

INSOLVENCY AND
TRUSTEE SERVICE
AUSTRALIA

Section 1: Overview, appropriations and budget measures summary

OVERVIEW

The Insolvency and Trustee Service Australia (ITSA) is responsible for the administration and regulation of the personal insolvency system in Australia. ITSA's outcome is *public confidence in the personal insolvency system*.

With effect from 1 July 2000 ITSA became an Executive Agency and a prescribed Agency under the *Financial Management and Accountability Act 1997*. Previously ITSA was a division of the Attorney-General's Department.

ITSA has five key functions:

- Bankruptcy System Administration
 - operate the bankruptcy registry, where debtors' petitions are lodged, debt agreement proposals are processed and public records on insolvency are maintained
 - exercise Official Receiver powers to assist trustees to obtain information and recover property
 - investigate possible offences under the *Bankruptcy Act* and prepare briefs of evidence for prosecution
 - provide information about bankruptcy and its alternatives;
- Regulation
 - regulate the administrations and activity of the Official Trustee and private bankruptcy trustees, and license private bankruptcy trustees;
- Bankrupt Estate Administration
 - administer, as the Official Trustee, personal bankruptcies, Part IX debt agreements and Part X arrangements when private bankruptcy trustees or other administrators are not appointed;
- Policy
 - advise Government on appropriate legislative reform to the *Bankruptcy Act 1966* and related legislation; and
- Proceeds of Crime
 - act as a special trustee for government agencies, pursuant to court orders, particularly by locating, controlling and selling property under the *Proceeds of Crime Act 1987* and the *Customs Act 1901*.

APPROPRIATIONS

The total appropriation for ITSA in the 2001–02 Budget is \$26.408m. Table 1.1 shows appropriations (2001–02) and other revenue by outcome.

ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

ITSA does not have an appropriation for an equity injection or loan or an appropriation for administered capital.

Insolvency and Trustee Service Australia — Appropriations 2001–02

Table 1.1: Appropriations and other revenue (\$'000)

Outcome	Departmental (price of outputs)					Administered			Total appropriations	
	Revenue from government (appropriations)			Revenue from other sources	Price of outputs	Annual appropriations	Special approps	Total administered appropriations		
	Bill 1	Special approps	Total			Bill 1	Bill 2 (SPPs & NAOs)			
	(A)	(B)	(C=A+B)	(D)	(E=C+D)	(F)	(G)	(H)	(I=F+G+H)	(J=C+I)
Public confidence in the personal insolvency system	26,408	-	26,408 99%	238	26,646	-	-	-	-	26,646
Total	26,408	-	26,408	238	26,646	-	-	-	-	26,646
Departmental capital (equity injections and loans)									-	
Administered capital									-	
Total appropriations									26,646	

Notes:

- Columns C, D, E and I refer to information provided in Table 2.1.1.
- Under the appropriation structure, Bill 2 includes Specific Purpose Payments (SPP)'s, New Agency Outcomes (NAO's), administered capital and departmental capital via departmental injections and loans.
- Refer to Budgeted Departmental Statement of Financial Performance for application of agency revenue.
- Revenue from other sources includes other revenue from government (eg resources free of charge) and revenue from other sources (eg sales of goods and services). Non-appropriated departmental and administered revenues are detailed in Appendix 1. Resources received free of charge are \$0.035m.
- Percentage figure in column C indicates the percentage contribution of revenue from government (departmental appropriations) to the total price of outputs, by outcome

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

ITSA has one outcome:

Public confidence in the personal insolvency system

There are five outputs for ITSA's outcome:

Output 1.1: Relevant and up to date personal insolvency laws

Output 1.2: An efficient bankruptcy registry and compliance with the Bankruptcy Act

Output 1.3: Effective regulation of the Official Trustee and private sector bankruptcy trustees

Output 1.4: Effective and efficient administration of bankrupt estates

Output 1.5: Proceeds of crime orders administered effectively

Financial and non-financial information is provided as follows:

Map 2.1 - details outcome and output resourcing and illustrates the relationship between the outcome and contributing outputs.

Table 2.1.1 - details financial information for outcome 1.

