

# AUSTRALIAN CUSTOMS SERVICE

## Section 1: Agency overview and resources

### 1.1 STRATEGIC DIRECTION FOR 2008–09

The goal of the Australian Customs Service (Customs) is to provide the nation with effective border management. Customs provides 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. 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.

In addition, Customs collects border-related revenue and administers trade measures and certain government industry schemes. Customs also has responsibility for jointly coordinating with the Department of Defence use of available resources to address maritime security requirements through the Border Protection Command.

In 2008–09 Customs will, through a range of measures announced in the 2008–09 Budget, continue to support the Australian Government's priorities relating to counter-terrorism, security arrangements and protecting Australia's borders.

### 1.2 AGENCY RESOURCE STATEMENT

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

The total departmental appropriation for Customs in the 2008–09 Budget is \$1,011.165m. The new measures in the 2008–09 Budget with additional funding are 'Port Security – increased capacity' and 'Border Protection – surveillance in Australia's northern waters'. The 2008–09 Budget also includes \$14.907m of savings for Customs resulting from the election commitment to apply a one-off 2% efficiency dividend.

The port security measure will double examination capacity at four regional ports. For 2008–09 the additional resourcing comprises \$3.687m for operating expenses and \$3.264m for capital. The examination facilities are to be located at four key regional seaports: Launceston, Townsville, Newcastle and Darwin.

In addition to the port security measure, Customs will receive \$1.107m in 2008–09 to augment funding for border protection in northern waters. The measure funds 2,200 surveillance hours per annum in Australia’s northern approaches to maintain the deterrence of unauthorised arrivals from Papua New Guinea.

**Table 1.1: Resource statement—Budget estimates for 2008–09 (as at Budget May 2008)**

	Estimate of prior year amounts available in 2008–09 (\$'000)	+ Proposed at Budget 2008–09 (\$'000)	= Total estimate 2008–09 (\$'000)	Estimated appropriation available 2007–08 (\$'000)
<b>ORDINARY ANNUAL SERVICES</b>				
<b>Departmental outputs</b>				
Departmental outputs	168,506 <sup>4</sup>	1,011,165 <sup>1</sup>	1,179,671	1,011,715
S 31 relevant agency receipts	20,607	61,203 <sup>3</sup>	81,810	59,806
<b>Total ordinary annual services</b>	<b>A 189,113</b>	<b>1,072,368</b>	<b>1,261,481<sup>5</sup></b>	<b>1,071,521</b>
<b>OTHER SERVICES</b>				
<b>Departmental non-operating</b>				
Equity injections	–	23,241 <sup>2</sup>	23,241	37,540
<b>Total other services</b>	<b>B –</b>	<b>23,241</b>	<b>23,241</b>	<b>37,540</b>
<b>Total available annual appropriations</b>	<b>189,113</b>	<b>1,095,609</b>	<b>1,284,722</b>	<b>1,109,061</b>
<b>SPECIAL APPROPRIATIONS</b>				
<b>Special appropriations limited by criteria/entitlement</b>				
Customs Duty and Other Repayments <sup>7</sup>	–	380,000	380,000	370,000
Investment of Public Money <sup>8</sup>	–	–	–	160
<b>Total special appropriations</b>	<b>C –</b>	<b>380,000</b>	<b>380,000</b>	<b>370,160</b>
<b>Total appropriations excluding special accounts</b>	<b>189,113</b>	<b>1,475,609</b>	<b>1,664,722</b>	<b>1,479,221</b>
<b>SPECIAL ACCOUNTS</b>				
Opening balance	5,829 <sup>6</sup>	–	5,829	9,192
Non-appropriation receipts to special accounts	–	840	840	1,022
<b>Total special accounts</b>	<b>D 5,829</b>	<b>840</b>	<b>6,669</b>	<b>10,214</b>
<b>Total resourcing (A+B+C+D)</b>	<b>194,942</b>	<b>1,476,449</b>	<b>1,671,391</b>	<b>1,489,435</b>
<b>Total net resourcing for the Australian Customs Service</b>	<b>194,942</b>	<b>1,476,449</b>	<b>1,671,391</b>	<b>1,489,435</b>

All figures are GST exclusive.

Notes:

1. Appropriation Bill (No. 1) 2008–09.
2. Appropriation Bill (No. 2) 2008–09.
3. Section 31 relevant agency receipts—estimate.
4. Estimated adjusted balance carried forward from previous year for annual appropriations.
5. The total available departmental operating appropriation (outputs) will not equal the total of all outputs in the outcome resource statements as they budget for estimated appropriation attributable to outcomes and not the total available. For reconciliation see Table 3.1.1.
6. Estimated opening balance for special accounts. For further detail on special accounts see Table 3.1.2.
7. *Financial Management and Accountability Act 1997* section 28—Repayments Required or Permitted by Law.
8. *Financial Management and Accountability Act 1997* section 39(9)—Investment of Public Money.

## 1.3 BUDGET MEASURES

Budget measures relating to Customs are detailed in Budget Paper No. 2. Table 1.2 provides a summary of government measures and identifies the relevant output associated with each measure.

