

# FINANCIAL STATEMENTS

This section includes a copy of Customs audited financial statements and the Auditor-General's report.

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## INDEPENDENT AUDIT REPORT

**To the Minister for Justice and Customs**

### **Scope**

I have audited the financial statements of the Australian Customs Service for the year ended 30 June 2000. The financial statements comprise:

- Statement by the Chief Executive Officer and Chief Financial Officer;
- Agency Operating Statement, Balance Sheet, Statement of Cash Flows, Schedule of Commitments and Schedule of Contingencies;
- Statements of Administered Revenues and Expenses, Assets and Liabilities, and Cash Flows, and Schedules of Administered Contingencies and Commitments; and
- Notes to and forming part of the Financial Statements.

The Agency's Chief Executive is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards, and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view of the Agency which is consistent with my understanding of its financial position, its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

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**Audit Opinion**

In my opinion,

- (i). the financial statements have been prepared in accordance with Schedule 2 of the Finance Minister's Orders; and
- (ii). the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 2 of the Finance Minister's Orders, of
  - the financial position of the Australian Customs Service as at 30 June 2000 and the results of its operations and its cash flows for the year then ended, and
  - the Commonwealth assets and liabilities as at 30 June 2000 and the revenues and expenses and cash flows of the Commonwealth for the year then ended, which have been administered by the Australian Customs Service.

Australian National Audit Office



Allan M. Thompson  
Executive Director

Delegate of the Auditor-General

Canberra  
30 August 2000

**AUSTRALIAN CUSTOMS SERVICE**  
**Statement by the Chief Executive Officer and**  
**Chief Financial Officer**

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In our opinion, the attached financial statements give a true and fair view of the matters required by Schedule 2 to the Finance Minister's Orders made under section 63 of the *Financial Management and Accountability Act 1997*.

Signed 

(L B WOODWARD)  
Chief Executive Officer

30 August 2000

Signed 

(Alistair H Cochrane)  
Chief Financial Officer

30 August 2000

# **AUSTRALIAN CUSTOMS SERVICE**

Financial Statements  
for the Year Ended 30 June 2000

**AUSTRALIAN CUSTOMS SERVICE**  
**AGENCY OPERATING STATEMENT**  
*for the period ended 30 June 2000*

	Notes	<b>1999-00</b>	1998-99
		<b>\$'000</b>	\$'000
<b>Operating revenues</b>			
Revenues from government	3A	<b>558,591</b>	537,680
Sales of goods and services	3C	<b>22,158</b>	13,617
<b>Total operating revenues</b>		<b>580,749</b>	551,297
<b>Operating expenses</b>			
Employees	4A	<b>234,507</b>	222,850
Suppliers	4B	<b>313,548</b>	312,332
Depreciation and amortisation	4C	<b>14,088</b>	7,642
Write down of assets	4D	<b>3</b>	(4)
Net losses from sales of assets	4E	<b>2,050</b>	184
Other cost of providing goods and services		<b>1,624</b>	1,589
<b>Total operating expenses</b>		<b>565,820</b>	544,593
<b>Operating surplus before extraordinary items</b>		<b>14,929</b>	6,704
Gain on extraordinary items	5A	<b>-</b>	6,538
<b>Net surplus after extraordinary items</b>		<b>14,929</b>	13,242
<b>Net surplus attributable to the Commonwealth</b>		<b>14,929</b>	13,242
<i>Accumulated surpluses or deficits at the beginning of reporting period</i>		<b>15,876</b>	(13,627)
<b>Total available for appropriation</b>		<b>30,805</b>	(385)
Change in Accounting Policy	2.14	<b>-</b>	16,261
Capital use provided for or paid		<b>(4,096)</b>	-
<b>Accumulated surpluses at the end of reporting period</b>		<b>26,709</b>	15,876

