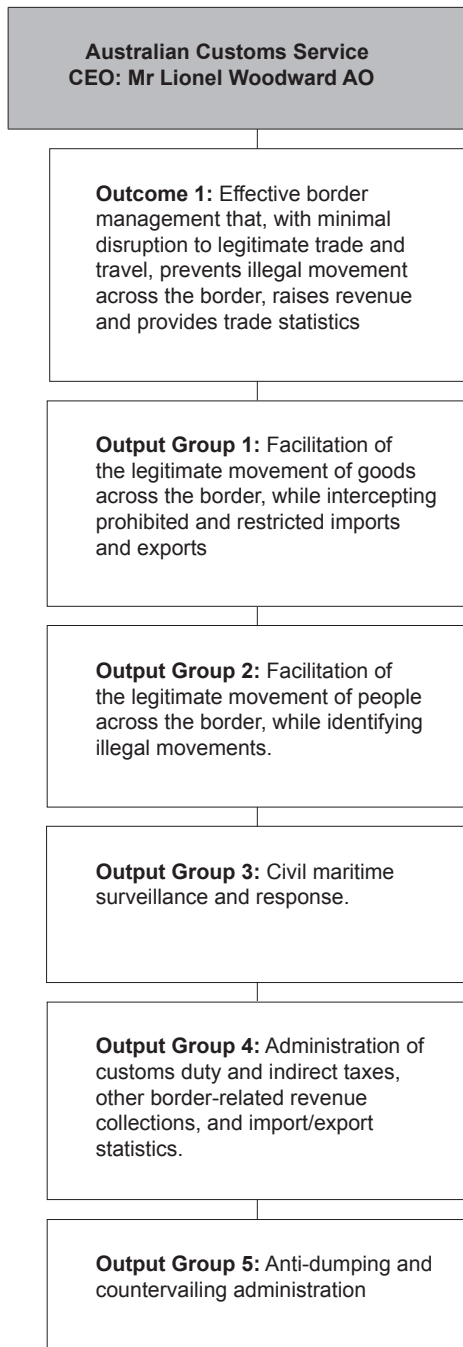
Outcome	Estimated Expenses 2004-05 \$'000	Budget Estimate 2005-06 \$'000
Compensation for Acquisition of Property*	1	-
Investment of Public Money**	1	122
Customs Duty and Other Repayments ***	1	306,172
Total estimate expenses	306,172	311,202

* *Customs Act 1901 - Section 4AB*

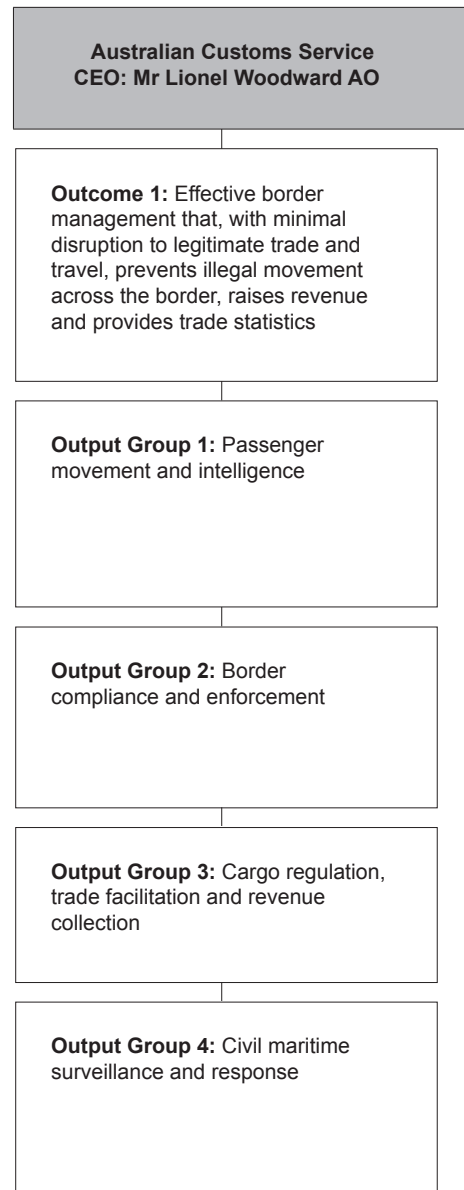
** *Section 39(9) Investment of Public Money*

*** *Section 28 Repayments Required or Permitted by Law
Financial Management and Accountability Act*

Old Outcome and Outputs Map



New Outcome and Outputs Map



2.6: SPECIAL ACCOUNTS

Table 2.6: Estimates of special account flows and balances

Special accounts		Estimate - 2005-06, Heavy Figures				
		Estimated Actual - 2004-05, Light Figures				
Name of account	Notes	Opening Balance	Receipts	Payments	Adjustments	Closing Balance
		2005-06 2004-05	2005-06 2004-05	2005-06 2004-05	2005-06 2004-05	2005-06 2004-05
		\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Moneys Reserve (Australian Customs Service) – <i>Financial Management and Accountability Act 1997; s20</i>		1,383	744	1,301	-	826
		5,933	744	5,294	-	1,383
Tradegate Fees Reserve (Australian Customs Service) – <i>Financial Management and Accountability Act 1997; s20</i>		258	2,299	2,557	-	-
		387	18,389	18,518	-	258
Security Deposits Reserve (Australian Customs Service) – <i>Financial Management and Accountability Act 1997; s20</i>		7,424	7,316	7,304	-	7,437
		6,362	8,366	7,304	-	7,424
Industry Related Systems (Australian Customs Service) – <i>Financial Management and Accountability Act 1997; s20</i>		2,806	-	2,806	-	-
		2,785	122	100	-	2,806
Total Special Accounts 2005-06 Budget Estimate		11,871	10,359	13,968	-	8,263
<i>Total Special Accounts 2004-05 Estimated Actual</i>		<i>15,467</i>	<i>27,621</i>	<i>31,216</i>	<i>-</i>	<i>11,871</i>

Notes

1. The Opening Balance for 2005-06 is the same as the closing balance of 2004-05.
2. Receipts from appropriation and other sources are further specified in the Total Resources for Outcome 1 tables.

