

AUSTRALIAN CUSTOMS SERVICE

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

Customs' strategic direction statement can be found in the 2008–09 Portfolio Budget Statements. There has been no change to Customs' strategic direction as a result of additional estimates.

Customs will receive additional funding of \$1.630m over four years commencing in 2009–10 for two new measures since the 2008–09 Budget: Combating People Smuggling – Embedded Customs Officer in Bakorkamla (Indonesia) and Combating People Smuggling – Enhanced Operational Maritime Security Initiatives with Indonesia.

Customs is receiving additional funding of \$1.375m as a result of the adjustment to the previous year's outputs for the additional workload generated by the growth in international passenger numbers (and crew), both incoming and outgoing. The methodology for this funding is determined using the Passenger Workload Growth Model.

1.2 AGENCY RESOURCE STATEMENT

The agency resource statement details the resourcing for Customs at Additional Estimates. Table 1.1 outlines the total resourcing available from all sources for the 2008–09 Budget year, including variations through Appropriation Bill No. 4, special appropriations and special accounts.

**Table 1.1: Agency resource statement—additional estimates for 2008–09
(as at Additional Estimates, December 2008)**

	Estimate as at Budget 2008–09 (\$'000)	+	Proposed additional estimates 2008–09 (\$'000)	=	Total estimate at Additional Estimates 2008–09 (\$'000)	Total available appropriation 2007–08 (\$'000)
ORDINARY ANNUAL SERVICES						
Departmental outputs						
Departmental outputs	1,179,671		–		1,179,671	1,203,056
S 31 relevant agency receipts	81,810		–		81,810	64,545
Total ordinary annual services	1,261,481		–		1,261,481	1,267,601
OTHER SERVICES						
Departmental non-operating						
Equity injections	23,241		–		23,241	84,777
Previous year's outputs	–		1,375 ¹		1,375	–
Total other services	23,241		1,375		24,616	84,777
Total available annual appropriations	1,284,722		1,375		1,286,097	1,352,378
SPECIAL APPROPRIATIONS						
Special appropriations limited by criteria/entitlement						
Customs duty and other repayments ²	380,000		–		380,000	373,055
Investment of public money ³	–		–		–	179
Total special appropriations	380,000		–		380,000	373,234
Total appropriations excluding special accounts	1,664,722		1,375		1,666,097	1,725,612
SPECIAL ACCOUNTS						
Opening balance	5,829 ⁴		–		5,829	9,192
Non-appropriation receipts to special accounts	840		–		840	5,057
Total special accounts	6,669		–		6,669	14,249
Total net resourcing for the Australian Customs Service	1,671,391		1,375		1,672,766	1,739,861

All figures are GST exclusive.

Notes:

1. Appropriation Bill No. 4 (2008–09).
2. *Financial Management and Accountability Act 1997* section 28—Repayments required or permitted by law.
3. *Financial Management and Accountability Act 1997* section 39(9)—Investment of public money.
4. Estimated opening balance for special accounts. For further information on special accounts see Table 3.1.1.

1.3 AGENCY MEASURES TABLE

Table 1.2 summarises new government measures taken since the 2008–09 Budget. The table is split into revenue and expense measures, with the affected output group identified.

Table 1.2: Agency measures since 2008–09 Budget

	Output group	2008–09 (\$'000)	2009–10 (\$'000)	2010–11 (\$'000)	2011–12 (\$'000)
REVENUE MEASURES					
Australia–Chile Free Trade Agreement	2				
Administered revenues		(1,900)	(4,000)	(4,300)	(4,500)
Total revenue measures	Administered	(1,900)	(4,000)	(4,300)	(4,500)
EXPENSE MEASURES					
Combating People Smuggling—Enhanced Operational Maritime Security Initiatives with Indonesia	2				
Departmental outputs		–	266	148	149
Combating People Smuggling—Embedded Customs Officer in Bakorkamla (Indonesia)	2				
Departmental outputs		–	285	193	202
Total expense measures	Departmental	–	551	341	351

1.4 ADDITIONAL ESTIMATES AND VARIATIONS

The following tables detail the changes to the resourcing for Customs at Additional Estimates. Table 1.3 details the additional estimates and variations resulting from new measures since the 2008–09 Budget. Table 1.4 details additional estimates and variations resulting from wage cost index adjustments.