*The above statement should be read in conjunction with the accompanying notes.*

**AUSTRALIAN CUSTOMS SERVICE**  
**STATEMENT OF ADMINISTERED REVENUES AND EXPENSES**  
*for the year ended 30 June 2000*

	Notes	1999-00 \$'000	1998-99 \$'000
<b>Operating revenues</b>			
<b>Taxation</b>			
Excise duty		-	5,484,993
Customs duty		3,966,595	3,909,201
Other taxes, fees and fines		226,196	227,873
<b>Total taxation</b>		<b>4,192,791</b>	<b>9,622,067</b>
<b>Non-taxation</b>			
Revenue from Government	3B	215,492	835,902
Sales of goods and services		78,169	47,981
Interest	3D	6	8
Other sources of non-taxation revenues	3E	7,502	5,729
<b>Total non-taxation</b>		<b>301,169</b>	<b>889,620</b>
<b>Total operating revenues</b>		<b>4,493,960</b>	<b>10,511,687</b>
<b>Operating expenses</b>			
Subsidies		-	339,340
Net write-down of assets	4F	(3,100)	(27,944)
Other	4G	290	1,907
<b>Total operating expenses</b>		<b>(2,810)</b>	<b>313,303</b>
<b>Net contribution to the Budget Outcome (before extraordinary items)</b>		<b>4,496,770</b>	<b>10,198,384</b>
Extraordinary items	5B	-	(50,141)
<b>Net contribution to the Budget Outcome</b>		<b>4,496,770</b>	<b>10,148,243</b>
Transfer to Official Commonwealth Public Account		(4,467,952)	(10,296,807)
<b>Net surplus (deficit)</b>		<b>28,818</b>	<b>(148,564)</b>
Accumulated results at the beginning of the reporting period		31,380	179,944
<b>Accumulated results at the end of the reporting period</b>		<b>60,198</b>	<b>31,380</b>

*The above statement should be read in conjunction with the accompanying notes.*

**AUSTRALIAN CUSTOMS SERVICE****AGENCY BALANCE SHEET***as at 30 June 2000*

	Notes	1999-00 \$'000	1998-99 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash	6A	62,594	623
Receivables	6C	22,603	41,013
Capital Use		795	-
<b>Total financial assets</b>		<b>85,992</b>	<b>41,636</b>
<b>Non-financial assets</b>			
Land and buildings	7A,D	11,742	12,128
Infrastructure, plant and equipment	7B,D	60,594	48,175
Intangibles	7C,D	13,749	16,381
Inventories	7G	1,918	2,006
Other	7I	42,033	22,570
<b>Total non-financial assets</b>		<b>130,036</b>	<b>101,260</b>
<b>Total assets</b>		<b>216,028</b>	<b>142,896</b>
<b>LIABILITIES</b>			
<b>Debt</b>			
Leases	8A	20	35
<b>Total debt</b>		<b>20</b>	<b>35</b>
<b>Provisions and payables</b>			
Employees	9A	75,647	64,136
Suppliers	9B	24,009	6,210
Other	9C	401	385
<b>Total provisions and payables</b>		<b>100,057</b>	<b>70,731</b>
<b>Total liabilities</b>		<b>100,077</b>	<b>70,766</b>
<b>EQUITY</b>			
Capital		68,517	35,405
Reserves		20,725	20,849
Accumulated results		26,709	15,876
<b>Total equity</b>	10A	<b>115,951</b>	<b>72,130</b>
<b>Total Liabilities and Equity</b>		<b>216,028</b>	<b>142,896</b>
<b>Current liabilities</b>		<b>37,672</b>	<b>21,848</b>
<b>Non-current liabilities</b>		<b>62,405</b>	<b>48,918</b>
<b>Current assets</b>		<b>129,943</b>	<b>66,212</b>
<b>Non-current assets</b>		<b>86,085</b>	<b>76,684</b>

*The above statement should be read in conjunction with the accompanying notes.*

**AUSTRALIAN CUSTOMS SERVICE**  
**STATEMENT OF ADMINISTERED ASSETS AND LIABILITIES**

*as at 30 June 2000*

	Notes	<b>1999-00</b>	1998-99
		<b>\$'000</b>	\$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash	6B	<b>465</b>	2,297
Receivables	6D	<b>79,454</b>	55,553
<b>Total financial assets</b>		<b>79,919</b>	57,850
<b>Non-financial assets</b>			
Inventories	7H	<b>13</b>	219
<b>Total non-financial assets</b>		<b>13</b>	219
<b>Total assets</b>		<b>79,932</b>	58,069
<b>LIABILITIES</b>			
<b>Provisions and payables</b>			
Other	9D	<b>19,734</b>	26,689
<b>Total provisions and payables</b>		<b>19,734</b>	26,689
<b>Total liabilities</b>		<b>19,734</b>	26,689
<b>EQUITY</b>			
Accumulated results		<b>60,198</b>	31,380
<b>Total equity</b>	10B	<b>60,198</b>	31,380
<b>Current liabilities</b>		<b>19,734</b>	26,689
<b>Non-current liabilities</b>		-	-
<b>Current assets</b>		<b>71,513</b>	58,069
<b>Non-current assets</b>		<b>8,419</b>	-