Section 3: Agency outcomes

This section explains how the resources identified in Section 2 will be used to deliver Outputs and administered items to contribute to Customs outcome.

3.1: SUMMARY OF OUTCOMES, OUTPUTS AND ADMINISTERED ITEMS

The following section provides a departmental overview, the Customs Outcome and a table showing the relationship between the Outcome and Outputs.

Output cost attribution

The methodology used by Customs to attribute overheads and other expenses between outputs and to determine the full price of each output is through the use of an Activity-Based Costing (ABC) model developed by the agency. Approximately 80 percent of Customs costs can be directly attributed to an output. For the remaining 20 percent, using FTE as the cost driver, the ABC model allocates overhead expenses to outputs on a FTE per output basis.

Changes to outcome and outputs

The Outcome for Customs is same as the 2004–05 Portfolio Budget Statement.

The Customs Output structure and performance measures have been revised to improve reporting to Parliament by aligning pricing with functions and to better reflect the integrated nature of Customs activities.

3.2: OUTCOMES — DEPARTMENTAL AND ADMINISTERED

Australian Customs has one Outcome, reflecting the integrated nature of the work undertaken by Customs, which is *Effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics.*

3.3: OUTCOME 1 - RESOURCING

Table 3.1 shows how the 2005–06 Budget appropriations translate to total resourcing for Outcome 1, including administered expenses, revenue from Government (appropriation), revenue from other sources (departmental) and the total price of Outputs.

Table 3.1 Total resources for Outcome 1

	Estimated Actual 2004–05 \$'000	Budget Estimate 2005–06 \$'000
ADMINISTERED APPROPRIATIONS		
World Customs Organisation contribution	248	280
Total administered appropriations	248	280
DEPARTMENTAL APPROPRIATIONS		
Output Group 1 - Passenger Movement and Intelligence.	235,383	240,098
Output Group 2 - Border Compliance and Enforcement.	339,273	355,319
Output Group 3 - Cargo regulation, trade facilitation and revenue collection.	85,474	88,378
Output Group 4 - Civil maritime surveillance and response.	98,166	99,470
Total departmental appropriations	758,296	783,265
Total revenue from Government (appropriations) Contributing to price of departmental outputs	758,296	783,265
REVENUE FROM OTHER SOURCES		
Output Group 1 - Passenger Movement and Intelligence.	20,589	21,494
Output Group 2 - Border Compliance and Enforcement.	19,646	20,512
Output Group 3 - Cargo regulation, trade facilitation and revenue collection.	15,260	16,028
Output Group 4 - Civil maritime surveillance and response.	137,148	137,147
Total revenue from other sources	192,643	195,181
Total price from departmental outputs (Total revenue from government and from other sources)	950,939	978,446
from Special Accounts (estimated payments from Special Account balances)		
Other Trust Monies Reserve - s20 FMA Act 1997	5,294	1,301
Tradegate Fees Reserve - s20 FMA Act 1997	18,518	2,557
Security Deposits Reserve - s20 FMA Act 1997	7,304	7,304
Industry Related System Development Fund - s20 FMA Act 1997	100	2,806
Services for Other Government & Non Government Bodies - s20 FMA Act 1997		-
Total Departmental Special Account outflows	31,216	13,968
Total estimated resourcing for Outcome 1 (Total price of outputs and administered appropriations)	951,187	978,726
	2004–05	2005–06
Average staffing level (number)	4,731	4,902

1. Flows into Special Accounts are also shown in the receipts column of the Special Accounts table in Table 2.6.
2. 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.
3. Where names of Acts have been abbreviated, the full name of the Act can be found in the Acts Glossary at the end of Table 2.6.

Measures affecting Outcome 1

A summary of measures in the 2005–06 Budget is at tables 2.2.1 and 2.2.2.

Performance information for Outcome 1

OUTPUT GROUP 1: Passenger movement and intelligence

This Output Group covers:

- the processing of passengers, crew, and aircraft arriving and departing Australia
- risk assessment of passengers, crew, baggage, craft, cargo and mail
- intelligence and targeting activities for the identification of people and goods of interest consistent with Customs, immigration, health, family law and other law enforcement and national security requirements, and
- law enforcement strategy and security.

OUTPUT GROUP 2: Border compliance and enforcement

This Output Group covers the processing of goods across the border in order to prevent the import or export of prohibited items and to control the movement of restricted items, including:

- search and compliance activities of ships entering Australia
- surveillance of waterfronts and international mail centres
- controlling or restricting the movement of restricted or prohibited goods on behalf of other agencies
- investigations and prosecutions related to the Customs Act for non-narcotic prohibited goods, import fraud and duty evasion
- the evaluation and implementation of a range of new technologies
- policy development and management of container examination facilities
- land-based surveillance of the coastline, and marine surveillance and response carried out for specific operations by the National Marine Unit and the surveillance patrols of the Southern Oceans, and
- real-time and post-transaction compliance activity related to revenue protection and collection.

OUTPUT GROUP 3: Cargo regulation, trade facilitation and revenue collection

This Output Group covers:

- the development and management of the electronic integrated cargo system
- the investigation of dumping and countervailing complaints and the determination, implementation and review of appropriate measures to address them
- the administration of customs duty and indirect taxes, through the processing of all imported and exported cargo and mail, and items entering and leaving Australia with passengers and crew, and
- the administration of revenue collection activity including Customs-related revenue collections associated with craft movements, and collection of the Passenger Movement Charge, the assessment and collection of GST, LCT and WET, and the administration of TRS.