Table 1.3: Additional estimates and variations to outcomes from measures since 2008–09 Budget

	Output group impacted	2008–09 (\$'000)	2009–10 (\$'000)	2010–11 (\$'000)	2011–12 (\$'000)
OUTCOME 1					
Decrease in estimates (administered)					
Australia–Chile Free Trade Agreement	2	(1,900)	(4,000)	(4,300)	(4,500)
Net impact on estimates for Outcome 1 (administered)		(1,900)	(4,000)	(4,300)	(4,500)
Increase in estimates (departmental)					
Combating People Smuggling—Enhanced Operational Maritime Security Initiatives with Indonesia	2	–	266	148	149
Combating People Smuggling—Embedded Customs Officer in Bakorkamla (Indonesia)	2	–	285	193	202
Net impact on estimates for Outcome 1 (departmental)		–	551	341	351

Table 1.4: Additional estimates and variations to outcomes from other variations

	Output group impacted	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)	2011-12 (\$'000)
OUTCOME 1					
Increase in estimates (departmental)					
Wage cost index adjustments	all	–	5,970	7,830	7,751
Net impact on estimates for Outcome 1 (departmental)		–	5,970	7,830	7,751

1.5 BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

Customs has no additional estimates through Appropriation Bill No. 3. An adjustment of \$1.375m has been made to the previous year's outputs for Passenger Workload Growth through Appropriation Bill No. 4. Funding for the new measures commences in 2009-10.

Table 1.6: Appropriation Bill (No. 4) 2008-09

	2007-08 available (\$'000) ¹	2008-09 Budget (\$'000)	2008-09 revised (\$'000)	Additional estimates (\$'000)
Non-operating				
Equity injections	84,777	23,241	23,241	–
Previous year's outputs	–	–	1,375	1,375
Total	84,777	23,241	24,616	1,375

Note:

1. Available appropriation for 2007-08 is included to allow a comparison of this year's appropriation with what was made available for use in the previous year.

Section 2: Revisions to agency outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

Outcome 1

Outcome 1 strategy

There has been no change to Customs' outcome strategy. The following tables summarise the changes in performance information for Outcome 1 by output.

Table 2.1: Performance information for outputs groups affected by additional estimates—Outcome 1

Output 1: Passenger facilitation	
There are no changes to the components of Output 1.	
Key performance indicators	2008–09 target
Passenger Movement Charge collected	Revised estimate: \$523.729 million
Number of international passengers (air and sea) ¹	Revised forecast: Arrivals—12.738 million
	Revised forecast: Departures—12.718 million

Note:

1. International passenger traffic is expected to grow marginally below the 2008–09 Budget estimate.

Output 2: Trade facilitation and revenue collection	
There are no changes to the components of Output 2.	
Key performance indicators	2008–09 target
Revenue and compliance assurance activity: ¹	
• imports—company audit activity	Revised target: 274
• exports—company audit activity	Revised target: 36
Significant revenues collected (including customs duty and GST)	Revised forecast: \$9,629 million (excluding GST deferred)

Note:

1. The adjustment to this key performance indicator will allow the achievement of equivalent revenue outcomes by redeploying resources to more efficient real-time and non-audit compliance activities. This change will not affect other revenue-related performance indicators. Examples of alternative compliance activities include profiling import declarations for revenue risks before goods are released for delivery and post-transaction review of transactions selected for revenue risk by requesting the production of documents, without the need to visit owners' premises.

Output 3: Border enforcement	
There are no changes to the components of Output 3.	
Key performance indicators	2008–09 target
Number of illegal foreign fishers apprehended and processed	Revised forecast: 1,350
Percentage of prosecution briefs completed, which resulted in a conviction ¹	Forecast: 85–95%

Note:

1. This measure refers to prosecution briefs prepared by the Investigations Branch and dealt with by the courts.

Section 3: Explanatory tables and budgeted financial statements

3.1 EXPLANATORY TABLES

3.1.1 Estimates of special account flows

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 3.1.1 shows the expected additions (receipts) and reductions (payments) for each account used by Customs. The corresponding table in the 2008–09 Portfolio Budget Statements is Table 3.1.3.