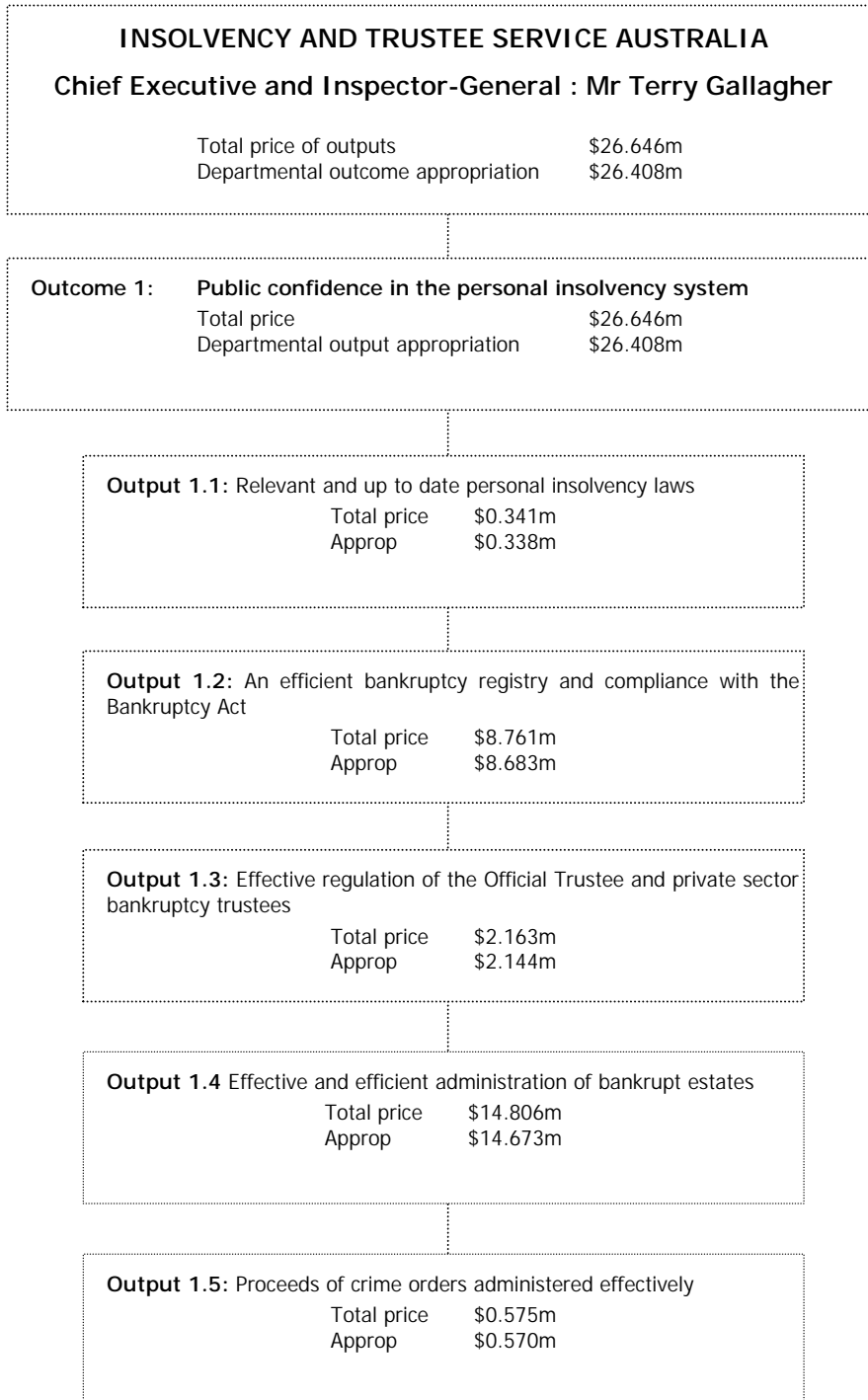
Table 2.2.1 - details non-financial information for outcome 1.

CHANGES TO OUTCOMES AND OUTPUTS

ITSA became a prescribed Agency from 1 July 2000. The outputs and performance measures in prior years were shown as part of the Attorney-General's Department in the Portfolio Budget Statements.

