

AUSTRALIAN CUSTOMS SERVICE

Section 1: Overview, appropriations and budget measures summary

OVERVIEW

The goal of the Australian Customs Service (Customs) is to provide the nation with effective border management in line with the Government's commitments to increase border protection. 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. To provide effective border management, Customs aims to achieve this in a way that facilitates legitimate movement of goods and people into and out of Australia. In addition, Customs protects Australia's revenue base through effective collection of revenue and the administration of certain Government industry schemes and trade measures.

In 2004-05, Customs will continue to support the Government priorities relating to counter-terrorism, security arrangements and *Protecting our Borders*. Along with counter-terrorism and security measures introduced in previous budgets, Customs will strengthen maritime security with additional funding which will allow for up to 80 percent boarding capability of all first port vessels.

Following on from the successful Southern Ocean surveillance and enforcement program undertaken in 2003-04, the Government has decided to extend the interim program to provide for the protection of Australia's Southern Ocean waters and resources. In association with the Department of Agriculture, Fisheries and Forestry, Customs will conduct armed patrols against vessels engaged in illegal fishing, as well as protecting Australia's sovereign interest and the environmental values of the Southern Ocean.

Customs has implemented shipping container examination facilities (CEF) at the ports of Sydney, Melbourne, Brisbane and Fremantle. A smaller facility will be in operation in Adelaide during 2004-05. This increased examination capacity is a core element of Australia's heightened border protection strategy under the Government's *Tough on Drugs and Protecting our Borders* policies. In addition, Customs along with the Department of Foreign Affairs and Trade and the Department of Immigration and Indigenous and Multicultural Affairs will expand a current trial of an automated biometric border processing system. Customs will receive funding to upgrade and install an additional automated biometric border processing transaction point with passport biometric chip reading capacity.

Customs will continue with the re-engineering and integration of its business processes for cargo management in line with undertakings to improve service delivery to industry and to make greater use of technology. An ongoing consultative approach with industry will ensure a smooth transition from the old to the new systems and assist Customs to produce a robust and efficient system.

APPROPRIATIONS AND RESOURCING

The total departmental appropriation for Customs in the 2004–05 Budget is \$702.619m. Table 1.1 shows appropriations (2004–05) and other revenue by outcome.

This includes \$57.310m of new operating expense measures and \$7.283m in associated new capital measures.

Customs will also receive \$306.172m in 2004–05 in special appropriations for estimated duty rebate payments and \$0.280m in administered expenses appropriations as a contribution to the World Customs Organisation.

ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

Customs will receive an equity injection of \$19.471m for the marine vessels finance lease (\$3.638m), for purchases associated with the further trialling of an automated biometric border processing system (\$1.234m), non-security support associated with staging the Melbourne Commonwealth Games (M2006) (\$0.099m), purchases associated with the surveillance and enforcement program to provide for the protection of Australia's Southern Ocean waters and resources (\$1.079m), purchase of pallet x-ray machines (\$1.200m), purchases associated with increased presentation and examination of cargo at Container Examination Facilities (\$3.000m), purchases associated with increasing the level of activities in the maritime environment (\$1.597m), purchases associated with enhancing security arrangements at Australian Customs Service facilities (\$3.274m), and purchases associated with the Neutron Scanner program (\$4.350m).

AUSTRALIAN CUSTOMS SERVICE — APPROPRIATIONS 2004–05

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 appropriations	Total administered appropriations		
	Bill No 1 (A)	Special approps (B)	Total (C = A+B)	(D)	(E = C+D)	Bill No 1 (F)	Bill No 2 (SPPs & NAOs) (G)	(H)	(I = F+G+H)	(J=C+I)
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.	702,619	-	702,619	177,281	879,900	280	-	306,172	306,452	1,009,071
Total	702,619	-	702,619	177,281	879,900	280	-	306,172	306,452	1,009,071
Departmental capital (equity injections, loans and previous years' outputs)									19,471	
Administered assets and liabilities									-	
Total appropriations									1,028,542	

1. Columns C, E and I refer to information provided in Total Resources for Outcome tables.
2. Under the appropriation structure, Bill No 2 includes Specific Purpose Payments (SPPs), New Agency Outcomes (NAOs), administered capital and departmental capital via departmental injections and loans.
3. Refer to Budgeted Statement of Financial Performance for application of agency revenue.
4. Revenue from other sources includes sales of goods and services. Non-appropriated departmental and administered revenues detailed in Table 1.3.
5. Estimated expenses from individual Special Appropriations are shown in Table 1.4.

MEASURES — AUSTRALIAN CUSTOMS SERVICE SUMMARY

Table 1.2.1: Summary of Expense measures disclosed in the 2004–05 Budget (including depreciation)

Measure	Outcome	Outputs affected	Appropriations Budget 2004–05 (\$'000)			Appropriations Forward Estimate 2005–06 (\$'000)			Appropriations Forward Estimate 2006–07 (\$'000)			Appropriations Forward Estimate 2007–08 (\$'000)		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Investing in Australia's Security – biometrics for border control	1	2	-	2,075	2,075	-	205	205	-	205	205	-	205	205
Melbourne 2006 Commonwealth Games – contribution	1	1 & 2	-	789	789	-	1,350	1,350	-	142	142	-	37	37
Handguns – continued funding for storage of imports prior to sale	1	1	-	-	-	-	(384)	(384)	-	(384)	(384)	-	-	-
Southern Ocean surveillance	1	3	-	44,493	44,493	-	39,099	39,099	-	215	215	-	215	215
Investing in Australia's Security – increased funding for container examination	1	1	-	7,100	7,100	-	3,532	3,532	-	-	-	-	-	-
Investing in Australia's Security – first port boarding	1	2	-	1,274	1,274	-	-	-	-	-	-	-	-	-
Customs security enhancement	1	All	-	1,579	1,579	-	-	-	-	-	-	-	-	-
Total			-	57,310	57,310	-	43,802	43,802	-	178	178	-	457	457

1. The figures in the table for this measure include funding for depreciation.
2. Customs has maintained funding of \$0.384m for storage of imported handguns in 2004–05.
3. Cross Portfolio – Investing in Australia's Security – biometrics for border control also involves DIMIA and DFAT.
– Southern Ocean surveillance also involves the Department of Agriculture, Fisheries and Forestry.

