

AUSTRALIAN CUSTOMS SERVICE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2001

Note	Description
1.	Summary of Significant Accounting Policies
2.	Events Occurring after the Balance Date
3.	Operating Revenues
4.	Operating Expenses
5.	Borrowing Cost Expenses
6.	Financial Assets
7.	Non-Financial Assets
8.	Interest Bearing Liabilities
9.	Provisions
10.	Payables
11.	Equity
12.	Cash Flow Reconciliation
13.	Executive Remuneration
14.	Remuneration of Auditors
15.	Average Staff Levels
16.	Act of Grace Payments and Waivers and Defective Administration Scheme
17.	Financial Instruments
18.	Administered Revenues
19.	Administered Expenses
20.	Administered Assets
21.	Administered Liabilities
22.	Administered Equity
23.	Administered Cash Flow Reconciliation
24.	Administered Financial Instruments
25.	Appropriations
26.	Reporting of Outcomes

Notes to and forming part of the financial statements

Note 1: Summary of Significant Accounting Policies

1.1 Objective of Australian Customs Services

Customs is structured to meet one outcome:

Outcome : *Effective border management that with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provide trade statistics.*

Customs is an agency within the Attorney General's portfolio.

Customs activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by Customs in its own rights. Administered activities involve the management or oversight by Customs on behalf of the Government of items controlled or incurred by the Government.

1.2 Basis of Accounting

The financial statements are required by section 49 of the *Financial Management and Accountability (FMA) Act 1997* and are a general purpose financial report.

The financial statements have been prepared in accordance with:

- Schedule 1 to Orders made by the Finance Minister for the preparation of Financial Statements in relation to financial years ending on or after 30 June 2001;
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Boards;
- Other authoritative pronouncements of the Boards; and
- Consensus Views of the Urgent Issues Group.

The statements have been prepared having regard to:

- Statements of Accounting Concepts; and
- The Explanatory Notes to Schedule 1, and Guidance Notes issued by the Department of Finance and Administration.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Agency Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting

Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

The continued existence of Australian Customs Service in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for its administration and programs.

The Schedules of Administered Revenues and Expenses, Assets and Liabilities, and Cash Flows are prepared on the same basis and using the same policies as for Agency items, except where otherwise stated at Note 1.20.

Administered items are distinguished from agency items in the financial statements by shading.

1.3 Changes in Accounting Policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 1999-2000.

1.4 Revenue

The revenues described in this Note are revenues relating to the core operating activities of Customs.

(a) Revenues from Government - Agency appropriations

Appropriations for departmental outputs are recognised as revenue to the extent that the Finance Minister is prepared to release appropriations for use (that is, the full amount of the appropriation passed by Parliament less any savings offered up at Additional Estimates and not subsequently released).

(b) Resources Received Free of Charge

Services received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value when the asset qualifies for recognition, unless received from another Government agency as a consequence of a restructuring of administrative arrangements (Refer to Note 1.5).

(c) Other Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from disposal of non-current assets is recognised when the control of the asset has passed to the buyer.

1.5 Transactions by the Government as Owner

Appropriations designated as 'Capital – equity injections' are recognised directly in equity to the extent drawn down as at the reporting date.

Net assets received under a restructuring of administrative arrangements are designated by the Finance Minister as contributions by the owners and adjusted directly against equity. Net assets relinquished are designated as distributions to owners. Net assets transferred are initially recognised at the amounts at which they are recognised by the transferring agency immediately prior to the transfer.

1.6 Employee Entitlements

(a) Leave

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of Customs is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2001 and is recognised at the nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2001. In determining the present value of the liability, Customs has taken into account attrition rates and pay increases through promotions.

(b) Separation and redundancy

Provision is made for separation and redundancy payments in circumstances where Customs has formally identified positions as excess to requirements and a reliable estimate of the amount of the payments can be determined.

(c) Superannuation

Staff of Customs contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. Employer contributions amounting to \$24,713,803 (1999-2000: \$22,781,686) in relation to these schemes have been expensed in these financial statements.

No liability for superannuation is recognised as at 30 June 2001 as the employer contributions fully extinguish the accruing liability, which is assumed by the Commonwealth.

Employer Superannuation Productivity Benefit contributions totalled \$5,286,972 (1999-2000: \$4,867,833).

1.7 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the useful life of the asset. Lease payments are allocated between the principal component and the interest expense.

During the year, Australian Customs Service recognised as a finance lease the acquisition of eight vessels totalling \$42,353,793.

Operating lease payments are expensed on a basis, which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under the non-cancellable lease agreements is expensed in the period in which the space becomes a surplus.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. Allocating lease payments between rental expense and reduction of the liability reduces these liabilities.

1.8 Borrowing Costs

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The amount capitalised in a reporting period does not exceed the amounts of costs incurred in that period.

The borrowing cost recognised by Australian Customs Service relates to the leased vessels and photocopiers.

1.9 Cash

Cash means notes and coins held and deposits held at call with a bank or financial institution.

1.10 Financial instruments

Accounting policies for financial instruments are stated at Note 17 and 24.

1.11 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.12 Property, Plant and Equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$3,000, which are expensed in the year of acquisition (other than when they form part of a group of similar items which are significant in total).