**Table 1.2: Agency 2008–09 Budget measures**

	Output	2008–09 (\$'000)	2009–10 (\$'000)	2010–11 (\$'000)	2011–12 (\$'000)
<b>REVENUE MEASURES</b>					
<b>Increase in the Passenger Movement Charge</b>	1				
Administered revenues		106,300	111,200	117,700	124,100
<b>Excise and customs duty—increased rates on 'other excisable beverages'</b>	2				
Administered revenues		12,000	12,000	12,000	12,000
<b>Excise-equivalent goods—coverage by Tariff Concession Orders</b>	2				
Administered revenues		600	600	600	700
<b>Migration Program—37,500 place increase for 2008–09</b>	2				
Administered revenues		3,300	6,700	10,100	13,800
<b>Migration Program—additional 6,000 skill stream places for 2007–08</b>	2				
Administered revenues		600	600	600	600
<b>Humanitarian migration program—additional 750 Special Humanitarian Program places from 2009–10</b>	2				
Administered revenues		..	..	..	100
<b>Visa places for Iraqi locally engaged employees</b>	2				
Administered revenues		..	..	..	..
<b>Humanitarian migration program—additional 500 places for Iraqis in 2008–09</b>	2				
Administered revenues		..	..	..	..
<b>Customs duty on imported tobacco—revenue protection measure</b>	2				
Administered revenues		..	..	..	..
<b>Total revenue measures</b>	Administered	<b>122,800</b>	<b>131,100</b>	<b>141,000</b>	<b>151,300</b>
<b>EXPENSE MEASURES</b>					
<b>Border protection—surveillance in Australia's northern waters</b>	3				
Departmental outputs		1,107	–	–	–
<b>Illegal Foreign Fishing—intelligence support</b>	3				
Departmental outputs		(304)	(307)	(310)	(314)

**Table 1.2: Agency 2008–09 Budget measures (continued)**

	Output	2008–09 (\$'000)	2009–10 (\$'000)	2010–11 (\$'000)	2011–12 (\$'000)
<b>Australian Customs Service— replacement of vessels project team<sup>1</sup></b>	3				
Departmental outputs		–	–	–	–
<b>Port security—increased inspection capacity</b>	2				
Departmental outputs		3,050	3,097	3,171	3,369
<b>Patrol Vessel in Australian Northern Waters—extension<sup>2</sup></b>	2				
Departmental outputs		–	–	–	–
<b>Total expense measures</b>	Departmental	<b>3,853</b>	<b>2,790</b>	<b>2,861</b>	<b>3,055</b>
<b>CAPITAL MEASURES</b>					
<b>Patrol Vessel in Australian Northern Waters—extension<sup>2</sup></b>	2				
Departmental capital		–	–	–	–
<b>Port security—increased inspection capacity</b>	2				
Departmental capital		3,264	–	–	–
<b>Total capital measures</b>	Departmental	<b>3,264</b>	<b>–</b>	<b>–</b>	<b>–</b>

In addition, tax concessions will be provided for the Secretariat for the conservation of Albatrosses and Petrels. Prepared on a Government Financial Statistics (fiscal) basis.

Note:

1. Funding for this measure will be absorbed in Customs' current funding base.
2. Continuation of existing funding.

## Section 2: Outcomes and planned performance

### 2.1 OUTCOMES AND PERFORMANCE INFORMATION

The Australian Government requires agencies to measure their intended and actual performance in terms of outcomes. Government outcomes are the results, impacts or consequences of actions by the government on the Australian community. Agencies are required to identify the output groups that demonstrate their contribution to government outcomes over the coming year.

Customs' outcome is described below by outputs, including the indicators and targets used to assess and monitor performance.

#### 2.1.1 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

##### Outcome 1 strategy

Customs has one outcome, reflecting the integrated nature of the work undertaken by Customs: effective border protection for the Australian

community designed in such a way as to best support legitimate trade and travel, prevent illegal movement across the border and ensure the collection of border-related revenue and trade statistics.

Customs' key strategies towards achieving Outcome 1 are to:

- complement ongoing approaches to managing border risks with periodic operations (campaigns) focusing on particular border risks
- improve the efficiency and effectiveness of frontline operations by:
  - providing targeted training and career development, improved technology and information systems, and expert support, and through regular operational and incident readiness exercises
  - developing and implementing national systems that accurately record detection and compliance outcomes so as to inform future operations, and
  - ensuring highly efficient and effective outcome-focused corporate support as well as intelligence and targeting to support frontline operations and to maximise the level of resources operating at the frontline, and
- meet the challenges outlined in the Strategic Outlook 2015 (a Customs document outlining the challenges to be faced by Customs to 2015).

### Outcome 1 resource statement

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

**Table 2.1: Total resources available for Outcome 1**

	2008–09 total estimate of available resources (\$'000)	2007–08 estimated actual (\$'000)
<b>Outcome 1</b>		
<b>Output 1: Passenger facilitation</b>		
Departmental outputs	197,404	192,729
Revenues from other sources	13,874	13,297
<b>Subtotal for Output 1</b>	<b>211,278</b>	<b>206,026</b>
<b>Output 2: Trade facilitation and revenue collection</b>		
Departmental outputs	285,916	287,476
Revenues from other sources	20,695	27,628
<b>Subtotal for Output 2</b>	<b>306,611</b>	<b>315,104</b>
<b>Output 3: Border enforcement</b>		
Departmental outputs	371,890	364,555
Revenues from other sources	26,244	18,560
<b>Subtotal for Output 3</b>	<b>398,134</b>	<b>383,115</b>

**Table 2.1: Total resources available for Outcome 1 (continued)**

	2008–09 total estimate of available resources (\$'000)	2007–08 estimated actual (\$'000)
<b>Outcome 4</b>		
<b>Output 4: Civil maritime surveillance and response</b>		
Departmental outputs	155,955	160,155
Revenues from other sources	231,202	231,124
<b>Subtotal for Output 4</b>	<b>387,157</b>	<b>391,279</b>
<b>Total resources for Outcome 1</b>	<b>1,303,180</b>	<b>1,295,524</b>
<b>Average staffing level (number)</b>	5,671 <sup>1</sup>	5,525

Departmental appropriation splits and totals by output are indicative estimates and may change in the course of the Budget year as government priorities change.