MEASURES — AUSTRALIAN CUSTOMS SERVICE SUMMARY (CONTINUED)

Table 1.2.2: Summary of Capital funding disclosed in the 2004–05 Budget

Measure	Outcome	Outputs affected	Appropriations Budget 2004–05 (\$'000)			Appropriations Forward Estimate 2005–06 (\$'000)			Appropriations Forward Estimate 2006–07 (\$'000)			Appropriations Forward Estimate 2007–08 (\$'000)		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Investing in Australia's Security – biometrics for border control	1	2	-	1,234	1,234	-	-	-	-	-	-	-	-	-
Melbourne 2006 Commonwealth Games – contribution	1	1 & 2	-	99	99	-	85	85	-	-	-	-	-	-
Southern Ocean surveillance	1	3	-	1,079	1,079	-	-	-	-	-	-	-	-	-
Investing in Australia's Security – first port boarding	1	2	-	1,597	1,597	-	-	-	-	-	-	-	-	-
Customs security enhancement	1	All	-	3,274	3,274	-	-	-	-	-	-	-	-	-
Total			-	7,283	7,283	-	85	85	-	-	-	-	-	-

Table 1.2.3: Summary of measures from 2003–04 Mid Year Economic Fiscal Outlook (including depreciation)

Measure	Outcome	Outputs affected	Appropriations Budget 2004–05 (\$'000)			Appropriations Forward Estimate 2005–06 (\$'000)			Appropriations Forward Estimate 2006–07 (\$'000)			Appropriations Forward Estimate 2007–08 (\$'000)		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Air Cargo Scanner*	1	1	-	1,227	1,227	-	2,537	2,537	-	-	-	-	-	-
Total			-	1,227	1,227	-	2,537	2,537	-	-	-	-	-	-

*Capital – \$4.350m in 2004-05 and \$0.250m in 2005-06

REVENUE FROM INDEPENDENT SOURCES

Table 1.3: Revenue from independent sources

	Estimated Revenue 2003–04 \$'000	Estimated Revenue 2004–05 \$'000
DEPARTMENTAL REVENUE		
Resources received free of charge	128,565	128,565
Sales of goods and services	78,035	48,716
Interest	-	-
Total Estimated Departmental Revenue	206,600	177,281
ADMINISTERED REVENUE		
Customs Duty	5,020,000	4,770,000
Sales of goods and services	320,727	322,016
Cost recovery revenue	117,212	119,327
Total Estimated Administered Revenue	5,457,939	5,211,343
Total Estimated Revenue	5,664,539	5,388,624

Refer to Section 4 for a summary of Customs' Cost Recovery Impact Statement.

Notes

The drop in Sales of goods and services in 2004–05 is principally due to the transfer of funds received from DIMIA for Coastwatch surveillance to Customs' direct appropriation. In April 2004, the Minister for DIMIA and the Minister for Justice and Customs agreed to a S32 transfer of funds used in relation to Coastwatch surveillance operations.

SPECIAL APPROPRIATIONS

Table 1.5: Estimates of expenses from special appropriations

	Outcome affected	Estimated Expenses 2003–04 \$'000	Estimated Expenses 2004–05 \$'000
OTHER			
Customs Duty rebate	1	301,245	306,172
Total estimated expenses		301,245	306,172

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

SPECIAL ACCOUNTS

Table 1.6: Estimates of special account flows and balances

Special Accounts	Estimate – 2004–05, Heavy Figures				
	Opening Balance	Receipts	Payments	Adjustments	Closing Balance
	2004–05	2004–05	2004–05	2004–05	2004–05
	2003–04	2003–04	2003–04	2003–04	2003–04
	\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Monies Reserve (Australians Customs Service) – <i>Financial Management & Accountability Act 1997; s20</i>	6,280 5,941	1,352 1,263	989 924	- -	6,643 6,280
TradeGate Fees Reserve (Australian Customs Service) – <i>Financial Management & Accountability Act 1997; s20</i>	157 283	14,215 13,283	14,047 13,409	- -	325 157
Security Deposits Reserve (Australian Customs Service) – <i>Financial Management & Accountability Act 1997; s20</i>	6,556 7,640	7,130 6,663	6,630 7,747	- -	7,056 6,555
Industry Related Systems Development Fund – <i>Financial Management & Accountability Act 1997; s20</i>	2,759 2,677	110 107	25 25	- -	2,845 2,759
Services for Other Government and non-Government Bodies Reserve – <i>Financial Management & Accountability Act 1997; s20</i>	- -	- -	- -	- -	- -
Total Special Accounts	15,752 16,541	22,807 21,316	21,691 22,105	- -	16,868 15,751

Notes

- Note 1. The Opening Balance for 2003–04 is the same as the closing balance for 2002–03.
 Note 2. Receipts from appropriations and other sources are further specified in the Total Resources for Outcome tables.