Related activity also includes:

- tariff classification, valuation advice and rules of origin services
- licensing of depots, warehouses and Customs brokers
- the investigation of industry referrals
- the administration of drawback, refund and concessional arrangements for importers and exporters
- the provision of import/export data and statistics, and
- the administration of various industry import duty concession/levy schemes.

OUTPUT GROUP 4: Civil maritime surveillance and response

This output group covers the provision of air and sea based civil maritime surveillance and response services to a number of Government agencies. The aim of the output is to detect, report and respond to potential or actual non-compliance with relevant laws in coastal offshore regions. It also covers the range of Coastwatch capabilities delivered through the Joint Offshore Protection Command. In particular, the protection of Australia's offshore oil and gas facilities, the offshore interdiction of ships and the detection and response to any terrorist threat to Australia's maritime assets and coastline.

Specific surveillance and response operations conducted by the National Marine Unit in relation to prohibited imports are reported under Output Group 2.

OUTCOME 1 - Effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics.

Table 3.2: Performance Information for Outcome 1 (see footnotes at end of table)

Performance Indicators for Individual Outputs	
Effectiveness – Overall achievement of the Outcome	
<p>Minimum disruption to legitimate trade and travel</p> <p>Cargo Facilitation</p> <p>Passenger Facilitation</p> <p>Prevent illegal movement across the border</p> <p>**Weight and number of drug detections by significance of offence</p> <p>**Weight of drug detections by mode of importation</p> <p>Trends in the number and weight of drug detections</p> <p>Trends in the number of detections and/or seizures of other prohibited imports</p> <p>Undetected vessels subsequently found to have breached the Australian border</p> <p>Raise revenue</p> <p>Significant revenues collected (including Customs duty, GST collected and Passenger Movement Charge)</p>	<p>Proportion of electronically lodged import declarations where an authority to deal is transmitted within 15 minutes of finalisation of details. Target : 97%</p> <p>National proportion of arriving international passengers processed through the entry control point within 30 minutes of joining the queue. Target: 95%</p> <p>*</p> <p>*</p> <p>The number and weight of drug detections, other detections of prohibited imports and exports and vessels cannot be estimated through any reliable statistical or other method but actual levels achieved will be reported in the Annual Report</p> <p>No target is set but actual levels will be reported in the Annual Report</p> <p>Forecast: \$7,393 million (net of GST deferred)</p>
<p>Output Group 1: Passenger movement and intelligence</p> <p>Quality</p> <p>Proportion of arriving international air passengers processed through the Entry Control Point within 30 minutes</p> <p>Number of air passenger referrals to Immigration and Health</p> <p>Customs staff and contractors are security cleared</p>	<p>Target: 95%</p> <p>*</p> <p>Target: 100%</p>

<p>Quantity</p> <p>Number of international passengers (air and sea)</p> <p>Number of international crew (air and sea)</p> <p>Price: \$261.6m</p>	<p>Forecast: Arrivals 11,050,000 Forecast: Departures 11,030,000</p> <p>Forecast: Arrivals 918,500 Forecast: Departures 918,500</p>
<p>Output Group 2: Border compliance and enforcement</p> <p>Quality</p> <p>Number of fraud/evasion cases adopted for prosecution</p> <p>Number of detections and/or seizures of other prohibited imports and exports</p> <p>Number of illegal, unregulated and unreported (IUU) vessels sighted and identified in Australia's EEZ in the Southern Ocean</p> <p>Number of IUU vessels boarded in the Southern Ocean</p> <p>Number of IUU vessels apprehended in the Southern Ocean</p> <p>Percentage of vessels boarded at first port</p> <p>Percentage of vessels boarded at first port</p> <ul style="list-style-type: none"> - imported HVLV documents and postal items - imported air cargo consignments <p>Number of containers physically examined at Container Examination Facilities</p> <p>Number of complaints formally received about Container Examination Facility operations</p> <p>Revenue and compliance assurance activity:</p> <ul style="list-style-type: none"> Imports – The customs value of goods imported by companies subject to compliance activity as a proportion of total Customs value reported Exports – The FOB of goods exported by companies subject to compliance activity as a proportion of total FOB reported <p>Quantity</p> <p>Number of fraud/evasion cases adopted for investigation</p> <p>Southern Ocean Surveillance (patrol days)</p> <p>National Marine Unit (patrol days)</p> <p>Number of containers inspected (x-rayed) at Container Examination Facilities</p> <p>Price: \$375.8m</p>	<p>Forecast: 18 - 25</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>Target: 75%-80%</p> <p>Target: 100%</p> <p>Target: 2,500,000 - 3,000,000</p> <p>*</p> <p>*</p> <p>Target: 10%</p> <p>Target: 10%</p> <p>Forecast: 55 - 75</p> <p>Target: 200</p> <p>Target: 2,400</p> <p>Target: 133,000 teus</p>

Table 3.2: Performance Information for Outcome 1 (continued)