Note:

1. Additional staffing in 2008–09 is a result of current and previous measures along with the movement of information technology support staff to in-house.

## Contributions to Outcome 1

### Output 1

<b>Output 1: Passenger facilitation</b>	
Regulate and facilitate international passengers through: <ul style="list-style-type: none"> <li>• risk assessment, advance screening and border clearance processing of passengers, crew, and aircraft arriving and departing Australia</li> <li>• controlling or restricting the movement of restricted or prohibited goods on behalf of Customs and other agencies</li> <li>• referrals to other Customs areas and a range of external agencies of matters for possible investigation/prosecution, and</li> <li>• collection of revenues associated with passenger movements and administration of the Tourist Refund Scheme.</li> </ul>	
<b>Key performance indicators</b>	<b>2008–09 target/forecast</b>
Percentage of passengers processed within 30 minutes of joining the inwards queue	Target: 95%
Number of arriving international air passenger referrals to the Department of Immigration and Citizenship and to the Department of Health and Ageing	*
Number of international passengers (air and sea)	Forecast: Arrivals—12.938 million Forecast: Departures—12.918 million
Number of international crew (air and sea)	Forecast: Arrivals—1.006 million Forecast: Departures—999,900
Passenger Movement Charge collected	Estimate: \$551.329 million

\* Performance cannot be forecast reliably. Actual results will be included in the annual report.

## Output 2

<b>Output 2: Trade facilitation and revenue collection</b>	
<p>Regulate and facilitate international trade through:</p> <ul style="list-style-type: none"> <li>• examination and inspection of goods at the border in order to prevent the import or export of prohibited items and to control the movement of restricted items</li> <li>• referrals to other Customs areas and a range of external agencies of matters for possible investigation/prosecution</li> <li>• development and management of the cargo management processes and information systems</li> <li>• provision of valuation, classification and rules of origin services to ensure that importers and exporters are able to maximise their voluntary revenue compliance or claim concessional benefits to which they are entitled</li> <li>• provision of import and export data and statistics</li> <li>• administration of drawback, refund and concessional arrangements, and various industry import duty concession and levy schemes</li> <li>• investigation of dumping and countervailing complaints and the determination, implementation, monitoring and review of appropriate measures to address them</li> <li>• administration of customs duty, import processing charges and indirect taxes (including the assessment and collection of GST, Luxury Car Tax and the Wine Equalisation Tax) through the processing of all imported and exported cargo and mail, and items entering and leaving Australia with passengers and crew</li> <li>• real-time and post-transaction compliance activity related to revenue protection and collection, cargo reporting timeliness and accuracy, export reporting and movement of goods under Customs control, and</li> <li>• licensing of Customs brokers, depots and warehouses.</li> </ul>	
<b>Key performance indicators</b>	<b>2008–09 target/forecast</b>
Availability of electronic cargo systems to Customs clients (excluding scheduled outages)	Target: 99.7%
Proportion of electronically lodged import declarations where an authority to deal is transmitted within 15 minutes of finalisation of details	Target: 97%
Percentage of external appeals against Customs decisions on tariff advices, valuation advices, rules of origin, and refund and drawback applications where Customs decision was overturned	*
Number of external appeals against decisions: <ul style="list-style-type: none"> <li>• granting of Tariff Concession Orders</li> <li>• eligibility for 4th Schedule By-law</li> </ul>	*
Proportion of drawbacks and refunds delivered in accordance with standards	Target: Drawbacks 90% Target: Refunds 100%
Proportion of concessional arrangements for importers and exporters delivered in accordance with standards	Target: 100%

**Output 2 (continued)**

Key performance indicators	2008–09 target/forecast
Revenue and compliance assurance activity: <ul style="list-style-type: none"> <li>• imports—percentage of audits where revenue was adjusted by \$1,000 or more</li> <li>• exports—percentage of audits where free on board value was adjusted by \$5,000 or more</li> </ul>	Target: 55%  Target: 75%
Proportion of applications for judicial review of anti-dumping/ countervailing decisions remitted for reconsideration	*
Proportion of anti-dumping/countervailing investigations, reviews, continuations and duty assessments completed within 155 days <sup>^</sup>	Target: 100%
Number of Customs import declarations lodged	Forecast: 3.4 million
Number of export declarations lodged	Forecast: 1.3 million
Number of imported air cargo consignments reported	Forecast: 10.8 million
Number of imported sea cargo manifest lines reported	Forecast: 2.5 million
Significant revenues collected (including customs duty and GST)	Forecast: \$9,548 million (excluding GST deferred)
Duty concessions: <ul style="list-style-type: none"> <li>• Tariff Concession System</li> <li>• all other concession schemes**</li> </ul>	Forecast: \$1,300—\$1,400 million Forecast: \$450—\$500 million
Revenue and compliance assurance activity: <ul style="list-style-type: none"> <li>• imports—company audit activity</li> <li>• exports—company audit activity</li> </ul>	Target: 400  Target: 50
Volume of cargo subject to Customs inspection and examination: ~~ <ul style="list-style-type: none"> <li>• Sea cargo                             <ul style="list-style-type: none"> <li>- number of twenty-foot equivalent units inspected&lt;</li> <li>- number of twenty-foot equivalent units examined&lt;&lt;</li> </ul> </li> <li>• Air cargo                             <ul style="list-style-type: none"> <li>- number of consignments inspected&lt;</li> <li>- number of consignments examined&lt;&lt;</li> </ul> </li> <li>• Mail                             <ul style="list-style-type: none"> <li>- number of parcels/EMS/registered items inspected&lt;</li> <li>- number of letter class mail items inspected&lt;</li> <li>- number of mail items examined&lt;&lt;</li> </ul> </li> </ul>	Target: 134,000 Target: 14,300  Target: 6.2 million *  Target: 18 million Target: 40 million *