There has been no change to the outcome and output structure since the Portfolio Additional Estimates Statements 2000–01.

Map 2.1: Outcome and output groups



OUTCOME 1 — PUBLIC CONFIDENCE IN THE PERSONAL INSOLVENCY SYSTEM

ITSA's purpose is to ensure public confidence in the personal insolvency system. Bankruptcy and formal alternatives to bankruptcy release people from debt and provide for the orderly distribution of available assets to creditors. An efficient insolvency system contributes to investor confidence and gives debtors the opportunity to rehabilitate so they can contribute to the economic life of the community. Managing financial failure quickly and efficiently reduces the costs of failure for everyone involved.

OUTCOME 1 — RESOURCING

Table 2.1.1 shows how the 2001–02 appropriations translate to total resourcing for ITSA for outcome 1: revenue from government (appropriations), revenue from other sources and the total price of the output.

Table 2.1.1: Total resources for outcome 1 (\$'000)

	Estimated Actual 2000–01 (\$'000)	Budget Estimate 2001–02 (\$'000)
DEPARTMENTAL APPROPRIATIONS		
Output 1.1: Relevant and up to date personal insolvency laws	333	338
Output 1.2: An efficient bankruptcy registry and compliance with the Bankruptcy Act	8,547	8,683
Output 1.3: Effective regulation of the Official Trustee and private sector bankruptcy trustees	2,111	2,144
Output 1.4: Effective and efficient administration of bankrupt estates	14,443	14,673
Output 1.5: Proceeds of crime orders administered effectively	562	570
Total revenue from government (appropriations) contributing to price of outcome	25,996 99.0%	26,408 99.0%
REVENUE FROM OTHER SOURCES		
Output 1.1: Relevant and up to date personal insolvency laws	4	3
Output 1.2: An efficient bankruptcy registry and compliance with the Bankruptcy Act	93	78
Output 1.3: Effective regulation of the Official Trustee and private sector bankruptcy trustees	23	19
Output 1.4: Effective and efficient administration of bankrupt estates	158	133
Output 1.5: Proceeds of crime orders administered effectively	6	5
Total revenue from other sources	284	238
Total price of departmental outputs <i>(Total revenue from government and other sources)</i>	26,280	26,646
Total estimated resourcing for outcome 1 <i>(Total administered expenses)</i>	26,280	26,646
AVERAGE STAFFING LEVEL	240	240

OUTCOME 1 — PERFORMANCE INFORMATION

Table 2.2.1 provides information on the strategies chosen to deliver outcome 1, and shows the links between the outputs and the outcome.

Table 2.2.1 Performance information for outcome 1

Performance information for departmental outputs	
<i>Output Description</i>	<i>Performance Measure</i>
<p>Output 1.1: Relevant and up to date personal insolvency laws</p> <p>Evaluate personal insolvency legislation and recommend measures to simplify it and keep it up-to-date</p> <p>Regularly consult personal insolvency system stakeholders about personal insolvency laws</p> <p>Develop and deliver training and education programs to practitioners on new and existing laws and practices</p>	<p><i>Price:</i> \$0.341m</p> <p>Regular advice to government on proposed changes to improve and simplify the legislation</p> <p>Consultation about personal insolvency legislation acknowledged by stakeholders as effective and constructive</p> <p>Amendments to legislation recognised by key stakeholders as improving and simplifying the law</p> <p>Smooth implementation of Bankruptcy Legislation Amendment Bill 2001</p>
<p>Output 1.2: An efficient bankruptcy registry and compliance with the Bankruptcy Act</p> <p>Give the community access to information about the personal insolvency system, particularly alternatives to bankruptcy</p> <p>Receive debtor's petition, accept debt agreement proposals for processing, issue Bankruptcy Notices and maintain the National Personal Insolvency Index bankruptcy register</p> <p>Exercise statutory powers to enable trustees to obtain information, require attendance to give evidence, gain access to premises, recover and charge property and collect income contribution liabilities</p> <p>Provide funding under s.305 of the Bankruptcy Act to trustees in cases where creditor funding is not available and public confidence in the system is at stake</p> <p>Identify and investigate cases of material offences under the Bankruptcy Act, and prepare briefs for prosecution</p>	<p><i>Price:</i> \$8.761m</p> <p>Increasing acceptance of debt agreements and other alternatives to bankruptcy through better-informed decisions by persons in financial difficulty, creditors and others</p> <p>The National Personal Insolvency Index (NPII) is accurate and up-to-date; complaints about data accuracy or usefulness number fewer than 0.1% of searches conducted</p> <p>Official Receiver notices issued within one day of receipt of relevant supporting material</p> <p>Intended benefit achieved in 75% of cases where s.305 funding is approved</p> <p>Timely identification and investigation of material offences under the Bankruptcy Act</p> <p>Increased number of referrals to the Director of Public Prosecutions leading to successful prosecutions</p>