Section 2: Outcome and outputs information

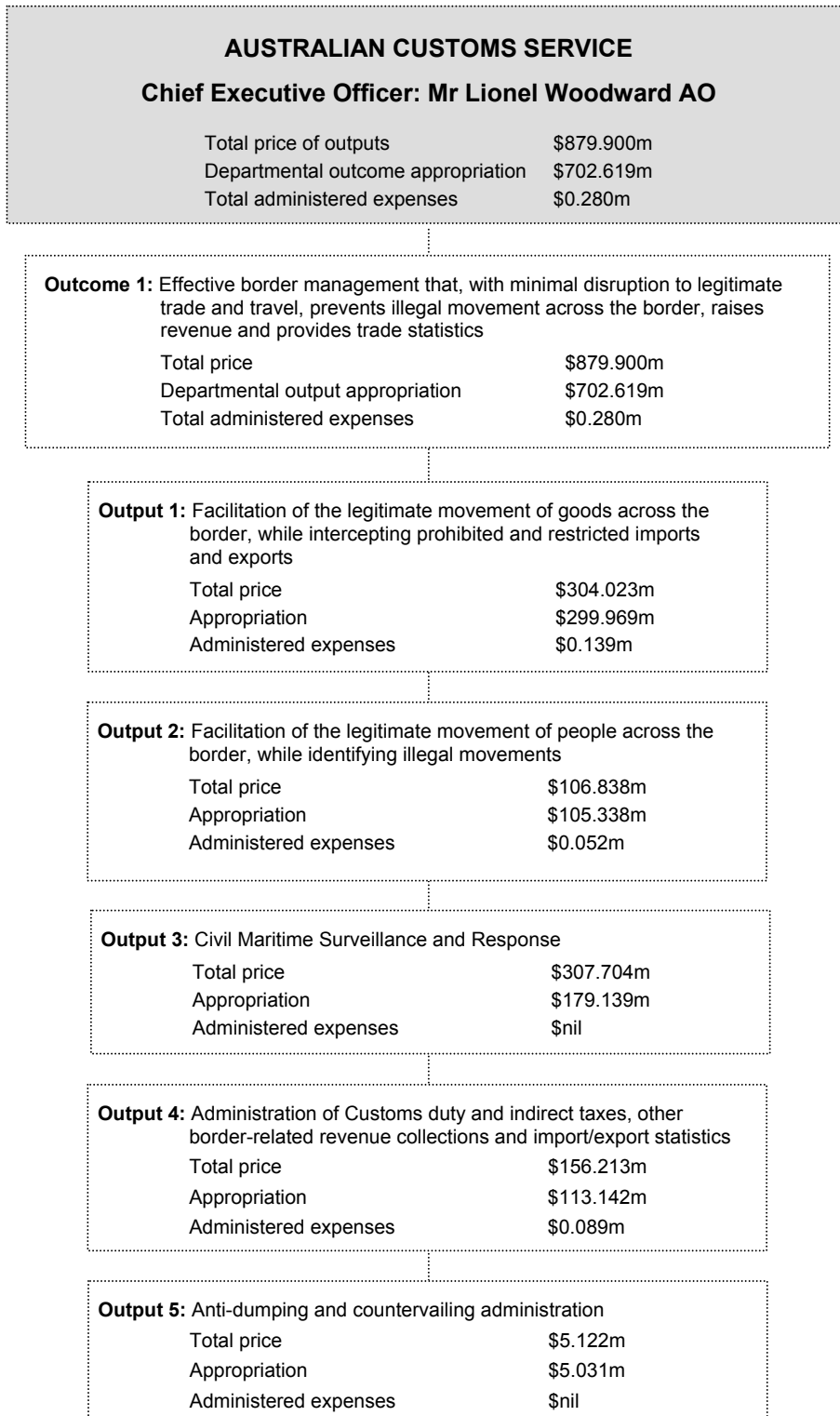
OUTCOME AND OUTPUTS

Customs works to achieve the outcome specified by Government. The following section provides a departmental overview, and then the Customs outcome is discussed. The following map shows the relationship between the outcome and outputs.

Output cost attribution

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

Outcomes and Outputs Map



CHANGES TO OUTCOME AND OUTPUTS

There is no change planned to the Customs outcome and outputs structure from the 2003–04 Portfolio Budget Statements.

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.

Measures affecting Outcome 1

The measures in the 2004–05 Budget for outcome 1 are:

- \$3.1m in 2004–05 for further trialling of an additional automated biometric border processing system by Customs. Depreciation funding of \$0.2m will also be provided
- \$2.5m over three years for the Commonwealth Games in Melbourne 2006 – non security measures
- Maintain resourcing in 2004–05 for continued funding for the storage of handguns prior to sale to an authorised user
- \$84.2m over two years for surveillance of the Southern Oceans and protection of Australia’s sovereign interests. Depreciation funding of \$0.4m will also be provided
- \$10.6m over 2 years to fund logistics costs associated with the presentation and examination of cargo at Container Examination Facilities
- \$2.8m in 2004–05 to allow Customs to raise the level of its activities in the maritime environment. Depreciation funding of \$0.1m will also be provided, and
- \$4.5m in 2004–05 to enhance security arrangements at Customs facilities. Depreciation funding of \$0.3m will also be provided.

Investing in Australia’s Security – biometrics for border control

The Government will provide funding of \$9.7m (including \$3.2m expense funding) in 2004–05 to develop and trial biometric technology for border control.

The introduction of biometrics has the capacity to strengthen border protection through robust identity verification processes and to reduce the risk of identity fraud.

As part of this funding, Customs will receive \$3.3m in 2004–05 (\$1.9m for operating expenses, \$0.2m for depreciation and \$1.2m for capital).

The capital funding will meet the cost of airport fit-out, upgrade to the current software and installation of an automatic biometric border processing transaction point with passport biometric chip reading capacity.

The measure affects output 2.

Melbourne 2006 Commonwealth Games – contribution

The Government will provide a cross-portfolio package of assistance totalling \$272.5m over four years from 2003-04 to 2006-07 to contribute to the staging of the Melbourne Commonwealth Games (M2006) to be held from 15-26 March 2006.

Of the funding for non-security related services, Customs will be provided with \$2.5m over three years (\$2.2m for operating expenses, \$0.1m for depreciation and \$0.2m for capital). Funds will be used to cover the increased activity associated with processing passengers and cargo at Melbourne Airport.

The measure affects outputs 1 and 2.

Handguns – continued funding for storage of imports prior to sale

The Government will commit \$0.4m in 2004-05 to meet the costs of the storage of imported handguns prior to sale to an authorised end user, pending the outcome of a review of the firearm import legislation.

As funding has already been included in the forward estimates to the end of 2006-07, no additional funding is required for 2004-05 and the provisions for 2005-06 and 2006-07 have been removed.

The measure affects output 1.

Southern Ocean surveillance

The Government will provide additional funding of \$89.2m over two years to Customs and the Department of Agriculture, Fisheries and Forestry (including \$1.1m capital funding) to conduct armed patrols of the Heard and McDonald Islands' exclusive economic zone.

As part of this funding, Customs will receive \$84.7m over two years (\$83.2m for operating expenses, \$0.4m for depreciation and \$1.1m for capital).

These patrols are aimed at suppressing the activities of vessels engaged in illegal fishing, as well as protecting Australia's sovereign interests in, and the environmental values of, the Southern Ocean.

The capital funding will meet the cost of equipment and facilities required to support Australian Customs Service staff on patrol in the Heard and McDonald Islands' exclusive economic zone.

The measure affects output 3.

Investing in Australia's Security – increased funding for container examination

The Government will provide additional funding of \$10.6m over two years to the Australian Customs Service. This funding will meet additional logistics costs resulting from increased levels of cargo container examinations at the Container X-ray Examination Facilities located at Sydney, Melbourne, Brisbane and Fremantle ports.

The measure affects output 1.

Investing in Australia's Security – first port boarding

The Government is providing \$2.9m (including \$1.2m expense funding, \$0.1m for depreciation and \$1.6m for capital) in 2004–05 to allow the Australian Customs Service to increase the level of first port boarding of vessels and crew arriving in Australia.

The funding will provide for the deployment of an additional 19 staff to be located at seaports around Australia. The capital funding will provide for accommodation facilities in remote locations.

The measure affects output 2.

Customs security enhancement

The Government will provide \$4.9m (including \$1.3m expense funding, \$0.3m for depreciation and \$3.3m for capital) to enhance security arrangements at Australian Customs Service facilities.

The measure affects all outputs.

Other variations affecting Outcome 1

Aviation Security – Enhancement: Air Cargo Scanner

The government will provide \$8.4m over two years, (\$3.7m for operating expenses, \$0.1m for depreciation and \$4.6m for capital), to trial Commonwealth Scientific and Industrial Research Organisation technology for screening air freight containers.

The adjustment will affect output 1.