*The above statement should be read in conjunction with the accompanying notes.*

**AUSTRALIAN CUSTOMS SERVICE****AGENCY CASH FLOWS***for the period ended 30 June 2000*

	Notes	<b>1999-00</b> <b>\$'000</b>	1998-99 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations for outputs		<b>459,506</b>	405,406
Sales of goods and services		<b>14,592</b>	27,008
<b>Total cash received</b>		<b>474,098</b>	432,414
<b>Cash used</b>			
Employees		<b>222,996</b>	227,077
Suppliers		<b>180,737</b>	191,836
Other		<b>1,608</b>	1,733
<b>Total cash used</b>		<b>405,341</b>	420,646
<b>Net cash from operating activities</b>	11A	<b>68,757</b>	11,768
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment		<b>177</b>	266
<b>Total cash received</b>		<b>177</b>	266
<b>Cash used</b>			
Purchase of property, plant and equipment		<b>25,840</b>	11,746
<b>Total cash used</b>		<b>25,840</b>	11,746
<b>Net cash used by investing activities</b>		<b>(25,663)</b>	(11,480)
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Equity appropriation		<b>23,768</b>	-
<b>Total cash received</b>		<b>23,768</b>	-
<b>Cash used</b>			
Capital use paid		<b>4,891</b>	-
<b>Total cash used</b>		<b>4,891</b>	-
<b>Net cash from financing activities</b>		<b>18,877</b>	-
<b>Net increase in cash held</b>		<b>61,971</b>	288
Cash at the beginning of the reporting period		<b>623</b>	335
<b>Cash at end of reporting period</b>	6A	<b>62,594</b>	623

*The above statement should be read in conjunction with the accompanying notes.*

**AUSTRALIAN CUSTOMS SERVICE**  
**STATEMENT OF ADMINISTERED CASH FLOWS**  
*for the year ended 30 June 2000*

	Notes	<b>1999-00</b>	1998-99
		<b>\$'000</b>	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
<b>Taxation</b>			
Excise duty		-	5,845,786
Customs duty		<b>3,939,460</b>	3,772,819
Other taxes, fees and fines		<b>223,581</b>	224,179
<b>Total Taxation</b>		<b>4,163,041</b>	9,842,784
<b>Non-Taxation</b>			
Sales of goods and services		<b>79,464</b>	47,025
Appropriations		<b>215,492</b>	835,902
Other non-taxation		<b>8,413</b>	7,589
<b>Total Non-taxation</b>		<b>303,369</b>	890,516
<b>Total cash received</b>		<b>4,466,410</b>	10,733,300
<b>Cash used</b>			
Subsidies		-	(435,669)
Cash to CPA		<b>(4,467,952)</b>	(10,296,807)
Other		<b>(290)</b>	(2,162)
<b>Total cash used</b>		<b>(4,468,242)</b>	(10,734,638)
<b>Net cash from operating activities</b>	11B	<b>(1,832)</b>	(1,338)
<b>Net (decrease) increase in cash held</b>		<b>(1,832)</b>	(1,338)
Cash at beginning of the reporting period		<b>2,297</b>	3,635
<b>Cash at the end of the reporting period</b>	6B	<b>465</b>	2,297