Revaluations

Schedule 1 requires that buildings, property, plant and equipment be revalued progressively in accordance with the 'deprival' method of valuation in successive three year cycles. Land is to be valued annually on the basis of its highest and best use, unless disposal is restricted by legislation, zoning or Government policy. In the latter cases, the deprival basis should be used and the valuations at highest and best use shown in a note.

Customs is implementing the requirements of Schedule 1 as follows:

- Leasehold improvements have been revalued by Colliers Jardine Consultancy and Valuation Pty. Limited as at 28 February 1999.
- Plant and equipment assets whether at cost or under finance lease have been revalued by the Australian Valuation Office as at 30 June 1999.
- Buildings have been revalued by the Defence Housing Authority as at 30 June 2001.

Assets in each class acquired after the commencement of the progressive revaluation cycle are not captured by the progressive revaluation then in progress and will be reported at cost for the duration of the progressive revaluation then in progress.

The financial effect of the move to progressive revaluations is that the carrying amounts of assets will reflect current values and that depreciation charges will reflect the current cost of the service potential consumed in each period.

The application of the deprival method values land at its current market buying price and other assets at their depreciated replacement cost.

Any assets that will not be replaced or are surplus to requirements are valued at net realisable value. Customs had no assets in this situation as at 30 June 2001.

During 1998-1999 internally developed software was valued for the first time using current replacement cost under the deprival method at 30 June 1999 and brought in as an adjustment to accumulated results. The Australian Valuation Office undertook the valuation.

All valuations are performed by independent parties.

Recoverable amount test

Schedule 1 requires the application of the recoverable amount test to agency non-current assets in accordance with AAS 10 *Accounting for the Revaluation of Non Current Assets*. The carrying amounts of these non-current assets have been reviewed to determine whether they are in excess of their recoverable amounts. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

Depreciation and Amortisation

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to Customs using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease. Land, as it is an asset with an unlimited useful life is not depreciated. In accordance with the Australian Accounting Standard AAS17 and given that ownership of the vessels is intended to occur at the end of the lease term, the leased vessels are amortised over the vessels useful life rather than the lease term.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	2000-01	1999-00
Buildings on freehold land	40 years	40 years
Leasehold improvements	lesser of fitout cost or lease term	lesser of fitout cost or lease term
Plant and equipment	4 to 5 years	5 years
Intangibles	3 to 5 years	5 years
Customs Vessels	12 years	12 years
Operational Equipment	5 years	5 years
X-Ray equipment	7 years	7 years
Historical & antique items	50 years	50 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4C.

1.13 Inventories

Inventories held for resale are valued at the lower of cost and net realisable value. Inventories of seized and surrendered goods are brought to account at estimated net proceeds from sale.

Inventories not held for resale are valued at cost, unless they are no longer required, in which case they are valued at net realisable value.

1.14 Taxation

Customs is exempt from all forms of taxation except fringe benefits tax and the goods and services tax.

1.15 Capital Usage Charge

A capital usage charge of 12% is imposed by the Commonwealth on the net agency assets of Customs. The charge is adjusted to take account of asset gifts and revaluation increments during the financial year.

1.16 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material.

1.17 Insurance

Customs has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through Comcare Australia.

1.18 Comparative figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

1.19 Rounding

Amounts have been rounded to the nearest \$1,000 except in relation to the following items:

- Transactions of the Special Accounts;
- Act of grace payments and waivers;
- Remuneration of executives;
- Remuneration of auditors; and
- Appropriations.

1.20 Administered Revenue

All revenues described in this note are revenues relating to the core operating activities performed by Customs on behalf of the Commonwealth.

Revenue from Government – Administered Appropriations

Appropriations for administered expenses may be unlimited or limited as to amount. Where appropriation is an annual appropriation and limited as to amount, revenue is recognised to the extent of the lesser of:

- the amount appropriated by the Parliament, and
- an amount determined by the Finance Minister – this amount is determined having regard to the expenses incurred for the reporting period.

Where unlimited, revenue is recognised to the extent that expenses have been incurred. Similarly, appropriations credited to administered special accounts are recognised as revenue to the extent that expenses have been incurred.

Other Revenue

Fees are charged to individuals leaving Australia, and are intended to cover the costs of government services provided at international airports and seaports. Administered fee revenue is recognised in the period the charge is incurred.

Administered fines are recognised in the period in which the breach occurs.

1.21 Administered Capital

Appropriations of Administered capital are recognised in Administered Equity as amounts appropriated by Parliament are drawn down.

Note 2: Events Occurring after the Balance Date

There are no events occurring after balance date.