Performance Indicators for Individual Outputs	
Effectiveness – Overall achievement of the Outcome	
Output Group 3: Cargo regulation, trade facilitation and revenue collection	
Quality	
Proportion of electronically lodged import declarations where an authority to deal is transmitted within 15 minutes of finalisation of details	Target: 97%
Electronic cargo systems – availability to Customs clients (availability against typical work day)	Target: 99.7%
Rates of appeal against decisions where the original decision by Customs is overturned	*
Number of external appeals against decisions:	
Granting of Tariff Concession Orders	Forecast: 10 - 15
Eligibility for 4th Schedule By-law	Forecast: 1 - 5
Proportion of drawbacks and refunds delivered in accordance with standards	Drawbacks 90%
	Refunds 100%
Proportion of concessional arrangements for importers and exporters delivered in accordance with standards	Target: 100%
Proportion of anti-dumping/countervailing cases and reviews completed within 155 days:	
Cases	Target: 100%
Reviews	Target: 100%
Quantity	
Number of customs import declarations lodged [^]	Forecast: Electronic 3,822,000 Forecast: Manual 24,800
Number of air cargo screened free consignments [^]	Forecast: 2,645,000
Number of imported air waybills reported	Forecast: 6,015,000
Number of imported sea cargo manifest lines reported	Forecast: 2,075,000
Number of export declarations issued [^]	Forecast: 1,320,000
Revenue adjustments:	
Recoveries	*
Refunds	Forecast: \$311 million
Significant revenues collected (including Customs Duty, GST and Passenger Movement Charge)	Forecast: \$7,393 million (net of GST deferred)
Number of drawback applications	Forecast: 10,500 - 11,500
Number of refund applications	Forecast: 23,000

<p>Major duty concessions:</p> <ul style="list-style-type: none"> Tariff Concession System Cheese and Curd Quota <p>Number of anti-dumping/countervailing cases</p> <ul style="list-style-type: none"> Carried forward from 2004-05 Lodged Rejected Withdrawn/terminated Concluded (approved by Minister) Carried forward to 2006-07 <p>Number of anti-dumping/countervailing reviews</p> <ul style="list-style-type: none"> Carried forward from 2004-05 Initiated Rejected Withdrawn/terminated Concluded (approved by Minister) Carried forward to 2006-07 <p>Appeals to Federal Court</p> <p><i>Price: \$104.4m</i></p>	<p>Forecast: \$770- \$790 million</p> <p>Forecast: \$10 - \$11 million</p> <p>#</p> <p>#</p> <p>*</p>
<p>Output Group 4: Civil maritime surveillance and response</p> <p>Quality</p> <ul style="list-style-type: none"> Number of detections and interceptions of Suspect Illegal Entry Vessels (SIEVs)~ Number of apprehensions of Foreign Fishing Vessels (FFVs)~ Number of suspect unlawful non-citizens (SUNCs) intercepted by sea (including ship's crew)~ <p>Quantity</p> <p>Aerial surveillance coverage (square nautical miles)></p> <ul style="list-style-type: none"> Coastwatch contracted aircraft and RAAF assets+ Coastwatch contracted satellite (square nautical miles) <p>Sorties flown by Coastwatch contracted aircraft</p> <p>Aerial Surveillance (flying hours)</p> <ul style="list-style-type: none"> Coastwatch contracted aircraft RAAF P3 Orion+ <p>Marine surveillance and response (sea days)</p> <ul style="list-style-type: none"> RAN Fremantle Class Patrol Boat+ <p><i>Price: \$236.6m</i></p>	<p>*</p> <p>*</p> <p>*</p> <p>Forecast: 147.5 million</p> <p>Forecast: 5.6 million</p> <p>*</p> <p>Forecast: 21,145</p> <p>Target: 250</p> <p>Target: 1,800</p>

Footnotes for Table 3.2 Performance information for Outcome 1

- * Performance cannot be forecast through any reliable statistical or other method. Actual results will be reported in the Annual Report.
- ^ The introduction of new Customs import reporting systems during the coming financial year will change the nature and volume of existing Customs clearance documents. A break-up showing results under both old and new arrangements will be provided in the Annual Report.
- # Workloads against these measures cannot be anticipated, as they are dependent on international trends/ economic circumstances beyond Customs' control. Actual figures will be provided in the Annual Report.
- + This target is based on a longstanding Defence commitment to Customs for the civil maritime surveillance program. Resources for Australia's civil maritime surveillance program are also provided by Defence through Operation Relex II. The hours/sea days are costed in accordance with rates provided by Defence. Actual figures will be provided in the Annual Report.
- > In addition, it is expected that the High Frequency Surface Wave Radar (HFSWR) trial will provide on-going surveillance coverage of a discrete vector in the approach to the Torres Strait measuring some 10,000 square nautical miles.
- ~ Total number of interceptions and apprehensions by Customs and the Australian Defence Force.
- ** Includes all Customs drug detections (all output groups)

Evaluations for Outcome 1

Customs is involved in a number of evaluation activities including internal and external audits, performance audits, and regular reviews of performance information. Results are published in the Annual Report, external reports, internal audit reports and in Customs statistical bulletin called *Customs Figures*.

The internal audit program includes performance auditing, regular compliance audits, assessing risks and providing innovation services. In addition there is provision for evaluations specifically requested by management each year.

Customs collects complaints and compliments data. Customs also participates in informal international benchmarking programs from time to time as an additional means of evaluating performance against specific areas of the business. Where Customs Outcome is shared with other agencies, Customs has attempted to align performance data.

In addition to the monthly Executive Management Report, Customs has a range of other reports as part of our corporate reporting and performance framework to assist in ensuring outcomes are met

As with all other agencies, the Cabinet Implementation Unit receives reports on nominated Cabinet endorsed initiatives.

Section 4: Other reporting requirements

4.1: PURCHASER-PROVIDER ARRANGEMENTS

Cross agency overview

Customs currently has one purchaser/provider arrangement in place. The purchaser/provider arrangement is with the Australian Taxation Office (ATO). Customs and the ATO have a Memorandum of Understanding (MOU) whereby the ATO will pay Customs \$49.6m in 2005-06 to fund resourcing relating to the operation of the new tax system, in particular the collection of GST related activities and the payment of refunds under the Tourist Refund Scheme (TRS).