Coastwatch – Rise and Fall 2004–05

The government will provide additional funding of \$4.1m in 2004–05 to cover rise and fall price variations on Coastwatch contracts.

This adjustment will affect output 3

Maintain funding for Increased Coastwatch Surveillance

The government will provide funding of \$35.0m over three years beginning in 2005-06 for maintenance of increased aerial coastal surveillance first introduced in 2002-03 as part of the government's commitment to protecting border security.

This adjustment will affect output 3

2004-05 Comcover Premium Supplementation

The Government will provide an increase in funding of \$0.9m to supplement Customs increased Comcover premium for 2004-05.

This adjustment will affect all outputs.

S32 Transfer of funding from DIMIA

The Department of Immigration, Multicultural and Indigenous Affairs will transfer funding of \$114.4m over 4 years to Customs. This follows agreement between Ministers to transfer to Customs funding previously provided to DIMIA for surveillance services performed by Customs.

This adjustment will affect output 3.

OUTCOME 1 — RESOURCING

Table 2.1.1 shows how the 2004-05 Budget appropriations translate to total resourcing for Customs for outcome 1, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs.

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

	Estimated actual 2003–04 \$'000	Budget estimate 2004–05 \$'000
ADMINISTERED APPROPRIATIONS		
World Customs Organisation contribution	248	280
Total administered appropriations	248	280
DEPARTMENTAL APPROPRIATIONS		
Output 1 - Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports	280,828	299,969
Output 2 - Facilitation of the legitimate movement of people across the border, while identifying illegal movements	93,944	105,338
Output 3 - Civil maritime surveillance and response	100,519	179,139
Output 4 - Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics	111,313	113,142
Output 5 - Anti-dumping and countervailing administration	4950	5,031
Total revenue from government (appropriations) Contributing to price of departmental outputs	591,554	702,619
REVENUE FROM OTHER SOURCES		
Output 1 - Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports	5,842	4,054
Output 2 - Facilitation of the legitimate movement of people across the border, while identifying illegal movements	3,211	1,500
Output 3 - Civil maritime surveillance and response	156,909	128,565
Output 4 - Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics	40,506	43,071
Output 5 - Anti-dumping and countervailing administration	132	91
Total revenue from other sources	206,600	177,281
Total price from departmental outputs (Total revenue from government and from other sources)	798,154	879,900
from Special Accounts (estimated payments from Special Account balances) ⁽²⁾		
Other Trust Monies Reserve - s20 FMA Act 1997	924	989
TradeGate Fees Reserve – s20 FMA Act 1997	13,409	14,047
Security Deposits Reserve – s20 FMA Act 1997	7,747	6,630
Industry Related System Development Fund – s20 FMA Act 1997	25	25
Services for Other Govt & Non Govt Bodies – s20 FMA Act 1997	-	-
Total Departmental Special Account outflows	22,105	21,691
Total estimated resourcing for Outcome 1 (Total price of outputs and administered appropriations)	798,402	880,180
Average staffing level (number)	4,685	4,630

Notes

- Note 1. Flows into Special Accounts are also shown in the receipts column of the Special Accounts table in Table 1.5.
- Note 2. Special Account outflows are shown in the payments column of the Special Account table in Table 1.5.
- Note 3. The Special Account estimates are by way of note only.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The Australian Customs Service has one outcome:

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

There are five outputs for Customs' outcome:

- Output 1: Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports*
- Output 2: Facilitation of the legitimate movement of people across the border, while identifying illegal movements*
- Output 3: Civil maritime surveillance and response*
- Output 4: Administration of customs duty and indirect taxes, other border related revenue collections, and import/export statistics*
- Output 5: Anti-dumping and countervailing administration*

PERFORMANCE INFORMATION OR OUTCOME 1

Output 1: Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports

In order to prevent the import or export of prohibited items, and to control the movement of restricted items, this output covers the processing of goods across the border, including:

- Risk assessment of vessels, aircraft, cargo, mail, air and sea passengers and baggage
- Intelligence, targeting and search activities
- Surveillance of international airports, waterfronts and international mail centres, and
- Land-based surveillance of the coastline, and aerial/marine surveillance and response for specific operations.

Prohibited and restricted items include illicit drugs, weapons, pornography, unsafe products, therapeutic goods, wildlife, quarantine items and intellectual property rights breaches.

This output also covers the investigation and prosecution of non-narcotic prohibited import and export offences.

Output 2: Facilitation of the legitimate movement of people across the border, while identifying illegal movements

This output covers processing of passengers, crew and craft arriving and departing Australia by sea or air, including the identification of persons of interest consistent with immigration, health, family law and other law enforcement, and national security requirements.

Also covered in this output is aerial and marine surveillance/response for specific operations related to illegal movement of people across the border.

Output 3: Civil maritime surveillance and response

This output covers the provision of air and marine based civil 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 Australia's maritime zones.

Specific surveillance and response operations conducted by the National Marine Unit in relation to prohibited imports or illegal people movements are covered under outputs 1 and 2.

Output 4: Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics.

In order to administer Customs duty and indirect taxes this output covers processing of:

- All imported and exported cargo, mail, and
- Items entering and leaving Australia with passengers and crew.

Related activity covered under this output include:

- Tariff classification and valuation services
- Licensing
- Real time and post transaction compliance activity related to revenue protection and collection
- The investigation of industry referrals
- The administration of drawback, refund and concessional arrangements for importers and exporters, and
- Investigations and prosecutions related to import fraud and Customs Duty evasion.

This output also includes:

- Customs-related revenue collections associated with craft movements, and collection of the Passenger Movement Charge
- Processing and compliance activity related to imported and exported goods, in order to collect and validate import and export statistics
- The assessment and collection of GST, LCT and WET
- Compliance activity associated with these taxes, and
- Administration of TRS.

Output 5: Anti-dumping and countervailing administration

This output covers the investigation of dumping and countervailing complaints, the determination, implementation and review of appropriate measures. It also covers the provision of advice to industry and foreign governments, and maintenance of Australia’s policy and legislative framework for anti-dumping and countervailing; advice to Government and representation of Australia’s interests in the WTO, in relation to anti-dumping rules and practice; and expert participation (as resources permit) on WTO dispute panels.