Note 3: Operating Revenues

<u>Note 3A- Revenues from Government</u>	2000-01 \$'000	1999-00 \$'000
Appropriations for outputs	422,207	424,101
Resources received free of charge	134,835	134,490
Total	<u>557,042</u>	<u>558,591</u>

<u>Note 3B - Sales of Goods and Services</u>	2000-01	1999-00
	\$'000	\$'000
Goods and Services	<u>64,606</u>	<u>20,464</u>
Total	<u>64,606</u>	<u>20,464</u>

Note 3C – Proceeds and Expenses from Sale of Assets

Non-financial assets – Property, plant and equipment:

Revenue (proceeds) from sale	(579)	(177)
Expense from sale	<u>3,022</u>	<u>2227</u>
Total	<u>2,443</u>	<u>2,050</u>

Non-financial assets – Land and Buildings:

Revenue (proceeds) from sale	(579)	-
Expense from sale	<u>633</u>	<u>-</u>
Total	<u>54</u>	<u>-</u>

Note 4: Operating Expenses

Note 4A - Employee Expenses

Remuneration (for services provided)	244,899	226,989
Separation and redundancy	<u>2,117</u>	<u>5,397</u>
Total remuneration	247,016	232,386
Other employee expenses	<u>5,620</u>	<u>2,121</u>
Total	<u>252,636</u>	<u>234,507</u>

Note 4B - Supplier Expenses

Supply of goods and services	305,742	288,206
Operating lease rentals	<u>32,056</u>	<u>25,338</u>
Total	<u>337,798</u>	<u>313,544</u>

Note 4C - Depreciation and Amortisation

Depreciation of property, plant and equipment	10,104	10,471
Amortisation of leased assets	3,241	16
Amortisation of intangibles	3,563	3,392
Depreciation of buildings	<u>229</u>	<u>209</u>
Total	<u>17,137</u>	<u>14,088</u>

<u>Note 4D – Write down of assets</u>	2000-01	1999-00
	\$'000	\$'000
Financial Assets		
Receivables	17	3
Non-Financial Assets		
Land & Buildings – revaluation decrement	45	-
Total	<u>62</u>	<u>3</u>

Note 5: Borrowing Cost Expenses

Lease	<u>6,135</u>	<u>4</u>
Total	<u>6,135</u>	<u>4</u>

Note 6: Financial Assets

Note 6A – Receivables

Appropriations – Other Services	<u>-</u>	<u>9,344</u>
	-	9,344
Goods and services	5,684	7,777
GST receivable	<u>3,428</u>	<u>-</u>
	9,112	7,777
Less: Provision for doubtful debts	<u>(25)</u>	<u>-</u>
	9,087	7,777
Other	-	6,285
Less: Provision for doubtful debts	<u>-</u>	<u>(8)</u>
	-	6,277
Total	<u>9,087</u>	<u>23,398</u>
Receivables (gross) are aged as follows:		
Not Overdue	8,506	23,194
Overdue by:		
Less than 30 days	18	26
30 to 60 days	56	26
60 to 90 days	11	50
More than 90 days	<u>521</u>	<u>102</u>
Total	<u>9,112</u>	<u>23,398</u>

Note 7: Non-Financial Assets	2000-01	1999-00
	\$'000	\$'000
<u>Note 7A - Land and Buildings</u>		
Land - at valuation	<u>4,354</u>	<u>4,078</u>
Total land – at valuation	<u>4,354</u>	<u>4,078</u>
Buildings – at cost	301	207
Accumulated depreciation	<u>(17)</u>	<u>(6)</u>
Total buildings - at cost	<u>284</u>	<u>201</u>
Buildings – at valuation	8,997	7,904
Accumulated depreciation	<u>0</u>	<u>(441)</u>
Total buildings - at valuation	<u>8,997</u>	<u>7,463</u>
Total Land and Buildings	<u><u>13,635</u></u>	<u><u>11,742</u></u>
<u>Note 7B – Property, Plant and Equipment</u>		
Property, plant and equipment - at cost	61,884	29,965
Accumulated depreciation	<u>(15,341)</u>	<u>(1,996)</u>
Total plant and equipment - at cost	<u>46,543</u>	<u>27,969</u>
Property, plant and equipment - at valuation	42,858	42,858
Accumulated depreciation	<u>(13,526)</u>	<u>(10,233)</u>
Total plant and equipment - at valuation	<u>29,332</u>	<u>32,625</u>
Total Property, Plant and Equipment	<u><u>75,875</u></u>	<u><u>60,594</u></u>

7C - Analysis of Property, Plant and Equipment and Intangibles

TABLE A - Movement summary 2000-01 for all assets irrespective of valuation basis

	Land	Buildings	Total Land and Buildings	Plant and Equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value at 1 July 2000	4,078	8,111	12,189	72,823	17,144	102,156
Additions - Purchase of assets	144	774	918	33,673	52	34,643
Revaluations: write-ups/(write-downs)	402	1461	1,863	-	-	1,863
Assets transferred in/(out)	-	-	-	-	-	-
Write offs	(15)	(30)	(45)	-	-	(45)
Disposals	(255)	(385)	(640)	(5,642)	-	(6,282)
Other Movements ●	-	(633)	(633)	3,888	(96)	3,159
Gross value at 30 June 2001	4,354	9,298	13,652	104,742	17,100	135,494
Accumulated Depreciation/Amortisation at 1 July 2000	-	447	447	12,229	3,395	16,071
Disposals	-	(26)	(26)	(2,711)	-	(2,737)
Depreciation/amortisation charge for the year	-	229	229	13,345	3,563	17,137
Revaluations: write-ups/(write-downs)	-	-	-	-	-	-
Assets transferred in/(out)	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-
Other movements ●	-	(633)	(633)	6,003	10	5,380
Accumulated depreciation/amortisation at 30 June 2000	-	17	17	28,867	6,968	35,851
Net book value at 30 June 2001	4,354	9,281	13,635	75,875	10,132	99,643
Net book value at 1 July 2000	4,078	7,664	11,742	60,594	13,749	86,085