Responsibility

Revenue from the MOU Customs has with the ATO is reported against Sales of Goods and Services. This is audited annually by the Australian National Audit Office (ANAO).

As part of the MOU with the ATO, Customs must provide to the ATO a letter of comfort at the time of completing the annual financial statements. The letter of comfort contains assurances that Customs has correctly recorded all tax and GST related transactions and that there are no contingencies or commitments that will materially affect the ATO's financial statements.

Control arrangements

Australian Tax Office

Customs and the ATO collaborate to effectively administer Commonwealth indirect taxes on goods. These indirect taxes include: the GST, excise, Wine Equalisation Tax (WET) and Luxury Car Tax (LCT). The guidelines outlining Customs responsibilities, performance and accountability are in a Memorandum of Understanding (MOU) between the two agencies.

Within the administration of the above taxes Customs is also responsible for performing compliance and auditing functions, collecting and supplying the ATO with tax data and maintaining public confidence.

Resourcing

Resources for these activities are deployed by Customs in each region and central office in the ACT.

Performance against outcomes of purchased outputs

Australian Tax Office

Customs performance in administering GST, LCT, TRS and WET is measured by the following: Year to date cost of administering GST, LCT, TRS and WET, number of transactions against previous years, value of transactions against previous years, and the year to date collection of penalties against previous years. The MOU between the ATO and Customs formally recognises the importance both agencies attach to effective collaboration in the administration of Commonwealth revenue.

Customs provides a half yearly and yearly report to the ATO. The half yearly report outlines performance against measures and reconciliation of costs. The yearly report is based on Customs audited financial statements.

Cargo Management Re-engineering

In 2005–06 Customs will continue with the re-engineering and integration of its business processes for cargo management in line with undertakings to improve service delivery to industry and to make greater use of technology. A key element of the re-engineering has been the replacement of legacy systems with the newly developed Customs Connect Facility (CCF) and Integrated Cargo System (ICS). In 2004–05 the CCF and the exports component of ICS was implemented. A consultative approach with industry ensured a smooth transition from the old to the new systems. It is expected that the imports component of ICS will be implemented early in the 2005–06 Financial Year.

4.2: COST RECOVERY ARRANGEMENTS

Customs has three types of cost recovery arrangements. The most significant of these is the recovery of the “commercial” element of import processing activities and container logistics costs. These arrangements encompass the *Import Processing Charges Act 1997*, *Customs Depot Licensing Charges Act 1997* and several provisions of the *Customs Act 1901*. They are subject to independent external review and industry consultation.

Revised and restructured Import Processing Charges (IPCs) will be implemented once the import version of the Integrated Cargo System (ICS) is implemented early in the 2005–06 financial year. These charges will enable Customs to recover costs associated with import processing, increased quarantine inspection costs in the air cargo environment and Container Examination Facility logistics costs in the sea cargo environment. These activities are vitally important in ensuring the facilitation, protection and security requirements associated with the importation of goods into Australia.

It is proposed that charges for low value goods that do not require formal entry processes will be eliminated and incorporated into the import and warehouse processing declaration charges. The broad thrust of the restructure is designed to reduce the administrative workload, promote consistency and simplify the IPC schedule.

The second cost recovery arrangement relates to the delivery of GST Administration services for the Australian Taxation Office. This arrangement is subject to independent review and scrutiny by the ATO and the States.

The final category of cost recovery relates to the sale of goods and services of a minor nature, for example the sale of publications. Customs uses Activity-Based Costing to identify costs and set prices for all but very minor recovery activities.

Summary of cost recovery impact statement

Customs has not produced any new Cost Recovery Impact Statements since the 2004–05 Portfolio Budget Statement.

4.3: AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE (AGIE)

Customs has two internally funded Indigenous programs, *Engage and Train Torres Strait Islanders as Marine Crew to serve in the Torres Strait and Indigenous Cadetship Program*.

The *Torres Strait Island Marine Trainee Program* is an entry-level recruitment program specifically for people in the Torres Strait to join Customs National Marine unit for 12 months as sea-going crew in non-ongoing positions. After completion of the 12 months training, the members are given an opportunity to apply for on-going marine unit positions.

Customs actively contributes to the Australian Public Service Indigenous Employment Project and continues to participate in the National *Indigenous Cadetship Program* to increase overall numbers of indigenous employees and encourage their movement into management positions.

The cadets work part time and are paid approximately 57% of a full time cadet salary. In addition, the program allows the reimbursement of compulsory fees such as HECS.

Section 5: Budgeted financial statements

5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental

Statement of financial performance

Total revenue is estimated to be \$978.4m in 2005–06, an increase of \$27.5m from 2004–05. The increase is primarily the result of the:

- funding impact of new measures in 2005–06 (\$16.5m) (Refer to Table 2.2.1), and
- funding impact of past budget measures and decisions and indexation adjustments.

Total expenses are estimated to be \$978.4m in 2005–06, an increase of \$43.2m from 2004–05. The increase is primarily the result of expense impacts of the measures listed in Table 2.2.1.

Customs is budgeting for an expected surplus in 2004–05 of approximately \$15.5m. This surplus amount includes \$8.5m of savings offered in relation to Southern Oceans.

Statement of financial position

Customs net asset position for 2005–06 is estimated to be \$263.7m. This will be an increase of \$16.4m from 2004–05. The increases are attributable to capital equity injections from budget measures granted as part of the 2005–06 Budget process and decisions made as part of 2004 election commitments. Refer to Table 2.2.2 for list of measures impacting on equity.

Capital budget statement

The agency is estimating capital outlays of \$58m in 2005–06. Some of these capital outlays are funded through capital appropriations (\$13.3m), which relate to measures in the 2005–06 budget and 2004–05 Additional Estimates, (refer to Departmental Equity Injections and Loans on page 104), and also measures from prior years. The balance, (\$44.7m), is funded internally by departmental resources and will be represented by a combination of replacement asset purchases and internally developed intangible assets.