**Output 2 (continued)**

Key performance indicators	2008–09 target/forecast
Number of licences issued/amended for brokers, depots, warehouses	*
Revenue variations identified from compliance activity audit overstatements and understatements; non-audit overstatements and understatements	*
Percentage of cargo (total bills) reported in line with legislated timeframes: <ul style="list-style-type: none"> <li>• sea cargo</li> <li>• air cargo</li> </ul>	^^
Percentage of licensed premises subjected to compliance visits/checks	Target: 60%
Number of tariff advices, valuation advices and rules of origin advices completed	*
Number of reviews of tariff decisions completed	*
Number of reviews of valuation decisions and origin decisions completed	*
Number of drawback applications	Forecast: 5,500
Number of refund applications	Forecast: 48,000
Number of anti-dumping/countervailing investigations, reviews, reinvestigations, continuations and duty assessments: <ul style="list-style-type: none"> <li>• brought forward from 2007–08</li> <li>• received</li> <li>• finalised</li> <li>• carried forward to 2009–10</li> </ul>	#
Number of applications for judicial review of anti-dumping/ countervailing decisions	*

\* Performance cannot be forecast reliably. Actual results will be included in the annual report.

^ The Minister may approve an extension to the time in which an investigation must be completed.

\*\* Significant revenue and duty concessions are adjusted for the Automotive Competitiveness and Investment Scheme credits, which are treated by Customs as duty revenue and as an expense by the Department of Innovation, Industry, Science and Research as recommended by the Australian National Audit Office.

~~ All cargo is risk assessed.

< 'Inspection' may include the use of x-ray technology, detector dogs or physical examination.

<< 'Examination' means physically opened by Customs.

^^ Actual results will be included 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 included in the annual report.

### Output 3

<b>Output 3: Border enforcement</b>	
Border enforcement through: <ul style="list-style-type: none"> <li>• surveillance of the coastline and waterfronts</li> <li>• processing of apprehended foreign fishers</li> <li>• risk assessment, boarding, compliance and search activities in relation to passengers, crew, ships and craft entering and departing Australia</li> <li>• acquisition, development and maintenance of Customs Marine Unit and Customs Aviation Unit capability to support Enforcement and Border Protection Command operations</li> <li>• investigations and prosecutions related to breaches of the border involving non-narcotic prohibited goods, import fraud and duty evasion and proceeds of crime under the Customs Act and other relevant Commonwealth legislation</li> <li>• 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</li> <li>• evaluation and implementation of a range of new technologies, and</li> <li>• law enforcement strategy and Customs counter-terrorism coordination and liaison.</li> </ul>	
<b>Key performance indicators</b>	<b>2008–09 target/forecast</b>
Number of illegal foreign fishers apprehended and processed	Forecast: 1,425
Percentage of cases accepted for investigation##	Forecast: 18–25%
Percentage of prosecution briefs completed, which resulted in a conviction>>	Forecast: 85–95%
Southern Ocean surveillance (patrol days)	Target: 200
National Marine Unit (patrol days)	Target: 2,400
Commercial vessels boarded at first port>	Target: 8,600–9,200
Number and weight of illicit drug detections	*

\* Performance cannot be forecast reliably. Actual results will be included in the annual report.

>> This measure refers to prosecution briefs prepared by the Investigations Branch. 'Convictions' includes guilty verdicts where no conviction is recorded.

> Target based on 75–80% of 2004–05 volumes.

## Investigations of suspected breaches of Australia's border controls identified by, or referred to, the Investigations Branch.

## Output 4

<b>Output 4: Civil maritime surveillance response</b>	
<p>This output group covers the coordination and control 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 and the Australian Exclusive Economic Zone. Border Protection Command also provides the protection of Australia's offshore oil and gas facilities, the offshore interdiction of ships, and the detection of and response to any terrorist threat to Australia's maritime assets and coastline.</p>	
<b>Key performance indicators</b>	<b>2008–09 target/forecast</b>
Number of illegal, unregulated and unreported vessels sighted and identified in Australia's Exclusive Economic Zone in the Southern Ocean	*
Number of illegal, unregulated and unreported vessels boarded in the Southern Ocean	*
Number of illegal, unregulated and unreported vessels apprehended in the Southern Ocean	*
Trends in sightings of potentially illegal foreign vessels in Australian northern waters (including illegal foreign fishing vessels)	^^^
Number of detections and interceptions of suspect illegal entry vessels	*
Number of suspect unlawful non-citizens intercepted at sea (including ship's crew)	*
Number of apprehensions of illegal foreign fishing vessels~	Forecast: 150
Aerial surveillance coverage (square nautical miles): <ul style="list-style-type: none"> <li>• Coastwatch contracted aircraft and RAAF assets+</li> <li>• Coastwatch contracted satellite</li> </ul>	Target: 130 million++ Target: 5.5 million

^^^ Sightings are generated from reports by Border Protection Command surveillance units, including Customs Coastwatch and Defence. The number of sightings cannot be forecast through any reliable statistical or other method. Actual sightings and the associated historical trends will be reported in the annual report.