Note 7C - Property, Plant, Equipment and Intangibles (cont.)
TABLE B - Summary of balances of assets at valuation as at 30 June 2001

	Land \$'000	Buildings \$'000	Total Land and Buildings \$'000	Plant and Equipment \$'000	Intangibles \$'000	Total \$'000
As at 30 June 2001						
Gross value	4,354	8,997	13,351	42,858	16,261	72,470
Accumulated Depreciation/Amortisation	-	-	-	(13,526)	(6,620)	(20,146)
Net book value	4,354	8,997	13,351	29,332	9,641	52,324
As at 30 June 2000						
Gross value	4078	7904	11,982	42,858	16,261	71,101
Accumulated Depreciation/Amortisation	-	(441)	(441)	(10,233)	(3,311)	(13,985)
Net book value	4,078	7,463	11,541	32,625	12,950	57,116

• **Notes to Table A; Other movement details:**

“Buildings”: The adjustment refers to the accumulated depreciation balance being credited to the Buildings account prior to revaluing the class of assets “Buildings” in accordance with AAS 38 “Revaluation of Non-Current Assets”.

“Other Property, Plant and Equipment” and “Computer Software”: During the year, adjustments were made to reconcile the Fixed Asset Register to the General Ledger.

Note 7C - Property, Plant, Equipment and Intangibles (cont.)

TABLE C - Summary of balances of assets held under Finance Leases as at 30 June 2001

	Land \$'000	Buildings \$'000	Total Land and buildings \$'000	Plant and Equipment \$'000	Intangibles \$'000	Total \$'000
As at 30 June 2001						
Gross value	-	-	-	42,433	-	42,433
Accumulated amortisation	-	-	-	(3,244)	-	(3,244)
Net book value	-	-	-	39,189	-	39,189
As at 30 June 2000						
Gross value	-	-	-	79	-	79
Accumulated amortisation	-	-	-	(57)	-	(57)
Net book value	-	-	-	22	-	22

<u>Note 7D – Inventories</u>	2000-01 \$'000	1999-00 \$'000
Inventories not held for sale	<u>1,824</u>	<u>1,918</u>
<u>Note 7E - Intangibles</u>		
Purchased software – at cost	839	883
Accumulated amortisation	<u>(348)</u>	<u>(84)</u>
	491	799
Internally developed software – at valuation	16,261	16,261
Accumulated amortisation	<u>(6,620)</u>	<u>(3,311)</u>
	9,641	12,950
Total Intangibles	<u>10,132</u>	<u>13,749</u>
<u>Note 7F- Other</u>		
Prepayments	4,803	2,314
Work in progress	48,989	39,719
Other	<u>-</u>	<u>-</u>
Total	<u>53,792</u>	<u>42,033</u>

Note 8: Interest Bearing Liabilities

Note 8A - Leases

Finance Lease commitments		
Not Later than one year	5,402	22
Later than one year and not later than five years	19,013	-
Later than five years	<u>-</u>	<u>-</u>
Minimum lease payments	24,415	22
Deduct: future finance charges	<u>(2,825)</u>	<u>(2)</u>
Lease Liability	<u>21,590</u>	<u>20</u>

Lease Liabilities represented by:

Current	4,267	20
Non-Current	17,323	-
Lease Liability	<u>21,590</u>	<u>20</u>

Note 9: Provisions	2000-01	1999-00
	\$'000	\$'000
<u>Note 9A – Employees Provisions</u>		
Salaries and wages	6,962	5,566
Leave	75,108	70,081
Superannuation	-	-
Worker's Compensation	-	-
Separation and redundancies	-	-
Aggregate employee entitlements liability	82,070	75,647
Other	-	-
Total	82,070	75,647
Current	20,519	13,242
Non-Current	61,551	62,405

Note 10: Payables

<u>Note 10A – Suppliers Payables</u>		
Trade creditors	10,640	24,009
Total	10,640	24,009
<u>Note 10B – Other Payables</u>		
Unearned Revenue	2,841	
Fringe Benefits Tax	876	401
Total	3,717	401

Note 11: Equity
Note 11A - Equity - Agency

Item	Accumulated Results		Asset Revaluation		Total Reserves		Capital		Total Equity	
	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000
Balance at 1 July 2000	26,709	15,876	20,729	20,849	20,729	20,849	68,517	35,405	115,955	72,130
Net surplus/(deficit) after extraordinary items	9,722	14,929	-	-	-	-	-	-	9,722	14,929
Equity injection: Appropriation	-	-	-	-	-	-	(2,307)	33,112	(2,307)	33,112
Restructuring transfers	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Capital Use Charge	(12,692)	(4,096)	-	-	-	-	-	-	(12,692)	(4,096)
Net Revaluation increments/decrements	69	-	1,794	(124)	1,794	(124)	-	-	1,863	(124)
Balance 30 June 2001	23,808	26,709	22,523	20,725	22,523	20,725	66,210	68,517	112,541	115,951