Table 3.1.1: Estimates of special account flows

	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	359 460	40 492	40 593	359 359
Security Deposits— FMA Act s 20 (A)	1 1	4,793 5,475	800 4,375	800 5,057	4,793 4,793
Industry Related Systems Development—FMA Act s 20 (A)	1 1	— 3,257	— 190	— 3,447	— —
Services for Other Governments and Non-Agency Bodies— FMA Act s 20 (A)	1 1	— —	— —	— —	— —
Total special accounts 2008–09 Budget estimate		5,152	840	840	5,152
Total special accounts 2007–08 estimate actual		9,192	5,057	9,097	5,152

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

(A) = Administered.

3.1.2 Estimates of variations to average staffing level

Table 3.1.2 shows the variation in the estimate of Customs' average staffing level since the 2008–09 Portfolio Budget Statements. The average staffing level reflects the average number of paid employees (full-time and part-time, ongoing and non-ongoing) during the reporting period.

Table 3.1.2: Average staffing level

	2008–09 Budget	2008–09 revised	Variation
Outcome 1			
Effective border management that, with minimal disruptions to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics	5,671 ¹	5,800	129
Total	5,671	5,800	129

Note:

1. The figures reflected in the 2008–09 Budget were understated and were later clarified during the estimates updates.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Analysis of budgeted financial statements

Departmental

Income statement

There has been no change in total revenue or total expenses since the 2008–09 Portfolio Budget Statements. There has been some movement between expense categories to update estimates in line with 2007–08 actual results.

Balance sheet

The difference between the previously published estimates and the revised estimates is a result of the inclusion of the 2007–08 actual results.

Statement of cash flows

Changes to the statement of cash flows from the 2008–09 Budget are due to changes in the income statement and the rollover of uncompleted capital projects from 2007–08 into the 2008–09 financial year.

Statement of changes in equity

The difference between the previously published estimates and the revised estimates is due to a \$1.375m adjustment to the previous year's outputs for Passenger Workload Growth and the inclusion of the 2007–08 actual results.

Administered

Schedule of budgeted income and expenses

The revised customs duty estimates for 2008–09 are \$309.522m greater than the 2007–08 actual and \$81.500m greater than the 2008–09 Portfolio Budget Statements estimate. The increase is primarily due to the continuation of the strong growth in collections from excise equivalent goods.

Customs other revenue is now estimated to be \$668.378m, a decrease of \$27.600m from the 2008–09 Portfolio Budget Statements estimate. This decrease is primarily due to the level of airlines tickets sold prior to 1 July 2008, which did not attract the increase in the Passenger Movement Charge announced in the 2008–09 Budget.

Schedule of budgeted administered cash flows

There were no major adjustments to the budgeted administered cash flows other than the impact of the changes made to Customs revenue.

3.2.2 Budgeted financial statements tables

Departmental

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

	Actual 2007–08 (\$'000)	Revised budget 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
INCOME					
Revenue					
Revenue from government	1,006,046	1,011,165	1,005,696	1,022,843	1,026,478
Goods and services	67,337	61,203	61,059	60,259	65,536
Total revenue	1,073,383	1,072,368	1,066,755	1,083,102	1,092,014
Gains					
Other	191,756	230,812	230,820	230,826	230,800
Total gains	191,756	230,812	230,820	230,826	230,800
Total income	1,265,139	1,303,180	1,297,575	1,313,928	1,322,814
EXPENSES					
Employees	496,828	502,883	515,832	522,400	527,151
Suppliers	695,014	716,026	698,602	708,374	712,509
Depreciation and amortisation	71,262	84,271	83,141	83,154	83,154
Finance costs	167	–	–	–	–
Write-down and impairment of assets	57	–	–	–	–
Other	1,549	–	–	–	–
Total expenses	1,264,877	1,303,180	1,297,575	1,313,928	1,322,814
Net surplus (deficit) attributable to the Australian Government	262	–	–	–	–

Prepared on Australian Accounting Standards basis.