Administered

Schedule of budgeted revenues and expenses

The agency will administer the collection of an estimated \$4.46b in gross Customs Duty in 2005-06. This decrease of \$650m from the 2004-05 projection due to reduced duty levels related to the removal of the three percent tariff on business inputs imported under a tariff concession order, general reductions in passenger motor vehicles and textiles tariffs and implementation of free trade agreements with Thailand and the United States of America.

In addition the agency will administer the collection of an estimated \$529.9m in other revenue. The bulk of this revenue is comprised of revenue from the Passenger Movement Charge (PMC) collected from international travellers and cost recovery related services.

The agency will receive administered appropriation of \$0.28m in 2005-06 to pay for Australia's contribution to the World Customs Organisation. In addition, \$311.2m will be made available in 2005-06 for the agency to pay for Customs Duty refunds and drawbacks.

Schedule of Budgeted Assets and Liabilities

Total net administered assets are expected to be \$54.6m in 2005-06. The total net administered assets estimated for 2005-06 are not expected to materially change from the final position in 2004-05.

5.2: BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted Departmental Statement of Financial Performance for the period ended 30 June

		Estimated Actual 2004–05 \$'000	Budget Estimate 2005–06 \$'000	Forward Estimate 2006–07 \$'000	Forward Estimate 2007–08 \$'000	Forward Estimate 2008–09 \$'000
	Note					
REVENUE						
Revenues from ordinary activities						
Revenues from Government	1	758,296	783,265	800,672	803,805	814,517
Goods and services	2	55,606	58,144	58,580	59,103	59,615
Other	3	137,037	137,037	137,037	137,037	137,037
Revenues from ordinary activities		950,939	978,446	996,289	999,945	1,011,169
EXPENSE						
Expenses from ordinary (excluding borrowing costs expense)						
Employees	4	326,868	352,625	359,832	353,762	380,467
Suppliers	5	570,837	573,353	575,684	581,104	557,005
Depreciation and amortisation		37,490	52,430	60,773	65,079	73,697
Expenses from ordinary activities (excluding borrowing costs expense)		935,195	978,408	996,289	999,945	1,011,169
Borrowing costs expense		284	38	-	-	-
Operating surplus or (deficit) from ordinary activities	6	15,460	-	-	-	-

Table 5.2: Budgeted Departmental Statement of Financial Position as at 30 June

	Estimated Actual 2004-05 \$'000	Budget Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
Note					
ASSETS					
Financial assets					
Cash	10,647	10,500	9,700	8,900	10,900
Receivables	16,747	24,910	38,246	53,889	71,010
Total financial assets	27,394	35,410	47,946	62,789	81,910
Non-financial assets					
Land and buildings	42,308	42,047	42,047	42,047	42,047
Infrastructure, plant and equipment	7 107,129	120,651	130,172	131,799	127,645
Inventories	1,205	1,205	1,205	1,205	1,205
Intangibles	8 188,956	181,356	176,556	171,656	166,756
Other non-financial assets	9 10,624	10,624	10,624	10,624	10,624
Total non-financial assets	350,222	355,883	360,604	357,331	348,277
Total assets	377,616	391,293	408,550	420,120	430,187
LIABILITIES					
Interest bearing liabilities					
Leases	2,775	-	-	-	-
Total interest bearing liabilities	2,775	-	-	-	-
Provisions					
Employees	10 100,587	105,084	105,084	106,254	106,254
Other provisions	-	-	-	-	-
Total provisions	100,587	105,084	105,084	106,254	106,254
Payables					
Suppliers	20,017	15,520	15,520	14,350	14,348
Other payables	6,982	6,982	6,982	6,982	6,982
Total payables	26,999	22,502	22,502	21,332	21,330
Total liabilities	130,361	127,586	127,586	127,586	127,584
EQUITY*					
Parent entity interest					
Contributed equity	-	-	-	-	-
Retained surpluses or accumulated deficits	-	-	-	-	-
Total parent entity interest	-	-	-	-	-
Outside equity interest					
Contributed equity	11 201,668	218,120	235,377	246,947	257,016
Reserves	15,399	15,399	15,399	15,399	15,399
Retained surpluses or accumulated deficits	30,188	30,188	30,188	30,188	30,188
Total outside equity interest	247,255	263,707	280,964	292,534	302,603
Total equity	247,255	263,707	280,964	292,534	302,603
TOTAL ASSETS AND LIABILITIES BY MATURITY					
Current assets	38,018	46,034	58,570	73,413	92,534
Non-current assets	339,598	345,259	349,980	346,707	337,653
Current liabilities	61,528	61,380	61,380	62,063	62,063
Non-current liabilities	68,833	66,206	66,206	65,523	65,521

*Note: 'Equity' is the residual interest in assets after deduction of liabilities.