Table 2.2.1 Performance information for outcome 1 (continued)

<i>(Departmental outputs continued)</i>	
<p>Output 1.3: Effective regulation of the Official Trustee and private sector bankruptcy trustees</p> <p>Using a risk based inspection program, evaluate all trustees' administration systems and practices</p> <p>Investigate complaints about the conduct of administrations and take available action against trustees where material errors are found</p> <p>Where requested conduct reviews of trustees' decisions involving contribution assessments, early discharge, objections to discharge and fee or charge waivers</p> <p>Consistently implement statutory requirements for new and ongoing registration of trustees in bankruptcy</p> <p>Inform trustees of changes to bankruptcy law and areas of practice where mistakes occur regularly</p>	<p><i>Price:</i> \$2.163m</p> <p>Achievement of target inspection program</p> <p>A decrease in the incidence of non-compliance with the Bankruptcy Act 1966 and appropriate remedial action implemented where necessary</p> <p>Complaints handled within set timeframes</p> <p>Over time, fewer justified complaints about trustees' conduct of administrations</p> <p>Statutory reviews completed within set timeframes</p> <p>Only suitably qualified people are registered as bankruptcy trustees</p>
<p>Output 1.4: Effective and efficient administration of bankrupt estates</p> <p>Effectively and efficiently handle administrations under the Bankruptcy Act, as a safety net, when private sector registered trustees or other administrators are not appointed</p>	<p><i>Price:</i> \$14.806m</p> <p>Client groups satisfied, as measured by periodic client surveys</p> <p>Initial reports sent to creditors no later than 5 days in 75% of estates and 10 days in 100% of estates</p> <p>Achievement of other performance standards published in ITSA's Business Plan</p> <p>Low incidence of major issues raised by Bankruptcy Regulation from inspection of Official Trustee administrations</p> <p>Complaints about ITSA's trustee services number less than 1% of client base (undischarged bankrupts)</p>
<p>Output 1.5: Proceeds of crime orders administered effectively</p> <p>Using ITSA's trustee expertise, locate, control and, if necessary, sell property under proceeds of crime legislation</p>	<p><i>Price:</i> \$0.575m</p> <p>Within one week, achieve control of property specified in the control order or otherwise identified</p> <p>All property the subject of court orders realised within six months of final orders</p>

COMPETITIVE TENDERING AND CONTRACTING

ITSA plans to conduct competitive tendering and contracting of a range of corporate and IT services in 2001–02.

Section 3: Budgeted Financial Statements

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

	Estimated Actual 2000-01 \$'000	Budget Estimate 2001-02 \$'000	Forward Estimate 2002-03 \$'000	Forward Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000
Revenues from ordinary activities					
Revenues from government	-	-	-	-	-
Ordinary annual appropriations (net appropriations)	25,996	26,408	26,650	26,921	27,311
Revenue from other sources	-	-	-	-	-
Sales of goods and services	160	162	163	165	167
Interest	89	41	31	27	28
Other revenue from other sources	35	35	36	36	37
Total revenues from ordinary activities	26,280	26,646	26,880	27,149	27,543
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	14,343	14,989	15,574	16,213	17,063
Suppliers	10,286	10,371	9,930	9,472	8,792
Depreciation and amortisation	1,651	1,286	1,376	1,464	1,688
Other	-	-	-	-	-
Total expenses from ordinary activities (excluding borrowing costs expense)	26,280	26,646	26,880	27,149	27,543
Borrowing cost expense	-	-	-	-	-
Net surplus or (deficit) from ordinary activities	-	-	-	-	-
Gain or loss on extraordinary items	-	-	-	-	-
Net surplus or (deficit)	-	-	-	-	-
Capital use charge	-	-	-	-	-
Net surplus or (deficit) after capital use charge	-	-	-	-	-