Note 12: Cash Flow Reconciliation

	2000-01 \$'000	1999-00 \$'000
Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash Flows	66,213	62,594
Statement of Financial Position items comprising above cash: 'Financial Asset – Cash'	66,213	62,594
Reconciliation of operating surplus to net cash provided by operating activities:		
Net surplus (deficit)	9,722	14,929
Depreciation/amortisation	17,137	14,088
Write down of assets	62	3
Loss on sale or disposal of non-current assets	2,497	2,050
Add back borrowing costs	6,135	-
(Increase) decrease in receivables	5,165	18,407
Decrease (increase) in inventories	94	88
(Increase) decrease in other assets	(2,489)	(19,463)
(Decrease) increase in provisions	6,423	11,511
(Decrease) increase in creditors	(13,383)	17,799
Increase (decrease) in leases	-	(15)
(Decrease) increase in other payables	3,316	16
Recognition of equity injection carry over	-	9,344
Net cash provided (used) by operating activities	<u>34,679</u>	<u>68,757</u>

Note 13: Executive Remuneration

The number of Executives who received or were due to receive total remuneration of \$100,000 or more:

	2000-01	1999-00
	Number	Number
\$100,000 - \$110,000	3	-
\$110,001 - \$120,000	5	-
\$120,001 - \$130,000	4	2
\$130,001 - \$140,000	11	7
\$140,001 - \$150,000	2	8
\$150,001 - \$160,000	1	3
\$160,001 - \$170,000	-	1
\$170,001 - \$180,000	-	3
\$180,001 - \$190,000	-	1
\$190,001 - \$200,000	3	1
\$210,001 - \$220,000	1	-
\$220,001 - \$230,000	-	1
\$260,001 - \$270,000	-	1
\$300,001 - \$310,000	1	1

The aggregate amount of total remuneration of Executives shown above.	\$4,424,522	\$4,364,086
---	--------------------	-------------

The above amounts include any separation and redundancy payments made during the year.

Note 14: Remuneration of Auditors

Financial statement audit services are provided free of charge to Customs. The fair value of the audit services provided was:

	2000-01	1999-00
	\$	\$
Audit of the financial statements	<u>540,000</u>	<u>540,000</u>

No other services were provided by the Auditor-General.

Note 15: Average Staff Levels

	2000-01	1999-00
The average staffing levels for Customs during the year were:	<u>4,171</u>	<u>3,921</u>

Note 16: Act of Grace Payments and Waivers and Defective Administration Scheme

	2000-01	1999-00
	\$	\$
Act of Grace payments were made during the year	<u>29,231</u>	<u>-</u>
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> .	-	-
One payment was made under the Defective Administration Scheme during the reporting period.	<u>5,914</u>	<u>7,096</u>

Note 17: Financial Instruments

Note 17A - Terms, conditions and accounting policies

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows).
<i>Financial Assets</i>		<i>Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.</i>	
Cash		Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Customs invests funds with a commercial bank at call. Monies in Customs bank accounts are swept into the Official Public Account nightly and interest is earned on the daily balance at rates based on money market call rate. Rates have averaged 5.85% for the year (1999-2000: 7%). Interest is paid at month end.
Receivables for goods and Services	6A	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	The majority of receivables are with entities external to the Commonwealth. Credit terms are net 30 days (1999-2000: 30 days).
<i>Financial liabilities</i>		<i>Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.</i>	
Finance lease liabilities	8A	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases.	At reporting date, Customs had finance leases with terms averaging 5 years and a maximum term of 5 years. The interest rate implicit in the leases is 6.4% (1999-2000: 13.05%) The lease liabilities are secured by the lease assets.
Trade creditors	10A	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	All creditors are entities that are not part of the Commonwealth legal entity. Settlement is usually made net 30 days.

Note 17: Financial Instruments (cont.)

Note 17B - Interest Rate Risk - Agency

Financial Instrument	Notes	Floating Interest Rate	Fixed Interest Rate					Non-Interest Bearing	Total	Weighted Average Effective Interest rate		
			1 year or less	1 to 2 years	2 to 5 years	> 5 years						
		00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 %	99-01 %	
Financial Assets												
Cash at Bank		-	-	66,100	62,448	-	-	113	146	66,213	62,594	5.85
Receivables	6A	-	-	-	-	-	-	9,087	23,398	9,087	23,398	n/a
Total Financial Assets (Recognised)		-	-	66,100	62,448	-	-	9,200	24,544	75,300	85,992	
Total Assets		-	-	-	-	-	-	-	-	230,558	216,028	
Financial Liabilities												
Trade Creditors and Accruals	10A	-	-	-	-	-	-	10,640	24,009	10,640	24,009	n/a
Finance Lease Liabilities	8A	-	3	20	21,587	-	-	-	-	21,590	20	9.73
Total Financial Liabilities (Recognised)		-	3	20	21,587	-	-	10,640	24,009	32,230	24,029	13.05
Total Liabilities		-	-	-	-	-	-	-	-	118,017	100,077	

Note 17: Financial Instruments (cont.)

Note 17C - Net Fair Values of Financial Assets and Liabilities.

AGENCY		2000-01		1999-00	
	Note	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net fair Value \$'000
Agency Financial Assets					
Cash at bank		66,213	66,213	62,594	62,594
Receivables for goods and services	6A	9,087	9,087	23,398	23,398
Total Financial Assets		75,300	75,300	85,992	85,992
Financial Liabilities (recognised)					
Trade creditors	10A	10,640	10,640	24,009	24,009
Finance Lease	8A	21,590	21,590	20	20
Total Financial Liabilities (recognised)		32,230	32,230	24,029	24,029

Financial assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial liabilities

The net fair values for trade creditors and other liabilities are approximated by their carrying amounts.