Table 2.2.1: Performance information for Outcome 1

Effectiveness - Overall achievement of the outcome	
Minimum disruption to legitimate trade and travel	
Cargo Facilitation	Proportion of electronically lodged entries where an authority to deal is transmitted within 15 minutes of receipt of entry payment and finalisation of entry details Target: 97%
Passenger Facilitation	National proportion of arriving international passengers processed through the entry control point within 30 minutes of joining the queue Target: 95%
Prevent illegal movement across the border	
Trends in the number and weight of drug detections	The number and weight of drug detections, other detections of prohibited imports and exports and vessels cannot be estimated through any reliable statistical or other method but actual levels achieved will be reported in the Annual Report
Trends in number of detections and/or seizures of other prohibited imports and exports	
Undetected vessels subsequently found to have breached the Australian border	No target is set but actual levels will be reported in the Annual Report
Raise revenue	
Significant revenues collected (Including Customs Duty, GST collected and Passenger Movement Charge)	Forecast: \$7,515 million (net of GST deferred)

Performance Information for Agency Outputs			
Output Group	Quality/Quantity	Target/Forecast	
Output 1 Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports	Facilitate movement of goods <i>Quality</i> Proportion of electronically lodged import declarations where an authority to deal is transmitted within 15 minutes of finalisation of details Electronic cargo systems – availability to Customs clients (availability against typical work day)	97% Air cargo automation 99.7% Sea cargo automation 99.7%	
	Rates of appeal against decisions where the original decision by Customs is over-turned	*	
	<i>Quantity</i> Number of imported air waybills reported	Forecast 5,000,000	
	Number of imported sea cargo manifest lines reported	Forecast 1,686,000	
	Number of export entries lodged^	Forecast 1,200,000^	
	Interception of prohibited/restricted goods <i>Quality</i> Weight and number of drug detections by significance of offence	*	
	Weight of drug detections by mode of importation	*	
	Number of detections and/or seizures of other prohibited imports and exports	*	
	Price: \$304.023 million		
	Output 2 Facilitation of the legitimate movement of people across the border, while identifying illegal movements	Facilitate legitimate movement of people <i>Quality</i> Proportion of arriving international air passengers processed through the Entry Control Point within 30 minutes	95%
		Percentage of arriving passengers processed via advance passenger clearance processes	90%
		<i>Quantity</i> Number of international passengers (air and sea)	Forecast arrivals 9,815,000 Forecast departures 9,765,000
		Number of international crew (air and sea)	Forecast arrivals 837,000 Forecast departures 831,000
Prevent illegal movements across the border <i>Quality</i> Number of air passenger referrals to Immigration and Health		*	
Price \$106.838 million			

Performance Information for Agency Outputs		
Output Group	Quality/Quantity	Target/Forecast
Output 3 Civil maritime surveillance and response	<i>Quality</i> Number of interceptions of Suspect Illegal Entry Vessels (SIEVs) [~]	*
	Number of apprehensions of Foreign Fishing Vessels (FFVs) [~]	*
	Number of suspect unlawful non-citizens (SUNCs) intercepted by sea (including ship's crew)	*
	Number of illegal, unregulated and unreported (IUU) vessels sighted and identified in Australia's EEZ in the Southern Ocean	*
	Number of IUU vessels boarded in the Southern Ocean	*
	Number of IUU vessels apprehended in the Southern Ocean	*
	<i>Quantity</i> Aerial surveillance coverage (square nautical miles) Coastwatch contracted aircraft and RAAF assets [†]	148,000,000 ^{>}
	Coastwatch contracted satellite	5,600,000
	Sorties flown by Coastwatch contracted aircraft	*
	Aerial Surveillance (Flying hours) Coastwatch contracted aircraft	21,145
	RAAF P3 Orion [†]	250
	Marine surveillance and response (Sea days) RAN Fremantle Class Patrol Boat [†]	1,800
	Customs ocean-going vessels greater than 12 metres	2,400
	Southern Ocean surveillance (Patrol days)	200-250
	Price: \$307.704 million	
Output 4 Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics	Collection of revenue <i>Quality</i> Electronic systems availability to Customs clients (availability as a proportion of prime time)	99%
	Number of external appeals against decisions; Granting of Tariff Concession Orders	10 - 15
	Eligibility for 4th Schedule By-law	1 - 5

Performance Information for Agency Outputs		
Output Group	Quality/Quantity	Target/Forecast
	<i>Quantity</i>	
	Significant revenues collected (Including Customs Duty, GST and Passenger Movement Charge)	Forecast \$7,515 million (net of GST deferred)
	Number of customs import entries lodged^	Forecast Electronic 3,180,000 Forecast Manual 22,000
	Number of drawback applications	Forecast 10,500 – 11,500
	Number of refund applications	Forecast 23,000
	Number of air cargo screened free consignments^	Forecast 2,250,000^
	Major duty concessions	
	Tariff Concession System	Forecast \$440–\$480 million
	Cheese and Curd Quota	Forecast \$9–\$11 million
	Revenue compliance verification	
	<i>Quality</i>	
	Revenue and compliance assurance activity:	
	Imports – Total Customs value subject to compliance activity as a proportion of total Customs value reported.	10%
	Exports – Total FOB subject to compliance activity as a proportion of total FOB reported	10%
	Proportion of drawback and refunds delivered in accordance with standards	Drawbacks 90% Refunds 100%
	Proportion of concessional arrangements for importers and exporters delivered in accordance with standards	100%
	Number of fraud/evasion cases adopted for prosecution	18 - 25
	<i>Quantity</i>	
	Revenue adjustments	
	Recoveries	*
	Refunds	*
	Number of fraud/evasion cases adopted for investigation	55 - 75
	Price \$156.213 million	

Performance Information for Agency Outputs		
Output Group	Quality/Quantity	Target/Forecast
Output 5 Anti-dumping and countervailing administration	<i>Quality</i>	
	Proportion of anti-dumping/countervailing cases and reviews completed within 155 days	
	Cases	100%
	Reviews	100%
	<i>Quantity</i>	
	Number of anti-dumping/countervailing cases	#
	Carried forward from 2003–04	
	Lodged	
	Rejected	
	Withdrawn/terminated	
	Concluded (approved by Minister)	
	Carries forward to 2005–06	
	Number of anti-dumping/countervailing reviews	#
	Carried forward from 2003–04	
	Initiated	
Rejected		
Withdrawn/terminated		
Concluded (approved by Minister)		
Carried forward to 2005–06		
Appeals to Federal Court		
	Price: \$5.122 million	

- * Performance cannot be forecast through any reliable statistical or other method. Actual results will be reported in the Annual Report.
- ^ The introduction of new Customs export and import reporting systems during the coming financial year will change the nature and volume of existing Customs clearance documents. A break-up showing results under both old and new arrangements will be provided in the Annual Report.
- ~ Total number of interceptions by Customs and the Australian Defence Force.
- + This target is based on a longstanding Defence commitment to Customs for the civil maritime surveillance program. Resources for Australia’s civil maritime surveillance program are also provided by Defence through Operation Relex II. The hours/sea days are costed in accordance with rates provided by Defence. Actual figures will be provided in the Annual Report.
- > In addition, it is expected that the HFSWR trial will commence in the second half of 2004–05, with anticipated surveillance coverage of some 10,000 square nautical miles of a discrete vector, in the approaches to the Torres Strait, each day.
- # Workloads against these measures cannot be anticipated as they are dependent on international trends/economic circumstances beyond Customs’ control. Actual figures will be provided in the Annual Report.