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

	Estimated Actual 2000–01 \$'000	Budget Estimate 2001–02 \$'000	Forward Estimate 2002–03 \$'000	Forward Estimate 2003–04 \$'000	Forward Estimate 2004–05 \$'000
ASSETS					
Financial assets					
Cash	500	500	500	500	500
Receivables	100	100	100	100	100
Investments	590	538	214	410	246
Accrued revenues	5	5	5	5	5
Other	300	300	300	300	300
Total financial assets	1,495	1,443	1,119	1,315	1,151
Non-financial assets					
Infrastructure, plant and equipment	2,983	2,710	3,394	3,339	3,945
Intangibles	1,094	1,594	1,423	1,487	1,272
Total non-financial assets	4,077	4,304	4,817	4,826	5,217
Total assets	5,572	5,747	5,936	6,141	6,368
LIABILITIES					
Provisions and payables					
Employees	5,500	5,875	6,064	6,269	6,496
Suppliers	400	280	290	250	286
Other	252	172	162	202	166
Total provisions and payables	6,152	6,327	6,516	6,721	6,948
Total liabilities	6,152	6,327	6,516	6,721	6,948
EQUITY					
Accumulated results	(1,331)	(1,331)	(1,331)	(1,331)	(1,331)
Capital	520	520	520	520	520
Reserves	231	231	231	231	231
Total equity	(580)	(580)	(580)	(580)	(580)
Current liabilities	3,876	3,986	4,105	4,402	4,377
Non-current liabilities	2,276	2,341	2,411	2,319	2,571
Current assets	1,495	1,443	1,119	1,315	1,151
Non-current assets	4,077	4,304	4,817	4,826	5,217

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

	Estimated Actual 2000-01 \$'000	Budget Estimate 2001-02 \$'000	Forward Estimate 2002-03 \$'000	Forward Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	25,996	26,408	26,650	26,921	27,311
Sales of goods and services	91	162	163	165	166
Interest	89	41	31	27	28
Other	35	35	36	36	37
Total cash received	26,211	26,646	26,880	27,149	27,543
Cash used					
Employees	13,886	14,614	15,385	16,008	16,836
Suppliers	10,608	10,571	9,930	9,472	8,792
Other	-	-	-	-	-
Total cash used	24,494	25,185	25,316	25,479	25,627
Net cash from operating activities	1,717	1,461	1,564	1,670	1,915
INVESTING ACTIVITIES					
Cash received					
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Purchase of property, plant and equipment	3,425	1,513	1,888	1,474	2,079
Total cash used	3,425	1,513	1,888	1,474	2,079
Net cash from investing activities	(3,425)	(1,513)	(1,888)	(1,474)	(2,079)
FINANCING ACTIVITIES					
Cash received					
Other	2,798	-	-	-	-
Total cash received	2,798	-	-	-	-
Cash used					
Other	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from financing activities	2,798	-	-	-	-
Net increase in cash held	1,090	(52)	(324)	196	(164)
Cash at the beginning of the reporting period	-	1,090	1,039	715	911
Cash at the end of the reporting period	1,090	1,039	715	911	747

Table 3.4: Departmental Capital Budget Statement

	Estimated Actual 2000-01 \$'000	Budget Estimate 2001-02 \$'000	Forward Estimate 2002-03 \$'000	Forward Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000
DEPARTMENTAL					
Total loans	-	-	-	-	-
Appropriation of previous year's carryover	-	-	-	-	-
Represented by:					
Purchase of non-current assets	-	-	-	-	-
Other	-	-	-	-	-
Total Departmental	-	-	-	-	-
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded internally by departmental resources	3,425	1,513	1,888	1,474	2,079
Total	3,425	1,513	1,888	1,474	2,079