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

	Actual 2007–08 (\$'000)	Revised budget 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
ASSETS					
Financial assets					
Cash and cash equivalents	9,219	9,219	9,219	9,219	9,219
Receivables	161,058	163,685	174,539	179,517	180,154
Total financial assets	170,277	172,904	183,758	188,736	189,373
Non-financial assets					
Land and buildings	102,760	103,861	103,492	103,313	103,134
Infrastructure, plant and equipment	105,793	114,849	112,510	110,643	110,185
Inventories	1,933	1,933	1,933	1,933	1,933
Intangibles	220,409	234,670	233,833	233,912	233,912
Other	11,668	11,668	11,668	11,668	11,668
Total non-financial assets	442,563	466,981	463,436	461,469	460,832
Total assets	612,840	639,885	647,194	650,205	650,205
LIABILITIES					
Payables					
Suppliers	73,291	73,290	73,291	73,291	73,291
Other payables	6,356	6,356	6,356	6,356	6,356
Total payables	79,647	79,646	79,647	79,647	79,647
Provisions					
Employees	137,650	140,081	142,950	145,882	145,882
Other provisions	11,226	11,226	11,226	11,226	11,226
Total provisions	148,876	151,307	154,176	157,108	157,108
Total liabilities	228,523	230,953	233,823	236,755	236,755
EQUITY¹					
Parent entity interest					
Contributed equity	304,418	327,658	332,097	332,176	332,176
Reserves	27,147	27,147	27,147	27,147	27,147
Retained surpluses or accumulated deficits	52,752	54,127	54,127	54,127	54,127
Total parent entity interest	384,317	408,932	413,371	413,450	413,450
Total equity	384,317	408,932	413,371	413,450	413,450
Current assets	183,878	186,505	197,359	202,337	202,974
Non-current assets	428,962	453,380	449,835	447,868	447,231
Current liabilities	194,468	196,536	198,978	201,473	201,473
Non-current liabilities	34,055	34,417	34,845	35,282	35,282

Prepared on Australian Accounting Standards basis.

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)

	Actual 2007–08 (\$'000)	Revised budget 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
OPERATING ACTIVITIES					
Cash received					
Goods and services	65,402	61,203	61,059	60,259	65,536
Appropriations	1,012,552	1,009,913	994,842	1,017,865	1,025,841
Net GST received	63,210	43,869	43,869	43,869	43,869
Other cash received	–	–	–	–	–
Total cash received	1,141,164	1,114,985	1,099,770	1,121,993	1,135,246
Cash used					
Employees	484,270	525,200	520,614	521,168	528,845
Suppliers	575,064	460,294	460,130	475,848	480,015
Financing costs	167	–	–	–	–
Net GST paid	–	43,869	43,869	43,869	43,869
Other cash used	512	–	–	–	–
Total cash used	1,060,013	1,029,363	1,024,613	1,040,885	1,052,729
Net cash from (used by) operating activities	81,151	85,622	75,157	81,108	82,517
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	100	–	–	–	–
Total cash received	100	–	–	–	–
Cash used					
Purchase of property, plant and equipment	127,148	108,863	79,596	81,187	82,517
Total cash used	127,148	108,863	79,596	81,187	82,517
Net cash from (used by) investing activities	(127,048)	(108,863)	(79,596)	(81,187)	(82,517)
FINANCING ACTIVITIES					
Cash received					
Appropriations—contributed equity	45,799	23,241	4,439	79	–
Total cash received	45,799	23,241	4,439	79	–
Cash used					
Repayments of debt (including finance lease principal)	–	–	–	–	–
Total cash used	–	–	–	–	–
Net cash from (used by) financing activities	45,799	23,241	4,439	79	–
Net increase (decrease) in cash held	(98)	–	–	–	–
Cash at the beginning of the reporting period	9,317	9,219	9,219	9,219	9,219
Cash at the end of the reporting period	9,219	9,219	9,219	9,219	9,219

Prepared on Australian Accounting Standards basis.