EVALUATIONS

Customs undertakes a number of evaluation activities including internal audits, internal and external surveys, and regular reviews of performance information. Results are published in the Annual Report, whole of government reports, formal survey reports and in Customs statistical bulletin called *Customs Figures*.

The internal audit program will include performance audits, which examine internal outcomes and inputs, as well as the regular compliance audits. In addition there is provision for evaluations specifically requested by management each year.

On a cyclical basis, the organisation undertakes surveys of passengers, industry clients and staff; and collection and analysis of complaints and compliments data. Customs also participates in international benchmarking programs from time to time as an additional means of evaluating performance against specific areas of the business.

Customs also evaluates its performance on an ongoing basis through analysis of performance information articulated in the Corporate Plan. This includes the reporting of critical performance measures in a monthly Executive Management Report.

Section 3: Budgeted financial statements

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental

Statement of Financial Performance

Total revenue is estimated to be \$879.900m in 2004-05, an increase of \$80.374m from 2003-04. The increase is primarily the result of:

- The funding impact of new measures in 2004-05 (\$57.310m) (See Tables 1.2.1 and 1.2.3)
- The funding impact of past budget measures and decisions and indexation adjustments (\$11.975m)
- The funding impact from other variations to appropriation in 2004-05 (\$6.226m)

Total expenses are estimated to be \$879.900m in 2004-05, an increase of \$80.374m from 2003-04. The increase is primarily the result of expense impacts of the points listed above.

The agency is budgeting for an expected profit in 2003-04 of \$11.000m. This profit relates to higher than expected income from sales of goods and services from sources

such as diesel fuel rebate, settlement funds for mediation and other. In addition, depreciation is not expected to be as high as originally budgeted for and has been adjusted downwards.

Statement of Financial Position

The agency's net asset position for 2004-05 is estimated to be \$232.433m. This will be an increase of \$19.471m from 2003-04. The increases are attributable to capital equity injections. Refer to "Administered Capital and Departmental Equity Injections".

In 2003-04, the government granted a conditional equity injection of \$43.000m. As part of the decision to grant the agency these funds, an independent review of Customs operational funding requirements is being carried out. It is expected that the outcome of this review will be considered in the 2004-05 Additional Estimates process.

Capital Budget Statement

The agency is estimating capital outlays of \$56.887m in 2004-05. Some of these capital outlays are funded through capital appropriations (\$15.833m), which relate to measures in the 2004-05 budget, (refer to "Administered Capital and Departmental Equity Injections and Loans"), and also measures from prior years. The balance, \$41.054m, is funded internally by departmental resources and will be represented by a combination of replacement asset purchases and internally developed intangibles.

Administered

Schedule of Budgeted Revenues and Expenses

The agency will administer the collection of an estimated \$4.770b in gross Customs Duty in 2004-05. This is a decrease of \$250.000m from 2003-04, which is the result of free trade agreements with Thailand and the United States of America.

In addition the agency will administer collection of an estimated \$441.343m in other revenue. The bulk of this revenue is comprised of revenue from the Passenger Movement Charge (PMC) collected from international travellers and cost recovery related services.

The agency will receive administered appropriation of \$0.280m in 2004-05 to pay for Australia's contribution to the World Customs Organisation. In addition, \$306.100m will be made available in 2004-05 for the agency to pay for Customs Duty refunds and drawbacks.

Overall, the agency will pay an estimated \$5.517b in revenue to the Consolidated Revenue fund for 2004-05.

Schedule of Budgeted Assets and Liabilities

Total net administered assets are expected to be \$58.423m in 2004-05. The total net administered assets estimated for 2004-05 are not expected to change from the final position in 2003-04.

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

		Estimated Actual 2003-04	Budget Estimate 2004-05	Forward Estimate 2005-06	Forward Estimate 2006-07	Forward Estimate 2007-08
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE						
Revenues from ordinary activities						
Revenues from government	1	591,455	702,619	710,769	649,790	565,628
Goods and services	2	78,035	48,716	49,551	48,957	48,350
Interest		-	-	-	-	-
Revenue from sales of assets		1,372	-	-	-	-
Other	3	128,565	128,565	128,565	128,565	128,565
Total		799,526	879,900	888,885	827,312	742,543
EXPENSE						
Expenses from ordinary activities (excluding borrowing costs expense)						
Employees	4	326,671	337,804	350,487	345,115	295,897
Suppliers	5	429,308	504,493	495,620	436,288	398,737
Depreciation and amortisation		30,580	37,319	42,740	45,909	47,909
Value of assets sold		1,372	-	-	-	-
Expenses from ordinary activities (excluding borrowing costs expense)		787,931	879,616	888,847	827,312	742,543
Borrowing costs expense		595	284	38	-	-
Operating surplus or deficit from ordinary activities		11,000	-	-	-	-
Gain or loss on extraordinary items		-	-	-	-	-
Net surplus or deficit	6	11,000	-	-	-	-

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

	Estimated Actual 2003-04	Budget Estimate 2004-05	Forward Estimate 2005-06	Forward Estimate 2006-07	Forward Estimate 2007-08
Note	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Financial assets					
Cash	20,028	8,073	8,576	8,576	8,576
Receivables	24,465	25,343	25,815	26,287	26,759
Total financial assets	44,493	33,416	34,391	34,863	35,335
Non-financial assets					
Land and buildings	43,755	45,182	44,921	44,921	44,921
Infrastructure, plant and equipment	7 83,024	96,165	98,828	98,356	97,884
Inventories	8 1,396	1,396	1,396	1,396	1,396
Intangibles	9 160,977	165,977	162,977	162,977	162,977
Other non-financial assets	24,429	19,051	19,051	19,051	19,051
Total non-financial assets	313,581	327,771	327,173	326,701	326,229
Total assets	358,074	361,187	361,564	361,564	361,564
LIABILITIES					
Interest Bearing Liabilities					
Leases	7,928	2,755	-	-	-
Total interest bearing liabilities	7,928	2,755	-	-	-
Provisions					
Employees	10 104,128	95,453	99,950	99,950	101,120
Total provisions	104,128	95,453	99,950	99,950	101,120
Payables					
Suppliers	26,430	23,900	19,403	19,403	18,233
Other payables	6,626	6,626	6,626	6,626	6,626
Total payables	33,056	30,526	26,029	26,029	24,859
Total liabilities	145,112	128,754	125,979	125,979	125,979
EQUITY					
Parent entity interest					
Contributed equity	11 167,223	186,694	189,846	189,846	189,846
Reserves	17,886	17,886	17,886	17,886	17,886
Retained surpluses	27,853	27,853	27,853	27,853	27,853
Total parent entity interest	212,962	232,433	235,585	235,585	235,585
Total equity	212,962	232,433	235,585	235,585	235,585
TOTAL ASSETS AND LIABILITIES BY MATURITY					
Current assets	44,493	33,416	34,391	34,863	35,335
Non-current assets	313,581	327,771	327,173	326,701	326,229
Current liabilities	113,603	106,888	105,989	105,989	105,755
Non-current liabilities	23,581	19,091	19,990	19,990	20,224