Table 3.5: Departmental Non-financial Assets — Summary of Movement (Budget Year 2001–02)

	Land	Buildings	Total land and buildings	Other infrastructure plant and equipment	Total infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GROSS VALUE							
<i>As at 1 July 2001 (opening)</i>	-	4,085	4,085	4,417	4,417	4,038	12,539
Additions	-	58	58	575	575	880	1,513
Disposals	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
<i>As at 30 June 2002 (closing)</i>	-	4,143	4,143	4,991	4,991	4,918	14,052
ACCUMULATED DEPRECIATION							
<i>As at 1 July 2001 (opening)</i>	-	2,802	2,801	2,716	2,716	2,944	8,462
Disposals	-	-	-	-	-	-	-
Charge for the reporting period	-	252	252	653	653	380	1,286
Other movements	-	-	-	-	-	-	-
<i>As at 30 June 2002 (closing)</i>	-	3,055	3,055	3,369	3,369	3,324	9,748
Net book value as at 30 June 2002 (closing book value)	-	1,088	1,088	1,622	1,622	1,594	4,304
Net book value as at 1 July 2001 (opening book value)	-	1,283	1,283	1,701	1,701	1,094	4,077
TOTAL ADDITIONS							
Self funded	-	58	58	575	575	880	1,513
Appropriations	-	-	-	-	-	-	-
Total	-	58	58	575	575	880	1,513

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

	Estimated Actual 2000-01 \$'000	Budget Estimate 2001-02 \$'000	Forward Estimate 2002-03 \$'000	Forward Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000
REVENUES					
Non-taxation					
Interest and dividends	600	600	600	600	600
Other sources of non-taxation revenues	19,607	19,607	19,607	19,607	19,607
Total non-taxation	20,207	20,207	20,207	20,207	20,207
Total revenues administered on behalf of the Government	20,207	20,207	20,207	20,207	20,207
EXPENSES					
Other costs of providing goods and services	-	-	-	-	-
Total expenses administered on behalf of the Government	-	-	-	-	-
Extraordinary items	-	-	-	-	-

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

	Estimated Actual 2000–01 \$'000	Budget Estimate 2001–02 \$'000	Forward Estimate 2002–03 \$'000	Forward Estimate 2003–04 \$'000	Forward Estimate 2004–05 \$'000
ASSETS					
Financial assets					
Receivables	108	108	108	108	108
Total financial assets	108	108	108	108	108
Non-financial assets					
Other	-	-	-	-	-
Total non-financial assets	-	-	-	-	-
Total assets administered on behalf of the Government	108	108	108	108	108
LIABILITIES					
Provisions and payables					
Other	108	108	108	108	108
Total provisions and payables	108	108	108	108	108
Total liabilities administered on behalf of the Government	108	108	108	108	108
Current liabilities	108	108	108	108	108
Non-current liabilities	-	-	-	-	-
Current assets	108	108	108	108	108
Non-current assets	-	-	-	-	-

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

	Estimated Actual 2000-01 \$'000	Budget Estimate 2001-02 \$'000	Forward Estimate 2002-03 \$'000	Forward Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000
OPERATING ACTIVITIES					
Cash received					
Interest and dividends	600	600	600	600	600
Other	19,607	19,607	19,607	19,607	19,607
Total cash received	20,207	20,207	20,207	20,207	20,207
Cash used					
Cash to Official Public Account	20,207	20,207	20,207	20,207	20,207
Other	-	-	-	-	-
Total cash used	20,207	20,207	20,207	20,207	20,207
Net cash from operating activities	-	-	-	-	-
Net increase in cash held	-	-	-	-	-
Cash at the beginning of the reporting period	-	-	-	-	-
Cash at the end of the reporting period	-	-	-	-	-

Appendix 1

Non-Appropriation Departmental Revenue

	Estimated Revenue 2000-01 \$'000	Estimated Revenue 2001-02 \$'000
DEPARTMENTAL REVENUE		
Interest	89	41
Resources received free of charge	35	35
Section 31 (FMA Act) receipts	160	162
Total Estimated Departmental Revenue	284	238