Table 5.3: Budgeted Departmental Statement of Cash Flows for the period ended 30 June

	Estimated Actual 2004–05 \$'000	Budget Estimate 2005–06 \$'000	Forward Estimate 2006–07 \$'000	Forward Estimate 2007–08 \$'000	Forward Estimate 2008–09 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	62,035	49,981	45,244	43,460	42,494
Appropriations	758,296	783,265	800,672	803,805	814,517
Extraordinary items	12,856	12,856	12,856	12,856	12,856
Total cash received	833,187	846,102	858,772	860,121	869,867
Cash used					
Employees	335,543	348,128	359,832	352,592	380,467
Suppliers	449,186	453,669	451,503	458,093	432,826
Borrowing costs	284	38	-	-	-
Other	8,460	-	-	-	-
Total cash used	793,473	801,835	811,335	810,685	813,293
Net cash from or (used by) operating activities	39,714	44,267	47,437	49,436	56,574
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	-	-	-	-	-
Extraordinary items	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Purchase of property, plant and equipment	90,154	58,091	65,494	61,806	64,643
Total cash used	90,154	58,091	65,494	61,806	64,643
Net cash from or (used by) investing activities	(90,154)	(58,091)	(65,494)	(61,806)	(64,643)
FINANCING ACTIVITIES					
Cash received					
Other	42,143	16,452	17,257	11,570	10,069
Extraordinary items	-	-	-	-	-
Total cash received	42,143	16,452	17,257	11,570	10,069
Cash used					
Repayments of debt	5,153	2,775	-	-	-
Other	8,460	-	-	-	-
Total cash used	13,613	2,775	-	-	-
Net cash from/(used by) financing activities	28,530	13,677	17,257	11,570	10,069
Net increase or (decrease) in cash held	(13,450)	(147)	(800)	(800)	2,000
Cash at the beginning of the reporting period	24,097	10,647	10,500	9,700	8,900
Cash at the end of the reporting period	10,647	10,500	9,700	8,900	10,900

Table 5.4: Departmental Capital Budget Statement for the period ended 30 June

	Estimated Actual 2004–05 \$'000	Budget Estimate 2005–06 \$'000	Forward Estimate 2006–07 \$'000	Forward Estimate 2007–08 \$'000	Forward Estimate 2008–09 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	42,143	16,452	17,257	11,570	10,069
Total loans	-	-	-	-	-
Total capital appropriations	42,143	16,452	17,257	11,570	10,069
Represented by:					
Purchase of non-financial assets	38,505	13,385	17,257	11,570	10,069
Other	3,638	3,067	-	-	-
Total represented by	42,143	16,452	17,257	11,570	10,069
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	38,505	13,385	17,257	11,570	10,069
Funded internally by Departmental resources	51,650	44,707	48,237	50,237	54,748
Total	90,155	58,092	65,494	61,807	64,817

Table 5.5: Departmental Property, Plant, Equipment and Intangibles — Summary of Movement (Budget year 2005–06)

	Land \$'000	Buildings \$'000	Other Infrastructure Plant and Equipment \$'000	Computer Software \$'000	Total \$'000
As at 1 July 2005					
Gross book value	4,665	66,491	146,532	211,192	428,880
Accumulated depreciation	-	22,848	42,403	25,236	90,487
Opening net book value	4,665	43,643	104,129	185,956	338,393
Additions:					
by purchase	-	-	43,788	14,304	58,092
by finance lease	-	-	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-
Net revaluation increment/decrement	-	-	-	-	-
Reclassifications	-	-	-	-	-
Depreciation/amortisation expense	-	6,261	27,265	18,904	52,430
Recoverable amount write-downs	-	-	-	-	-
Other movements	-	-	1	-	1
Disposals:					
from disposal of entities or operations (including restructuring)	-	-	-	-	-
other disposals	-	-	-	-	-
As at 30 June 2006					
Gross book value	4,665	60,230	163,054	206,592	434,541
Accumulated depreciation	-	22,848	42,403	25,236	90,487
Closing net book value	4,665	37,382	120,651	181,356	344,054

Table 5.6: Schedule of Budgeted Revenues and Expenses Administered on behalf of Government for the period ended 30 June

	Estimated Actual 2004–05 \$'000	Budget Estimates 2005–06 \$'000	Forward Estimate 2006–07 \$'000	Forward Estimate 2007–08 \$'000	Forward Estimate 2008–09 \$'000
REVENUES ADMINISTERED ON BEHALF OF GOVERNMENT					
Taxation					
Customs Duty	5,110,000	4,460,800	4,460,000	4,720,000	4,990,000
Total taxation	5,110,000	4,460,800	4,460,000	4,720,000	4,990,000
Non-taxation (revenues from Government)					
Goods and services	487,651	529,921	555,472	580,668	602,439
Interest	-	-	-	-	-
Total non-taxation	487,651	529,921	555,472	580,668	602,439
Total revenues administered on behalf of Government	5,597,651	4,990,721	5,015,472	5,300,668	5,592,439
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Grants	-	-	-	-	-
Employees	-	-	-	-	-
Suppliers	255	280	280	280	280
Depreciation and amortisation	-	-	-	-	-
Write down and impairment of assets	-	2,485	2,560	2,636	2,716
Total expenses administered on behalf of Government	255	2,765	2,840	2,916	2,996

Table 5.7: Schedule of Budgeted Assets and Liabilities Administered on behalf of Government as at 30 June

	Estimated Actual 2004–05 \$'000	Budget Estimate 2005–06 \$'000	Forward Estimate 2006–07 \$'000	Forward Estimate 2007–08 \$'000	Forward Estimate 2008–09 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash	-	-	-	-	-
Receivables	74,396	81,896	90,496	91,596	92,796
Total financial assets	74,396	81,896	90,496	91,596	92,796
Non-financial assets					
Inventories	162	162	162	162	162
Other non-financial assets	-	-	-	-	-
Total non-financial assets	162	162	162	162	162
Total assets administered on behalf of Government	74,558	82,058	90,658	91,758	92,958
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest bearing liabilities					
Overdrafts	-	-	-	-	-
Other	2,785	2,785	2,785	2,785	2,785
Total interest bearing liabilities	2,785	2,785	2,785	2,785	2,785
Provisions					
Australian currency on issue	-	-	-	-	-
Other provisions	-	-	-	-	-
Total provisions	-	-	-	-	-
Payables					
Taxation refunds due	-	-	-	-	-
Other payables	17,137	17,137	17,137	17,137	17,137
Total payables	17,137	17,137	17,137	17,137	17,137
Total liabilities administered on behalf of Government	19,922	19,922	19,922	19,922	19,922