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

	Estimated Actual 2003-04 \$'000	Budget Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations for outputs	603,654	702,619	710,769	649,790	565,628
Sales of goods and services	65,926	47,838	49,079	48,485	47,878
Interest	-	-	-	-	-
GST refunds	12,856	12,856	12,856	12,856	12,856
Total cash received	682,436	763,313	772,704	711,131	626,362
Cash used					
Employees	323,292	346,479	345,990	345,115	294,727
Suppliers	318,984	385,936	384,408	320,579	284,198
Interest	595	284	38	-	-
Total cash used	642,871	732,699	730,436	665,694	578,925
Net cash from operating activities	39,565	30,614	42,268	45,437	47,437
INVESTING ACTIVITIES					
Cash Received					
Proceeds from sale of property, plant and equipment	1,372	-	-	-	-
Total cash received	1,372	-	-	-	-
Cash used					
Purchase of property, plant and equipment	91,415	56,887	42,142	45,437	47,437
Total cash used	91,415	56,887	42,142	45,437	47,437
Net cash from investing activities	(90,043)	(56,887)	(42,142)	(45,437)	(47,437)
FINANCING ACTIVITIES					
Cash received					
Cash from capital injections	63,564	19,471	3,152	-	-
Total cash received	63,564	19,471	3,152	-	-
Cash used					
Repayments of debt	4,842	5,153	2,775	-	-
Capital use and dividends paid	-	-	-	-	-
Total cash used	4,842	5,153	2,775	-	-
Net cash from financing activities	58,722	14,318	377	-	-
Net increase (decrease) in cash held	8,244	(11,955)	503	-	-
Cash at the beginning of the reporting period	11,784	20,028	8,073	8,576	8,576
Cash at the end of the reporting period	20,028	8,073	8,576	8,576	8,576

Table 3.4: Departmental Capital Budget Statement for the period ended 30 June

	Estimated Actual 2003-04 \$'000	Budget Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	63,564	19,471	3,152	-	-
Represented by:					
Purchase of non-financial assets	59,692	15,833	85	-	-
Other	3,872	3,638	3,067	-	-
Total	63,564	19,471	3,152	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	59,692	15,833	85	-	-
Funded internally by departmental resources	31,723	41,054	42,057	45,437	47,437
Total	91,415	56,887	42,142	45,437	47,437

Table 3.5: Departmental Non-financial Assets — Summary of Movement (Budget year 2004–05)

	Land	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of year	3,764	39,991	-	83,024	-	160,977	-	287,756
Additions	-	7,185	-	35,698	-	14,004	-	56,887
Disposals	-	-	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Net transfers free of charge	-	623	-	(623)	-	-	-	-
Depreciation/amortisation expense	-	(6,381)	-	(21,934)	-	(9,004)	-	(37,319)
Write-off of assets	-	-	-	-	-	-	-	-
Carrying amount at the end of year	3,764	41,418	-	96,165	-	165,977	-	307,324
Total additions								
Self funded	-	2,314	-	25,970	-	12,770	-	41,054
Appropriations	-	4,871	-	9,728	-	1,234	-	15,833
Total	-	7,185	-	35,698	-	14,004	-	56,887

Table 3.6: Schedule of Budgeted Revenues and Expenses Administered on behalf of Government for the period ended 30 June

	Estimated Actual 2003–04 \$'000	Budget Estimate 2004–05 \$'000	Forward Estimate 2005–06 \$'000	Forward Estimate 2006–07 \$'000	Forward Estimate 2007–08 \$'000
REVENUES					
Taxation					
Customs duty	5,020,000	4,770,000	4,540,000	4,540,000	4,760,000
Taxes, fees and fines	-	-	-	-	-
Total taxation	5,020,000	4,770,000	4,540,000	4,540,000	4,760,000
Non-taxation					
Sales of goods and services	437,939	441,343	458,479	476,565	495,435
Dividends	-	-	-	-	-
Other sources of non-taxation revenues	-	-	-	-	-
Total non-taxation	437,939	441,343	458,479	476,565	495,435
Total revenues administered on behalf of the Government	5,457,939	5,211,343	4,998,479	5,016,565	5,255,435
EXPENSES					
Suppliers	248	280	280	280	280
Other	-	-	-	-	-
Total expenses administered on behalf of the Government	5,457,691	5,211,063	4,998,199	5,016,285	5,255,155

Table 3.7: Schedule of Budgeted Assets and Liabilities Administered on behalf of Government as at 30 June

	Estimated Actual 2003–04 \$'000	Budget Estimate 2004–05 \$'000	Forward Estimate 2005–06 \$'000	Forward Estimate 2006–07 \$'000	Forward Estimate 2007–08 \$'000
ASSETS					
Financial assets					
Cash	-	-	-	-	-
Receivables	76,655	76,655	76,655	76,655	76,655
Total financial assets	76,655	76,655	76,655	76,655	76,655
Non-financial assets					
Inventories	200	200	200	200	200
Total non-financial assets	200	200	200	200	200
Total assets administered on behalf of the Government	76,855	76,855	76,855	76,855	76,855
LIABILITIES					
Payables					
Other payables	18,432	18,432	18,432	18,432	18,432
Total payables	18,432	18,432	18,432	18,432	18,432
Total liabilities administered on behalf of the Government	18,432	18,432	18,432	18,432	18,432

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

	Estimated Actual 2003–04 \$'000	Budget Estimate 2004–05 \$'000	Forward Estimate 2005–06 \$'000	Forward Estimate 2006–07 \$'000	Forward Estimate 2007–08 \$'000
OPERATING ACTIVITIES					
Cash received					
Customs Duty	5,020,000	4,770,000	4,540,000	4,540,000	4,760,000
Sales of goods and services	437,939	441,343	458,479	476,565	495,435
Cash from Official Public Account	301,245	306,172	311,202	311,811	318,047
Total cash received	5,759,184	5,517,515	5,309,681	5,328,376	5,573,482
Cash used					
Suppliers	2,945	280	280	280	280
Other	-	-	-	-	-
Cash to Official Public Account	5,758,936	5,517,235	5,309,401	5,328,096	5,573,202
Total cash used	5,761,881	5,517,515	5,309,681	5,328,376	5,573,482
Net cash from operating activities	(2,697)	-	-	-	-
Net increase in cash held	(2,697)	-	-	-	-
Cash at the beginning of the reporting period	2,697	-	-	-	-
Cash at the end of the reporting period	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Departmental

Budgeted Statement of Financial Performance

1. Revenues from Government

The 2004–05 appropriation revenue from government of \$702.619m is an increase of \$111.065m from the previous year of \$591.554m. The increase is the result of funding from new measures (\$57.310m – Refer to Table 1.2 – Summary of Measures), funding from past budget measures (\$11.975m), a S32 transfer from Department of Immigration, Multicultural and Indigenous Affairs (\$27.710m) and indexation increases. The reduction to revenue from government in the forward estimates is the result of terminating and lapsing programs which have had their funding removed pending decisions to continue.