The net fair values of finance leases are based upon discounted cash flows using the interest rate implicit in the lease.

Note 17D - Credit Risk Exposures

Customs maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

Customs has no significant exposures to any concentrations of credit risk.

Note 18: Administered Revenues

	2000-01 \$,000	1999-00 \$,000
<u>Note 18A – Customs Duty and Fees</u>		
Customs Duty	4,609,465	3,966,595
Fees	242,317	226,196
Total	<u>4,851,782</u>	<u>4,192,791</u>

The customs duty figure reflects an amount of \$88.672m in customs duty offsets. These offsets are associated with the Automotive Competitiveness and Investment Scheme (ACIS) credits redeemed to 30 June 2001. The ACIS scheme is administered by the Department of Industry, Science and Resources and the redemption of customs duty is made on their behalf.

<u>Note 18B – Revenue from Government</u>		
Annual Appropriations	252	252
Special Appropriations	214,147	215,240
Total	<u>214,399</u>	<u>215,492</u>

<u>Note 18C - Interest</u>		
Interest from deposits	-	6

<u>Note 18D - Other Administered Revenue</u>		
Resources Received Free of Charge	363	13
Other	-	7,489
Total	<u>363</u>	<u>7,502</u>

Note 19: Administered Expenses

<u>Note 19A – Net Write Down of Assets</u>		
Financial Assets		
Receivables – provision for doubtful debt	4,403	(3,100)
Total	<u>4,403</u>	<u>(3,100)</u>

<u>Note 19B - Other Administered Expenses</u>		
Compensation and Legal	-	-
Other	252	290
Total	<u>252</u>	<u>290</u>

Note 20: Administered Assets

<u>Note 20A - Receivables - Administered</u>	2000-01	1999-00
	\$,000	\$,000
Customs Duty	60,908	39,887
Fees and Fines	37,737	34,228
Goods and Services	917	-
Other	6,618	9,045
Less: Provision for doubtful debts	(8,109)	(3,706)
Total	98,071	79,454
Overdue Administered receivables as at 30 June 2001 were aged as follows:		
Not Overdue	65,864	61,177
Overdue by:		
Less than 30 days	18,816	1,501
30 to 60 days	1,007	1,916
60 to 90 days	718	1,026
More than 90 days	19,775	13,834
Total	106,180	79,454

Note 20B – Inventories - Administered

Inventories held for sale	376	13
---------------------------	------------	----

Note 21: Administered Liabilities

Note 21A - Payables

Refunds of Customs Duty	18,702	19,721
Other	-	13
Total	18,702	19,734

Note 22: Administered Equity

Note 22A – Movements in Equity

Item	Accumulated net change in administered net assets from operations		Asset revaluation reserve		Total reserves		Capital		Total Equity	
	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000
Balance at 1 July 2000	60,198	31,380	-	-	-	-	60,198	-	60,198	31,880
Net Change in Administered net assets from operations	5,137,927	4,496,770	-	-	-	-	-	-	5,137,927	4,496,770
Amount to Official Commonwealth Public Account	(5,119,292)	(4,467,952)	-	-	-	-	-	-	(5,119,292)	(4,467,952)
Restructuring Transfers	-	-	-	-	-	-	-	-	-	-
Capital Appropriations	-	-	-	-	-	-	-	-	-	-
Balance 30 June 2001	78,833	60,198	-	-	-	-	-	-	78,833	60,198

Note 23: Administered Cash Flow Reconciliation

	2000-01	1999-00
	\$,000	\$,000
Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash Flows	(912)	465
Statement of Financial Position items comprising above cash: 'Financial asset – Cash'	(912)	465
Reconciliation of 'Net change in administered net assets' from Schedule of Administered Revenues and Expenses to net cash provided by operating activities:		
Net increase (decrease) in administered net assets	18,635	28,818
Increase (decrease) in suppliers provisions and payables	(1,032)	(6,955)
Decrease (increase) in receivables	(18,617)	(23,901)
Decrease (increase) in inventories	(363)	206
Net Cash from Operating activities	(1,377)	(1,832)

Note 24: Administered Financial Instruments

Note 24A - Terms, conditions and accounting policies

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows.
<i>Financial Assets</i>		<i>Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.</i>	
Cash		Deposits are recognised at their nominal amounts.	The balance of the administered cash account is non interest bearing.
Receivables for customs duty and other	20A	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	The majority of receivables are with entities external to the Commonwealth. Credit terms vary.
<i>Financial Liabilities</i>		<i>Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.</i>	
Other – refunds / rebates	21A	Approved claims for refunds and rebates are recognised at nominal amounts. The liability for unapproved claims is based on a percentage of approved claims during the year.	All liabilities are with entities external to the Commonwealth.