\* Performance cannot be forecast reliably. Actual results will be included in the annual report.

~ Total number of apprehensions by Customs and Australian Defence Force assets.

+ This target is based on the contribution made by both Customs and Defence assets to the civil maritime surveillance program.

++ Target rebased under a new surveillance contract, which delivers a more precise performance measurement system for calculation of square nautical miles coverage. The target of 130 million square nautical miles for 2008–09 equates to 200 million square nautical miles under methodology used in previous PB Statements.

## Section 3: Explanatory tables and budgeted financial statements

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

### 3.1 EXPLANATORY TABLES

#### 3.1.1 Reconciliation of total available appropriation and outcomes

The agency resource statement (Table 1.1) details the total available appropriation from all sources. For departmental operating appropriation (outputs) this includes carry-forward amounts as well as amounts appropriated at Budget. As agencies incur and are funded for future liabilities (generally depreciation and employee entitlements), the total amount of departmental operating appropriation available to an agency is unlikely to be fully used in the Budget year.

The difference between the agency resource statement and the sum of all payments made at the departmental outputs level is the expected carry-forward amount of resources for the 2009–10 Budget year, including amounts related to meeting future obligations to maintain the agency’s asset base and to meet employee entitlement liabilities.

Table 3.1.1 reconciles the total available appropriation and amounts attributable to all outcomes.

**Table 3.1.1: Reconciliation of total available appropriation and outcomes**

	(\$'000)
<b>Total available departmental operating appropriation (outputs)</b>	1,284,722
Less estimated payments in 2008–09	(1,061,942)
<b>Estimated departmental outputs carried forward and available for 2009–10</b>	<b>222,780</b>

#### 3.1.2 Movement of administered funds between years

Customs has no administered funds that can be moved between years.

### 3.1.3 Special accounts

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

Table 3.1.3 shows the expected additions (receipts) and reductions (payments) for each account used by Customs.

**Table 3.1.3: Estimates of special account cash flows and balances**

	Outcome	Opening balance 2008–09 2007–08 (\$'000)	Receipts 2008–09 2007–08 (\$'000)	Payments 2008–09 2007–08 (\$'000)	Closing balance 2008–09 2007–08 (\$'000)
Other Trust Moneys— FMA Act s 20 (A)	1 1	363 460	40 14	40 111	363 363
Security Deposits— FMA Act s 20 (A) <sup>1</sup>	1 1	5,466 5,475	800 848	800 857	5,466 5,466
Industry Related Systems Development— FMA Act s 20 (A) <sup>2</sup>	1 1	— 3,257	— 160	— 3,417	— —
Services for Other Governments and Non- Agency Bodies— FMA Act s 20 (A)	1 1	— —	— —	— —	— —
<b>Total special accounts 2008–09 Budget estimate</b>		<b>5,829</b>	<b>840</b>	<b>840</b>	<b>5,829</b>
<b>Total special accounts 2007–08 estimated actual</b>		<b>9,192</b>	<b>1,022</b>	<b>4,385</b>	<b>5,829</b>

(A) = Administered.

FMA Act = *Financial Management and Accountability Act 1997*.

Notes:

1. For expenditure dealing with moneys required to be lodged under sections 42 and 162 of the *Customs Act 1901*.

2. For expenditure on industry-related development of the Customs Service. As determined by the Minister for Finance and Deregulation, this account will be abolished once the account balance is zero.

### 3.1.4 Australian Government Indigenous expenditure

Customs has three internally funded Indigenous programs, 'Engage and Train Torres Strait Islanders as Marine Crew to serve in the Torres Strait', 'Indigenous Cadetship Program' and a continuing trial of engaging remote Indigenous communities to help respond to illegal foreign fishing.

The Torres Strait Island Marine Trainee Program is an entry-level recruitment program specifically for people in the Torres Strait to join the Customs Marine Unit for 12 months as sea-going crew in non-ongoing positions. After completion of the 12 months of training, the members are given an opportunity to apply for ongoing 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 the Higher Education Contribution Scheme (HECS).

Indigenous communities are engaged to help improve the capacity for inshore surveillance and response to illegal foreign fishing vessel incursions in internal waters. The initial trial is being extended during 2008–09.

**Table 3.1.4: Australian Government Indigenous expenditure (AGIE)**

Outcome	Appropriations				Output
	Bill No. 1 (\$'000)	Bill No. 2 (\$'000)	Special appropriation (\$'000)	Total appropriation (\$'000)	
<b>Outcome 1</b>					
Departmental 2008–09	855	–	–	855	4
Departmental 2007–08	427	–	–	427	4
<b>Total AGIE 2008–09</b>	<b>855</b>	<b>–</b>	<b>–</b>	<b>855</b>	
<b>Total AGIE 2007–08</b>	<b>427</b>			<b>427</b>	

## 3.2 BUDGETED FINANCIAL STATEMENTS

### 3.2.1 Differences between agency resourcing and financial statements

There are no material differences between agency resourcing and financial statements.

### 3.2.2 Analysis of budgeted financial statements

#### Departmental

##### *Income statement*

Total estimated revenue for 2008–09 is \$1,302.156m, an increase of \$11.391m from the 2007–08 PB Statements. The increase is primarily due to:

- funding impact of new measures in 2008–09 of \$29.188m

- workload and parameter adjustments totalling \$9.509m
- funding impact of past budget measures and decisions of \$2.121m, and
- offset by efficiency measures, including the 2% efficiency dividend, of \$29.427m.