Table 5.8: Schedule of Budgeted Administered Cash Flows for the period ended 30 June

	Estimated Actual 2004–05 \$'000	Budget Estimate 2005–06 \$'000	Forward Estimate 2006–07 \$'000	Forward Estimate 2007–08 \$'000	Forward Estimate 2008–09 \$'000
OPERATING ACTIVITIES					
Cash received					
Customs Duty	5,110,000	4,453,300	4,451,400	4,718,900	4,988,800
Sales of goods	484,577	529,921	555,472	580,668	602,439
Other	306,172	311,202	311,811	318,047	318,047
Total cash received	5,900,749	5,294,423	5,318,683	5,617,615	5,909,286
Cash used					
Suppliers	255	2,765	2,840	2,916	2,996
Other	5,903,568	5,291,658	5,315,843	5,614,699	5,906,290
Total cash used	5,903,823	5,294,423	5,318,683	5,617,615	5,909,286
Net cash from/(used by) operating activities	(3,074)	-	-	-	-
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment and intangibles	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Purchase of property, plant and equipment and intangibles	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from/(used by) investing activities	-	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Cash from Official Public Account	-	-	-	-	-
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Cash to Official Public Account	-	-	-	-	-
Other	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from/(used by) financing activities	-	-	-	-	-
Net increase or (decrease) in cash held	(3,074)	-	-	-	-
Cash at beginning of reporting period	3,074	-	-	-	-
Cash at end of reporting period	-	-	-	-	-

5.3: NOTES TO THE FINANCIAL STATEMENTS BUDGETED STATEMENT OF FINANCIAL PERFORMANCE

1. Revenues from Government

The 2005–06 appropriation revenue from government of \$783.2m is an increase of \$24.9m from the previous year. The increase is the result of funding from new measures (\$16.5m - Refer to Table 2.2.1 - Summary of Measures) and funding from past budget measures. The increase to revenue from government in the forward estimates is due to new measures, in particular, Development of Biometrics for Border Control, Increased Quarantine Intervention, Increase in Customs Compliance resources and Arming of Australian Customs Vessels.

In addition the Government approved the continuation for Coastwatch Rise and Fall (\$8.8m) in 2007–08 and 2008–09, and funding for increased Coastwatch Surveillance (\$15.2m) in 2008–09.

2 Goods and services

Sales of goods and services is based primarily on a service level agreement with the ATO (\$49.6m). Further estimates of Section 31 revenue are made based on last financial year's actual results.

3 Other

Other comprises revenue received free of charge from the Department of Defence. Estimates are agreed with Defence and are based on Defence advised rates charged for flying hours and sea day patrols.

4 Employee expenses

Employee expenses are estimated to be \$352.6m in 2005–06. This is an increase of \$25.7m from 2004–05. The increase in employee expenses in the forward estimates includes additional funding primarily for Increase in Customs Compliance resources and Arming of Australian Customs Vessels proposals.

5 Supplier expenses

Supplier expenses are estimated to be \$573.3m in 2005–06. This is an increase of \$2.5m from 2004–05. The change is principally attributable to increases in supplier costs resulting from new measures, in particular Biometrics for border control.

6 Net surplus or deficit

The estimated surplus in 2004–05 is \$15.5m. This has generated savings as a result of Southern Oceans Maritime Patrol and Response Program. In addition, depreciation is not expected to be as high as originally budgeted for and has been adjusted downwards.

Budgeted statement of financial position

7 Infrastructure, plant and equipment

Refer to Department Non-Financial Assets – Summary of Movement (Table 5.5). The agency will receive \$12.6m in equity injections for infrastructure and equipment acquisitions relating to several measures from 2004–05 Additional Estimates and 2005–06 Budget Process. Self-funded acquisitions relate to the replacement and upgrade of existing infrastructure, plant and equipment.

8 Intangibles

Refer to Department Non-Financial Assets – Summary of Movement (Table 5.5). The agency will receive \$0.7m in equity injections for intangibles acquisitions relating to the Biometrics for Border Control measure from 2005–06 Budget Process. In addition to undertakings discussed in the agency overview on page 101, Customs will continue with the re-engineering of its business processes for cargo management to improve service delivery to industry and make greater use of technology. Self-funded acquisitions will relate to this work as well as replacement and upgrade of existing intangibles.

9 Other non-financial assets

Other Non-Financial assets comprise an estimate for prepayments.

10 Employee provisions

Employee provisions comprises of annual and long service leave liabilities, and other accrued employee entitlements.

11 Contributed equity

Refer to Departmental Capital Budget Statement (Table 5.4). The increase to contributed equity is from equity injections for 2005–06 as detailed under “Departmental Equity Injections and Loans” on page 104.

Departmental financial statements and notes administered items

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

Differences are:

- 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, and
- Administered items are 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

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

- Departmental price of outputs appropriations – representing the Government's purchase of outputs from agencies
- Departmental capital appropriations – for investments by the Government for either additional equity or loans in agencies
- 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
- 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).

Administered investments in controlled entities

Each Commonwealth Department is required to show an Administered investment in each *Commonwealth Authority and Company Act 1997* (CAC) entity within their portfolio. These Administered investments should be valued at the Commonwealth's ownership interest in the net assets of those CAC entities, fixed at a notional acquisition date of 30 June 1997.

Asset valuation

From 1 July 2002 Commonwealth agencies and authorities are required to use either the cost basis or the fair value basis to measure Property, Plant and Equipment. The shift from the deprival method of valuation to fair value should occur gradually over a three-year period. Fair value essentially reflects the current market value of an asset.