Note 24: Administered Financial Instruments (cont.)**Note 24B - Interest Rate Risk: Administered**

Financial Instrument	Notes	Floating Interest Rate	Fixed Interest Rate					Non-Interest Bearing	Total	Weighted Average Effective Interest rate	
			1 year or less	1 to 2 years	2 to 5 years	> 5 years					
		00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000
Financial Assets											
Cash at Bank		-	-	-	-	-	-	(912)	465	n/a	n/a
Receivables	20A	-	-	-	-	-	-	98,071	79,454	98,071	79,454
Total Financial Assets (Recognised)		-	-	-	-	-	-	97,159	79,919	97,159	79,919
Total Assets								97,535	79,932		
Financial Liabilities											
Refunds / Rebates	21A	-	-	-	-	-	-	18,702	19,734	18,702	19,734
Total Financial Liabilities (Recognised)		-	-	-	-	-	-	18,702	19,734	18,702	19,734
Total Liabilities								18,702	19,734	18,702	19,734

Note 24: Administered Financial Instruments (cont.)

Note 24C - Net Fair Values of Financial Assets and Liabilities.

	Note	2000-01		1999-00	
		Total Carrying Amount \$'000	Aggregate Net fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net fair Value \$'000
Administered Financial Assets					
Cash at Bank		(912)	(912)	465	465
Receivables for customs duty and other	20A	98,071	98,071	79,454	79,454
Total Financial Assets		97,159	97,159	79,919	79,919
Financial Liabilities (recognised)					
Refunds / Rebates	21A	18,702	18,702	19,734	19,734
Total Financial Liabilities (recognised)		18,702	18,702	19,734	19,734

Note 25: Appropriations**Note 25A - Agency appropriations**

	2000-01	1999-00
	\$	\$
<u>Annual appropriations for Departmental items (outputs)</u>		
Add: Appropriation Acts No 1 & 3 credits:		
Section 7 - Act 1 - basic appropriations (budget)	418,685,000	419,012,000
Section 7 - Act 3 - basic appropriations	3,522,000	4,948,000
Section 10 - adjustments	-	-
Section 11 - Advance to the Finance Minister	-	-
Section 12 - Comcover receipts	-	-
Total Current Appropriations Act	422,207,000	424,101,000
Add: FMA Act		
s30 appropriations	-	-
s30A appropriations (GST recoverables)	33,779,800	-
s31 appropriations	64,605,674	20,377,427
Total appropriated in the year	422,207,000	444,478,427
Balance brought forward from previous year	66,179,427	-
Total appropriations available for payments	586,771,901	444,478,427
Payments during the year	468,172,000	378,158,000
Balance of appropriations (unspent) at 30 June carried to next period	118,599,901	66,179,427

Note 25B - Annual Appropriations for Departmental Capital Items

	Equity Injections		Loans		Carry Over		Total	
	2000-01	1999-00	2000-01	1999-00	2000-01	1999-00	2000-01	1999-00
	\$	\$	\$	\$	\$	\$	\$	\$
Appropriations Act No 2 & 4								
Section 10 – Act No 2 (Budget)	2,369,000	26,629,000	-	-	-	-	2,369,000	26,629,000
Section 10 – Act No 4	4,668,000	3,739,000	-	-	-	-	4,668,000	3,739,000
Advance to the Finance Minister	-	-	-	-	-	-	-	-
Total Current Appropriations Acts	7,037,000	30,368,000	-	-	-	-	7,037,000	30,368,000
Add: FMA Act Appropriations								
s30 appropriations	-	-	-	-	-	-	-	-
s30A appropriations (GST recoverables)	-	-	-	-	-	-	-	-
Total appropriated in the year	7,037,000	30,368,000	-	-	-	-	7,037,000	30,368,000
Balance available at 1 July brought forward from previous period	-	-	-	-	20,602,000	35,437,000	20,602,000	35,437,000
Total appropriations available for payments	7,037,000	30,368,000	-	-	20,602,000	35,437,000	27,639,000	65,805,000
Payments during the year	5,764,000	22,477,000	-	-	20,602,000	35,437,000	26,366,000	57,914,000
Balance of appropriations at 30 June carried to next period	1,273,000	7,891,000	-	-	-	-	1,273,000	7,891,000

Note 25: Appropriations (cont.)**Note 25C - Administered appropriations**

Annual Appropriations for Administered expense items
Outcome 1 – Border Management

	Administered Expenses Appropriation Act No 1 & 3		Other Administered Expenses Appropriation Act No 2 & 4		State Payment Items Appropriation Act No 2 & 4		Total Outcome 1	
	2000-01 \$	1999-00 \$	2000-01 \$	1999-00 \$	2000-01 \$	1999-00 \$	2000-01 \$	1999-00 \$
Appropriations Acts credits:								
Act 1/ 2 - basic appropriations (budget)	260,000	260,000	-	-	-	-	260,000	260,000
Act 3/ 4 – basic appropriations	-	-	-	-	-	-	-	-
Section 11 – Advance to the Finance Minister	-	-	-	-	-	-	-	-
Section 12 – Comcover receipts	-	-	-	-	-	-	-	-
Total Current Appropriations Acts	260,000	260,000	-	-	-	-	260,000	260,000
Add: FMA Act appropriations								
s30 appropriations	-	-	-	-	-	-	-	-
s30A appropriations (GST recoverables)	-	-	-	-	-	-	-	-
Total appropriated in the year	260,000	260,000	-	-	-	-	260,000	260,000
Less: amounts lapsed by Ministerial determination	-	7,567	-	-	-	-	-	7,567
Balance available at 1 July brought forward from previous period	-	-	-	-	-	-	-	-
Total appropriations available for payments	260,000	252,433	-	-	-	-	260,000	252,433
Payments during the year	251,418	252,433	-	-	-	-	251,418	252,433
Balance of appropriations at 30 June carried to next period	8,582	-	-	-	-	-	8,582	-

Note 25: Appropriations (cont.)