#### *Balance sheet*

Customs' estimated net asset position for 30 June 2009 is \$407.270m. This represents an increase of \$23.240m from 2007–08. The increase is attributable to capital equity injections provided in the 2008–09 Budget as well as injections provided in previous years.

### **Administered**

#### *Schedule of budgeted income and expenses*

Customs will administer the collection of an estimated \$6.297b in customs duty in 2008–09. This represents an increase of \$310.000m over the 2007–08 estimated actual which is due to a combination of factors. The principal factors are the expected continuation of the strong import growth for both passenger motor vehicles and excise equivalent goods, offset by a moderating growth in textiles, clothing and footwear and general imports.

Customs will also administer the collection of an estimated \$695.978m in other revenue. The bulk of this revenue (\$551.329m) is represented by the Passenger Movement Charge (PMC). The PMC has been estimated to increase by \$131.607m in 2008–09 over 2007–08 of which \$106.300m is due to an anticipated increase in the unit charge. The increase is intended to partially cost recover National Security Aviation initiatives. The balance of the estimates increase in PMC is supported by growth in residential international departures associated with the strong Australian currency. Import processing charges cost recovery arrangements account for \$144.649m of the balance of other administered revenue collected by Customs.

In addition, \$380.000m will be made available in 2008–09 for Customs to pay for customs duty refunds and drawbacks.

#### *Schedule of budgeted assets and liabilities*

Total net administered assets are expected to be \$118.516m in 2008–09.

### 3.2.3 Budgeted financial statements tables

#### Departmental

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

	Estimated actual 2007–08 (\$'000)	Budget estimate 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
<b>INCOME</b>					
<b>Revenue</b>					
Revenue from government	1,004,915	1,011,165	999,175	1,014,672	1,018,376
Goods and services	59,806	61,203	61,059	60,259	65,536
<b>Total revenue</b>	<b>1,064,721</b>	<b>1,072,368</b>	<b>1,060,234</b>	<b>1,074,931</b>	<b>1,083,912</b>
<b>Gains</b>					
Other	230,803	230,812	230,820	230,826	230,800
<b>Total gains</b>	<b>230,803</b>	<b>230,812</b>	<b>230,820</b>	<b>230,826</b>	<b>230,800</b>
<b>Total income</b>	<b>1,295,524</b>	<b>1,303,180</b>	<b>1,291,054</b>	<b>1,305,757</b>	<b>1,314,712</b>
<b>EXPENSES</b>					
Employees	435,877	432,352	442,322	448,377	446,525
Suppliers	783,682	783,557	765,591	774,226	785,033
Depreciation and amortisation	75,965	87,271	83,141	83,154	83,154
<b>Total expenses</b>	<b>1,295,524</b>	<b>1,303,180</b>	<b>1,291,054</b>	<b>1,305,757</b>	<b>1,314,712</b>
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

	Estimated actual 2007–08 (\$'000)	Budget estimate 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	8,517	8,517	8,517	8,517	8,517
Receivables	180,596	214,263	225,117	230,095	230,732
<b>Total financial assets</b>	<b>189,113</b>	<b>222,780</b>	<b>233,634</b>	<b>238,612</b>	<b>239,249</b>
<b>Non-financial assets</b>					
Land and buildings	95,650	95,338	94,969	94,790	94,611
Infrastructure, plant and equipment	95,732	87,202	84,863	82,996	82,538
Inventories	2,019	2,019	2,019	2,019	2,019
Intangibles	216,815	217,660	216,823	216,902	216,902
Other	3,412	3,412	3,412	3,412	3,412
<b>Total non-financial assets</b>	<b>413,628</b>	<b>405,631</b>	<b>402,086</b>	<b>400,119</b>	<b>399,482</b>
<b>Total assets</b>	<b>602,741</b>	<b>628,411</b>	<b>635,720</b>	<b>638,731</b>	<b>638,731</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	128,457	130,888	133,757	136,689	136,689
Other	5,563	5,563	5,563	5,563	5,563
<b>Total provisions</b>	<b>134,020</b>	<b>136,451</b>	<b>139,320</b>	<b>142,252</b>	<b>142,252</b>
<b>Payables</b>					
Suppliers	77,064	77,063	77,064	77,064	77,064
Other	7,627	7,627	7,627	7,627	7,627
<b>Total payables</b>	<b>84,691</b>	<b>84,690</b>	<b>84,691</b>	<b>84,691</b>	<b>84,691</b>
<b>Total liabilities</b>	<b>218,711</b>	<b>221,141</b>	<b>224,011</b>	<b>226,943</b>	<b>226,943</b>
<b>Net assets</b>	<b>384,030</b>	<b>407,270</b>	<b>411,709</b>	<b>411,788</b>	<b>411,788</b>
<b>EQUITY<sup>1</sup></b>					
<b>Parent entity interest</b>					
Contributed equity	304,417	327,657	332,096	332,175	332,175
Reserves	30,354	30,354	30,354	30,354	30,354
Retained surpluses or accumulated deficits	49,259	49,259	49,259	49,259	49,259
<b>Total parent entity interest</b>	<b>384,030</b>	<b>407,270</b>	<b>411,709</b>	<b>411,788</b>	<b>411,788</b>
<b>Total equity</b>	<b>384,030</b>	<b>407,270</b>	<b>411,709</b>	<b>411,788</b>	<b>411,788</b>
<b>Current assets</b>	<b>194,544</b>	<b>228,211</b>	<b>239,065</b>	<b>244,043</b>	<b>244,680</b>
<b>Non-current assets</b>	<b>408,197</b>	<b>400,200</b>	<b>396,655</b>	<b>394,688</b>	<b>394,051</b>
<b>Current liabilities</b>	<b>192,028</b>	<b>194,162</b>	<b>196,682</b>	<b>199,256</b>	<b>199,256</b>
<b>Non-current liabilities</b>	<b>26,683</b>	<b>26,979</b>	<b>27,329</b>	<b>27,687</b>	<b>27,687</b>