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

	Accumulated results (\$'000)	Asset revaluation reserve (\$'000)	Contributed equity/ capital (\$'000)	Total equity (\$'000)
Opening balance as at 1 July 2008				
Balance carried forward from previous period	52,752	27,147	304,418	384,317
Income and expenses				
Net operating result	–	–	–	–
Total income and expenses	–	–	–	–
Transactions with owners				
Contribution by owners				
<i>Appropriation (equity injection)</i>	–	–	23,240	23,240
Other movements	1,375	–	–	1,375
Sub-total transactions with owners	1,375	–	23,240	24,615
Estimated closing balance as at 30 June 2009				
	54,127	27,147	327,658	408,932

Prepared on Australian Accounting Standards basis.

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

	Actual 2007–08 (\$'000)	Revised budget 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation					
Customs duty	6,068,978	6,378,500	6,018,500	5,618,500	5,898,500
Other taxes, fees and fines	557,098	668,378	734,068	772,065	810,100
Total taxation	6,626,076	7,046,878	6,752,568	6,390,565	6,708,600
Non-taxation					
Goods and services	1,896	6,537	6,362	6,553	8,000
Other revenue	1,758	–	–	–	–
Interest	35	–	–	–	–
Total non-taxation	3,689	6,537	6,362	6,553	8,000
Total revenue administered on behalf of government	6,629,765	7,053,415	6,758,930	6,397,118	6,716,600
Total income administered on behalf of government	6,629,765	7,053,415	6,758,930	6,397,118	6,716,600
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Write-down and impairment of assets	2,897	2,716	2,716	3,172	7,000
Total expenses administered on behalf of government	2,897	2,716	2,716	3,172	7,000

Prepared on Australian Accounting Standards basis.

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

	Actual 2007–08 (\$'000)	Revised budget 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	766	766	766	766	766
Receivables	90,096	105,733	121,570	128,898	140,398
Other receivables	30,760	28,044	25,328	25,328	25,328
Total financial assets	121,622	134,543	147,664	154,992	166,492
Non-financial assets					
Inventories	23	23	23	23	23
Total non-financial assets	23	23	23	23	23
Total assets administered on behalf of government	121,645	134,566	147,687	155,015	166,515
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest-bearing liabilities					
Other	3,518	3,518	3,518	3,518	3,518
Total interest-bearing liabilities	3,518	3,518	3,518	3,518	3,518
PAYABLES					
Other payables	5,152	5,152	5,152	5,152	5,152
Total payables	5,152	5,152	5,152	5,152	5,152
Total liabilities administered on behalf of government	8,670	8,670	8,670	8,670	8,670

Prepared on Australian Accounting Standards basis.

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

	Actual 2007-08 (\$'000)	Revised budget 2008-09 (\$'000)	Forward estimate 2009-10 (\$'000)	Forward estimate 2010-11 (\$'000)	Forward estimate 2011-12 (\$'000)
OPERATING ACTIVITIES					
Cash received					
Taxes	6,459,579	6,491,241	6,266,731	6,010,065	6,330,100
Fees	–	6,537	6,362	6,553	4,000
Interest	24	–	–	–	–
Other	3,933	–	–	–	–
Cash from the Official Public Account	435,836	380,000	380,000	380,000	380,000
Total cash received	6,899,372	6,877,778	6,653,093	6,396,618	6,714,100
Cash used					
Cash to the Official Public Account	6,473,035	6,877,778	6,653,093	6,396,618	6,714,100
Other	429,510	–	–	–	–
Total cash used	6,902,545	6,877,778	6,653,093	6,396,618	6,714,100
Net cash from (used by) operating activities	(3,173)	–	–	–	–
Net increase (decrease) in cash held	(3,173)	–	–	–	–
Cash at beginning of reporting period	3,939	766	766	766	766
Cash from Official Public Account					
<i>Special Appropriations</i>	435,836	380,000	380,000	380,000	380,000
Transfers from other entities	6,463,536	6,497,778	6,273,093	6,016,618	6,334,100
Cash to Official Public Account	6,902,545	6,877,778	6,653,093	6,396,618	6,714,100
Cash at end of reporting period	766	766	766	766	766

Prepared on Australian Accounting Standards basis.

3.2.3 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 departmental 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, superannuation and non-salary benefits.

Supplier expenses

Supplier expenses consist of administrative costs, travel expenses, property operating expenses and other operational costs.

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 entitlements, property lease make-good provisions and amounts owed to creditors.