Note 25D - Annual Appropriations for Administered Capital Items

	2000-01 \$	1999-00 \$
Appropriations Act No 2 & 4	-	-
Section 10 – Act No 2 (Budget)	-	-
Section 10 – Act No 4	-	-
Advance to the Finance Minister	-	-
Total Current Appropriations Acts	-	-
Add: FMA Act appropriations	-	-
s30 appropriations	-	-
s30A appropriations (GST recoverables)	-	-
Total appropriated in the year	-	-
Balance available at 1 July brought forward from previous period	-	-
Total appropriations available for payments	-	-
Payments during the year	-	-
Balance of appropriations at 30 June carried to next period	-	-

Note 25: Appropriations (cont.)**Note 25E - Special Appropriations (unlimited) for administered items**

	Outcome 1		Total	
	2000-01	1999-00	2000-01	1999-00
	\$	\$	\$	\$
<i>Financial Management and Accountability Act, 1997; s20</i>				
Budget estimate	219,371,000	-	219,371,000	-
Payments made	214,147,000	215,232,000	214,147,000	215,232,000

Note 25: Appropriations (cont.)

Note 25F - Special Accounts

Other Trust Monies Reserve (Australian Customs Service)

Legal Authority: *Financial Management and Accountability Act, 1997; s20*

Purpose: For receipt of moneys temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth.

	2000-01 \$
Balance carried forward	6,534,148
Plus appropriations credited during the year	-
Plus other revenue credited during the year	755,448
Total available for expenditure	<u>7,289,596</u>
Less payments made during the year	<u>(888,093)</u>
Appropriation available at year end	<u>6,401,502</u>

Tradegate Fees Reserve (Australian Customs Service)

Legal Authority: *Financial Management and Accountability Act, 1997; s20*

Purpose: For expenditure on payments to Tradegate Australia Ltd of fees collected by Customs for users of the Tradegate Network.

	2000-01 \$
Balance carried forward	118,499
Plus appropriations credited during the year	-
Plus other revenue credited during the year	10,089,196
Total available for expenditure	<u>10,207,695</u>
Less payments made during the year	<u>(10,040,844)</u>
Appropriation available at year end	<u>166,851</u>

Security Deposits Reserve (Australians Customs Service)

Legal Authority: *Financial Management and Accountability Act, 1997; s20*

Purpose: For expenditure dealing with moneys required to be lodged under Section 42 and 162 of the *Customs Act 1901*

Balance carried forward	8,023,424
Plus appropriations credited during the year	-
Plus other revenue credited during the year	9,285,481
Total available for expenditure	<u>17,308,905</u>
Less payments made during the year	<u>(10,324,709)</u>
Appropriation available at year end	<u>6,984,196</u>

Industry Related Systems Development FundLegal Authority: *Financial Management and Accountability Act, 1997; s20*

Purpose: For expenditure on industry related development of Customs Service.

	2000-01
	\$
Balance carried forward	1,716,807
Plus appropriations credited during the year	-
Plus other revenue credited during the year	459,567
Total available for expenditure	<u>2,176,374</u>
Less payments made during the year	<u>(94,445)</u>
Appropriation available at year end	<u><u>2,081,929</u></u>

ACS Air Express Courier Deposits ReserveLegal Authority: *Financial Management and Accountability Act, 1997; s20*

Purpose: For disbursement of money lodged as deposits in relation to future charges incurred by air express courier companies.

Balance carried forward	675,966
Plus appropriations credited during the year	-
Plus other revenue credited during the year	6,332,460
Total available for expenditure	<u>7,008,426</u>
Less payments made during the year	<u>(5,672,742)</u>
Appropriation available at year end	<u><u>1,335,684</u></u>

Note 26 - Reporting of Outcome

Reporting by Outcomes (Clause 6 of Schedule 1 and AAS 29 12.7 & 12.9 refer)

	Effective Border Management	
	Budget \$'000	Actual \$'000
Total net administered expenses	260	260
Net cost of departmental outputs	624,573	617,454
Outcome before extraordinary items	19,508	9,722
Extraordinary items	(1,499)	-
Net Cost to Budget Outcome	18,009	9,722
Outcome – specific assets deployed as at 30/6/01	342,538	328,093
Assets that are not outcome specific deployed as at 30/6/01		

Note 26 - Reporting of Outcome (Cont.)

Major Administered Revenues and Expenses by outcome

	Effective Border Management Budget \$'000	Effective Border Management Actual \$'000
Operating Revenues		
Taxation		
Fees and Fines	330,029	242,317
Total Taxation	330,029	242,317
Non-Taxation		
Revenues from Government	-	
Customs Duty	4,544,930	4,609,465
Sale of goods and services	866	76,038
Other	260	-
Total Non-Taxation	4,546,056	4,685,503
Operating Expenses		
Other	260	4,655
Total Operating Expenses	260	4,655