Note:

1. Equity is the residual interest in assets after deduction of liabilities.

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

	Estimated actual 2007–08 (\$'000)	Budget estimate 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	59,806	61,203	61,059	60,259	65,536
Appropriations	999,818	974,498	988,321	1,009,694	1,017,739
Net GST received	43,869	43,869	43,869	43,869	43,869
<b>Total cash received</b>	<b>1,103,493</b>	<b>1,082,570</b>	<b>1,093,249</b>	<b>1,113,822</b>	<b>1,127,144</b>
<b>Cash used</b>					
Employees	453,578	452,967	445,404	445,445	446,525
Suppliers	532,983	529,527	528,819	543,400	554,233
Net GST paid	43,869	43,869	43,869	43,869	43,869
<b>Total cash used</b>	<b>1,030,430</b>	<b>1,026,363</b>	<b>1,018,092</b>	<b>1,032,714</b>	<b>1,044,627</b>
<b>Net cash from (used by) operating activities</b>	<b>73,063</b>	<b>56,207</b>	<b>75,157</b>	<b>81,108</b>	<b>82,517</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	110,931	79,448	79,596	81,187	82,517
<b>Total cash used</b>	<b>110,931</b>	<b>79,448</b>	<b>79,596</b>	<b>81,187</b>	<b>82,517</b>
<b>Net cash from (used by) investing activities</b>	<b>(110,931)</b>	<b>(79,448)</b>	<b>(79,596)</b>	<b>(81,187)</b>	<b>(82,517)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations—contributed equity	37,540	23,241	4,439	79	–
<b>Total cash received</b>	<b>37,540</b>	<b>23,241</b>	<b>4,439</b>	<b>79</b>	<b>–</b>
<b>Net cash from (used by) financing activities</b>	<b>37,540</b>	<b>23,241</b>	<b>4,439</b>	<b>79</b>	<b>–</b>
<b>Net increase (decrease) in cash held</b>	<b>(328)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Cash at the beginning of the reporting period	9,317	8,989	8,989	8,989	8,989
<b>Cash at the end of the reporting period</b>	<b>8,989</b>	<b>8,989</b>	<b>8,989</b>	<b>8,989</b>	<b>8,989</b>

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

	Retained earnings (\$'000)	Asset revaluation reserve (\$'000)	Contributed equity/ capital (\$'000)	Total equity (\$'000)
<b>Opening balance as at 1 July 2008</b>				
Balance carried forward from previous period	49,259	30,354	304,417	384,030
<b>Income and expenses</b>				
Net operating result	–	–	–	–
<b>Total income and expenses</b>	–	–	–	–
<b>Transactions with owners</b>				
Contribution by owners				
<i>Appropriation (equity injection)</i>	–	–	23,240	23,240
<b>Total transactions with owners</b>	–	–	<b>23,240</b>	<b>23,240</b>
<b>Estimated closing balance as at 30 June 2009</b>	<b>49,259</b>	<b>30,354</b>	<b>327,657</b>	<b>407,270</b>

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

	Estimated actual 2007–08 (\$'000)	Budget estimate 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Revenue</b>					
<b>Taxation</b>					
Customs duty	5,987,000	6,297,000	6,007,000	5,607,000	5,887,000
Other taxes, fees and fines	564,372	695,978	734,068	772,065	810,100
<b>Total taxation</b>	<b>6,551,372</b>	<b>6,992,978</b>	<b>6,741,068</b>	<b>6,379,065</b>	<b>6,697,100</b>
<b>Non-taxation</b>					
Other sources of non-taxation revenue	6,237	6,537	6,362	6,553	8,000
<b>Total non-taxation</b>	<b>6,237</b>	<b>6,537</b>	<b>6,362</b>	<b>6,553</b>	<b>8,000</b>
<b>Total revenue administered on behalf of government</b>	<b>6,557,609</b>	<b>6,999,515</b>	<b>6,747,430</b>	<b>6,385,618</b>	<b>6,705,100</b>
<b>Total income administered on behalf of government</b>	<b>6,557,609</b>	<b>6,999,515</b>	<b>6,747,430</b>	<b>6,385,618</b>	<b>6,705,100</b>
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Write-down and impairment of assets	2,636	2,716	2,716	3,172	7,000
<b>Total expenses administered on behalf of government</b>	<b>2,636</b>	<b>2,716</b>	<b>2,716</b>	<b>3,172</b>	<b>7,000</b>