*The above statement should be read in conjunction with the accompanying notes.*

**AUSTRALIAN CUSTOMS SERVICE**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 2000*

	Agency		Administered	
	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000
<b>BY TYPE</b>				
CAPITAL COMMITMENTS				
Infrastructure, plant and equipment	<u>28,213</u>	<u>87,271</u>	-	-
<b>Total capital commitments</b>	<u>28,213</u>	<u>87,271</u>	-	-
OTHER COMMITMENTS				
Operating leases	<u>332,151</u>	<u>111,022</u>	-	-
Other commitments	<u>266,305</u>	<u>419,843</u>	-	-
<b>Total other commitments</b>	<u>598,456</u>	<u>530,865</u>	-	-
COMMITMENTS RECEIVABLE				
<b>Net commitments</b>	<u><u>626,669</u></u>	<u><u>618,136</u></u>	-	-
<b>BY MATURITY</b>				
<b>All Net Commitments</b>				
One year or less	<u>139,381</u>	<u>162,661</u>	-	-
From one to two years	<u>125,681</u>	<u>111,792</u>	-	-
From two to five years	<u>350,395</u>	<u>270,178</u>	-	-
Over five years	<u>11,212</u>	<u>73,505</u>	-	-
<b>Net commitments</b>	<u><u>626,669</u></u>	<u><u>618,136</u></u>	-	-
<b>Operating Lease Commitments</b>				
One year or less	<u>78,059</u>	<u>24,269</u>	-	-
From one to two years	<u>66,671</u>	<u>22,931</u>	-	-
From two to five years	<u>176,656</u>	<u>47,334</u>	-	-
Over five years	<u>10,765</u>	<u>16,488</u>	-	-
<b>Net Commitments</b>	<u><u>332,151</u></u>	<u><u>111,022</u></u>	-	-

*The above schedule should be read in conjunction with the accompanying notes.*

**AUSTRALIAN CUSTOMS SERVICE  
SCHEDULE OF CONTINGENCIES**

*as at 30 June 2000*

	Agency		Administered	
	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000
<b>CONTINGENT LOSSES</b>				
Claims for damages/costs	<u>(460)</u>	<u>(364)</u>	<u>(4,323)</u>	<u>-</u>
<b>Total contingent losses</b>	<b>(460)</b>	<b>(364)</b>	<b>(4,323)</b>	<b>-</b>
<b>CONTINGENT GAINS</b>				
Claims for damages/costs	<u>110</u>	<u>-</u>	<u>5,454</u>	<u>4,379</u>
<b>Total contingent gains</b>	<b>110</b>	<b>-</b>	<b>5,454</b>	<b>4,379</b>
<b>Net contingencies</b>	<b><u>(350)</u></b>	<b><u>(364)</u></b>	<b><u>1,131</u></b>	<b><u>4,379</u></b>

**SCHEDULE OF UNQUANTIFIABLE CONTINGENCIES**

At 30 June 2000 Customs had a number of legal claims lodged against it for damages and costs. Customs has denied liability and is defending the claims. In addition, Customs has lodged a number of claims to recover damages and costs which are also being defended. It is not possible to estimate the amounts of any eventual payments or receipts in relation to these claims.

Further, Customs has an obligation to acquire equipment from EDS on termination or expiry of the IT outsourcing lease. It is not possible to estimate the amount of any eventual payment or receipt in relation to this obligation due to the uncertainty of the future market value of the leased equipment on hand.

*The above schedule should be read in conjunction with the accompanying notes.*

**AUSTRALIAN CUSTOMS SERVICE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the year ended 30 June 2000*

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<b>Note</b>	<b>Description</b>
1.	Australian Customs Service Objectives
2.	Summary of Significant Accounting Policies
3.	Operating Revenues
4.	Operating Expenses
5.	Extraordinary Items
6.	Financial Assets
7.	Non-Financial Assets
8.	Debt
9.	Provisions and Payables
10.	Equity
11.	Cash Flow Reconciliation
12.	Appropriations
13.	Reporting By Outcomes
14.	Executive Remuneration
15.	Services Provided by the Auditor-General
16.	Act of Grace Payments and Waivers and Defective Administration Scheme
17.	Average Staffing Levels
18.	Financial Instruments

## Note 1 - Australian Customs Service Objectives

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.

## Note 2 - Summary of Significant Accounting Policies

### 2.1 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:

- *Requirements for the preparation of Financial Statements of Commonwealth Agencies and Authorities* made by the Minister for Finance and Administration in August 1999 (Schedule 2 to the Financial Management and Accountability (FMA) Orders);
- Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Boards; and
- the 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 2 issued by the Department of Finance and Administration.

The financial statements have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, 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.

The continued existence of Customs 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.

### 2.2 Changes in Accounting Policy

Changes in accounting policy have been identified in this note under their appropriate headings.

### **2.3 Agency and Administered items**

Agency assets, liabilities, revenues and expenses are those items that are controlled by Customs. They are used by Customs in producing its outputs, including:

- property, plant and equipment used in providing goods and services;
- liabilities for employee entitlements;
- revenues from appropriations or independent sources in payment of outputs; and
- employee, supplier and depreciation expenses incurred in producing agency outputs.