2. Sales of Goods and Services

Sales of goods and services is based primarily on a service level agreement with the ATO (\$4.100m). Further estimates of Section 31 revenue are made based on last financial year's actual results.

3. Other

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

4. Employee Expenses

Employee expenses are estimated to be \$337.804m in 2004-05. This is an increase of \$11.133m from 2003-04. The reduction to expenses in the forward estimates is the result of terminating and lapsing programs which have had their funding and subsequent costs removed pending decisions to continue.

5. Supplier Expenses

Supplier expenses are estimated to be \$504.493m in 2004-05. This is an increase of \$75.185m from 2003-04. The change is principally attributable to increases in supplier costs resulting from new measures, in particular, the Southern Ocean surveillance program (\$39.200m), container handling logistics (\$7.100m), Coastwatch rise and fall costs (\$4.100m) and Biometrics for border control (\$1.000m). The reduction to expenses in the forward estimates is the result of terminating and lapsing programs which have had their funding and subsequent costs removed pending decisions to continue.

6. Net surplus or deficit

The estimated surplus in 2003-04 is \$11.000m. This relates to higher than expected income from sales of goods and services. In addition, depreciation is not expected to be as high as originally budgeted for and has been adjusted downwards.

Budgeted Statement of Financial Position

7. Infrastructure, plant and equipment

Refer to Department Non-financial Assets - Summary of Movement (Table 3.5). The agency will receive \$9.728m in equity injections for infrastructure and equipment acquisitions relating to several measures from 2004-05 and 2002-03. The principal acquisitions relate to x-ray technology and infrastructure from measures for the container examination facilities and pallet x-ray units and equipment and infrastructure relating to the neutron scanner technology trials for air cargo screening. Self-funded acquisitions relate to the replacement and upgrade of existing infrastructure, plant and equipment.

8. Intangibles

Refer to Department Non-financial Assets - Summary of Movement (Table 3.5). The agency will receive \$1.234m in equity injections for intangibles acquisitions relating to the Biometrics for Border Control measure from 2004-05. In line with undertakings discussed in the agency overview, Customs will continue with the re-engineering of its

business processes for cargo management to improve service delivery to industry and make greater use of technology. Self-funded acquisitions will relate to this work as well as replacement and upgrade of existing intangibles.

9. Other non-financial assets

Other Non-financial assets comprise an estimate for prepayments.

10. Employee provisions

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

11. Contributed equity

Refer to Departmental Capital Budget Statement (Table 3.4). The increase to contributed equity is from equity injections for 2004–05.

Departmental Financial Statements and Notes Administered Items

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

Differences are:

- Departmental items are those assets, liabilities, revenues and expenses in relation to an agency or authority that are controlled by the agency. Departmental expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services, and
- Administered items are revenues, expenses, assets and liabilities that are managed by an agency or authority on behalf of the Government according to set Government directions. Administered expenses include subsidies, grants and personal benefit payments and Administered revenues include taxes, fees, fines and excises.

Appropriations in the accrual budgeting framework

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

- Departmental price of outputs appropriations—representing the Government's purchase of outputs from agencies

- Departmental capital appropriations—for investments by the Government for either additional equity or loans in agencies
- Administered expense appropriations—for the estimated Administered expenses relating to an existing outcome, a new outcome or a Specific Purpose Payment to the states, and
- Administered capital appropriations—for increases in Administered equity through funding non-expense Administered payments.

Special appropriations fund the majority of payments from the Consolidated Revenue Fund (especially those that are entitlement driven or involve transfers to State governments).

Administered investments in controlled entities

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

Asset valuation

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

Section 4: Purchaser/Provider and Cost Recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

Cross agency overview

Customs currently has one purchaser/provider arrangement in place. In this case, another agency is purchasing services provided by Customs.

The purchaser/provider arrangement is with the Australian Taxation Office (ATO). Customs and the ATO have a Memorandum of Understanding (MOU) whereby the ATO will pay Customs \$41.000m in 2004-05 to fund resourcing relating to the

operation of the new tax system, in particular the collection of GST related activities and the Tourist Refund Scheme (TRS). As part of the new tax system introduced in 1999, the Government included a scheme to repay tourists the GST expense incurred whilst in Australia.

In prior years Customs had two purchaser/provider arrangements, the second one with the Department of Immigration, Multicultural and Indigenous Affairs (DIMIA). In the 2004–2005 financial year the funding from DIMIA has been transferred to Customs direct appropriation.

Responsibility

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

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

Control arrangements

Australian Tax Office

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

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

Resourcing

Customs can attribute \$41.000m across the country funded by the MOU with the ATO. All resources are deployed in each region and central office in the ACT.

Performance against outcomes of purchased outputs

Australian Tax Office

Customs performance in administering WET, GST, LCT and TRS is measured by the following: Year to date cost of administering WET, GST, LCT and TRS, number of transactions against previous years, value of transactions against previous years, and the year to date collection of penalties against previous years. The MOU between the

ATO and Customs formally recognises the importance both agencies attach to effective collaboration in the administration of Commonwealth revenue.

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

COST RECOVERY ARRANGEMENTS

Customs has three types of cost recovery arrangements. The most significant of these is the recovery of the "commercial" element of import processing activities. These arrangements are subject to independent and external review by industry. The second cost recovery arrangement relates to the delivery of GST Administration services for the Australian Taxation Office. These arrangements are subject to independent review and scrutiny by the ATO and the States. The final category of cost recovery relates to sale of goods and services of a minor nature, for example the sale of publications. Customs uses Activity-Based Costing to identify costs and set prices for all but very minor cost recovery activities.

Summary of cost recovery impact statement

Customs have not produced any new Cost Recovery Impact Statements since the 2003-04 Portfolio Budget Statements.