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

	Estimated actual 2007–08 (\$'000)	Budget estimate 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash and cash equivalents	3,939	3,939	3,939	3,939	3,939
Receivables	87,468	101,605	115,942	121,770	128,770
Other receivables	28,299	25,583	22,867	22,867	22,867
<b>Total financial assets</b>	<b>119,706</b>	<b>131,127</b>	<b>142,748</b>	<b>148,576</b>	<b>155,576</b>
<b>Non-financial assets</b>					
Inventories	271	271	271	271	271
<b>Total non-financial assets</b>	<b>271</b>	<b>271</b>	<b>271</b>	<b>271</b>	<b>271</b>
<b>Total assets administered on behalf of government</b>	<b>119,977</b>	<b>131,398</b>	<b>143,019</b>	<b>148,847</b>	<b>155,847</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Interest-bearing liabilities</b>					
Other	3,257	3,257	3,257	3,257	3,257
<b>Total interest-bearing liabilities</b>	<b>3,257</b>	<b>3,257</b>	<b>3,257</b>	<b>3,257</b>	<b>3,257</b>
<b>Payables</b>					
Other payables	9,625	9,625	9,625	9,625	9,625
<b>Total payables</b>	<b>9,625</b>	<b>9,625</b>	<b>9,625</b>	<b>9,625</b>	<b>9,625</b>
<b>Total liabilities administered on behalf of government</b>	<b>12,882</b>	<b>12,882</b>	<b>12,882</b>	<b>12,882</b>	<b>12,882</b>

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

	Estimated actual 2007–08 (\$'000)	Budget estimate 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Taxes	6,002,402	6,438,841	6,256,731	6,000,065	6,320,100
Fees	6,237	6,537	6,362	6,553	1,000
Cash from the Official Public Account	370,000	380,000	380,000	380,000	380,000
<b>Total cash received</b>	<b>6,378,639</b>	<b>6,825,378</b>	<b>6,643,093</b>	<b>6,386,618</b>	<b>6,701,100</b>
<b>Cash used</b>					
Cash to the Official Public Account	6,378,639	6,825,378	6,643,093	6,386,618	6,701,100
<b>Total cash used</b>	<b>6,378,639</b>	<b>6,825,378</b>	<b>6,643,093</b>	<b>6,386,618</b>	<b>6,701,100</b>
<b>Net cash from (used by) operating activities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net increase (decrease) in cash held</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Cash at beginning of reporting period	3,939	3,939	3,939	3,939	3,939
Cash from Official Public Account					
<i>Special appropriations</i>	370,000	380,000	380,000	380,000	380,000
Transfers from other entities	6,008,639	6,445,378	6,263,093	6,006,618	6,321,100
Cash to Official Public Account	6,378,639	6,825,378	6,643,093	6,386,618	6,701,100
<b>Cash at end of reporting period</b>	<b>3,939</b>	<b>3,939</b>	<b>3,939</b>	<b>3,939</b>	<b>3,939</b>

### 3.2.4 Notes to the financial statements

#### Basis of accounting

The budgeted financial statements have been prepared in accordance with the requirements of the Finance Minister's Orders, Australian Accounting Standards, Australian Equivalents to International Financial Reporting Standards and Accounting Guidance Releases, and having regard to the Statements of Accounting Concepts.

#### Revenue from government

Amounts appropriated for outputs are recognised as revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

### **Employee expenses**

Employee expenses consist of salaries, leave entitlements, redundancy expenses, superannuation and non-salary benefits.

### **Supplier expenses**

Supplier expenses consist of administrative costs, consultants' costs, travel expenses and property operating expenses.

### **Cash**

Cash includes notes and coins held and any deposits held at call with a bank or other financial institution.

### **Assets**

Assets are made up of cash, receivables, leasehold improvements and plant and equipment. All assets are held at fair value.

### **Liabilities**

Liabilities are made up of employee salary and leave entitlement, property lease make-good provisions and amounts owed to creditors.

### **Purchaser-provider arrangements**

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 whereby the ATO will pay Customs \$52.649m in 2008-09 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.

### **Cross-agency overview**

#### *Responsibility*

Revenue from the memorandum of understanding Customs has with the ATO is reported against sales of goods and services. The Australian National Audit Office (ANAO) audits this annually. As part of the memorandum 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*

Customs and the ATO collaborate to effectively administer Commonwealth indirect taxes on goods. These indirect taxes include the GST, Wine Equalisation Tax and Luxury Car Tax. The guidelines outlining Customs' responsibilities, performance and accountability are in a memorandum of understanding 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 in revenue assessment activities.

*Resourcing*

Resources for these activities are deployed by Customs in each region as well as central offices in the Australian Capital Territory.

*Performance against outcomes of purchased outputs*

Customs' performance in administering GST, Luxury Car Tax, the Tourist Refund Scheme and Wine Equalisation Tax is measured by the following: year to date administration costs, number of transactions against previous years, value of transactions against previous years, and year to date collection of penalties against previous years. The memorandum between the ATO and Customs formally recognises the importance both agencies attach to effective collaboration in the administration of Commonwealth revenue.

Customs provides biannual reports to the ATO. These reports outline performance against measures and costs.

**Cost recovery arrangements**

Customs has three broad categories of cost recovery. The first category relates to charges for regulated services and was subject to a cost recovery review in 2005–06 as required by the Australian Government Cost Recovery Guidelines.

The second cost recovery category relates to the delivery of GST administration services for the ATO. This arrangement is subject to independent review and scrutiny by the ATO and the states. As an intra-government agreement, this category of cost recovery is not subject to the Australian Government Cost Recovery Guidelines.

The final category of cost recovery relates to the sale of goods and services of a minor nature completed on commercial terms within a competitive market.

In accordance with the cost recovery guidelines, a further review of Customs cost recovery arrangements is proposed to be carried out in the 2011–12 Budget.