Administered items are those items that are controlled by the Government and managed or oversighted by Customs on behalf of the Government. These items include Customs duty. The purposes of separation of agency and administered items is to enable assessment of the efficiency of Customs in providing goods and services.

The basis of accounting described in Note 2.1 applies to both agency and administered items. Administered items are distinguished from agency items in the financial statements by shading.

### **2.4 Principles of Consolidation**

In the process of reporting Customs as a single unit, and in preparation of the program statements, all intra and inter-program transactions and balances have been eliminated in full.

### **2.5 Reporting by Outcomes**

A comparison of budget and actual figures by outcome specified in the Appropriations Acts relevant to Customs is presented in Note 13. The net cost to Budget outcomes shown includes intra-government costs that are eliminated in calculating the actual budget outcome for the Government overall.

### **2.6 Revenues from Government**

Revenues from Government are revenues relating to the core operating activities of Customs. Policies for accounting for revenue from government follow; amounts and other details are given in Note 3.

#### *Agency appropriations*

From 1 July 1999, the Commonwealth Budget has been prepared under an accrual framework.

Appropriations to Customs for its agency outputs are recognised as revenue to the extent that they have been recognised into Customs bank account or are entitled to be received by Customs at the year's end.

Appropriations to Customs for agency capital items are recognised directly in equity, to the extent that the appropriation has been received into Customs bank account or is entitled to be received by Customs at year end.

The appropriations for agency capital items for 1999-2000 include, as carryovers, the re-appropriation to Customs of the certain unspent amounts from 1998-1999. These amounts were recognised directly in equity in the financial statements for 1998-1999.

This is a change in the policy adopted in prior years when agency appropriations, other than the running costs, were recognised as revenue to the extent that the appropriations were spent. Amounts appropriated for agency running costs were recognised as revenue in the year of appropriation, except to the extent of

- unspent amounts not automatically carried over to the new financial year, and
- running costs borrowings.

### *Administered appropriations*

Appropriations for administered expenses are recognised as revenue to the extent that expenses have been incurred up to the limit, if any, of each appropriation. Appropriations for administered capital are recognised as the amount appropriated by Parliament.

### *Resources Received Free of Charge*

Services received free of charge are recognised in the Operating Statement 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.

In the latter case, the assets are initially recognised at the amounts at which they were recognised by the transferring agency immediately prior to the transfer.

In prior years, net assets received under a restructuring of administrative arrangements were recognised as revenue. From 1 July 1999, such asset transfers are designated as transactions of owners and adjusted directly against equity.

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

## 2.8 Assets Sales program

Schedule 2 effectively provides for sales of Commonwealth interests in controlled entities conducted by the Office of Asset Sales and Information Technology Outsourcing (OASITO) to be fully reported by the OASITO. At the time of sale, Customs writes back the carrying amount of the investment against the investment's share of the Administered Investments Reserve.

Customs had no major asset sales through OASITO to report for 1999-2000 (1998-1999: Nil)

## 2.9 Employee Entitlements

### *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 for total annual leave entitlements of all employees at 30 June 2000 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 2000. In determining the present value of the liability, Customs has taken into account attrition rates and pay increases through promotions.

### *Separation and redundancy*

Provision is also 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.

### *Superannuation*

Staff of Customs contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. Employer contributions amounting to \$22,781,686 (1998-1999: \$28,876,101) in relation to these schemes have been expensed in these financial statements.

No liability is shown for superannuation in the Balance Sheet as the employer contributions fully extinguish the accruing liability which is assumed by the Commonwealth.

Employer Superannuation Productivity Benefit contributions totalled \$4,867,833 (1998-1999: \$4,862,356).

## **2.10 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 period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to Customs Operating Statement 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.

## **2.11 Cash**

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

## **2.12 Financial instruments**

Accounting policies for financial instruments are stated at Note 18 Customs is complying with the requirements of AAS33 *Presentation and Disclosure of Financial Instruments*.

## **2.13 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.

## 2.14 Property, Plant and Equipment

### *Asset recognition threshold*

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, 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 2 requires that buildings, infrastructure, 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 2 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.

Assets in each class acquired after the commencement of the progressive revaluation cycle are not captured by the progressive revaluation then in progress.

Assets in each class acquired after the commencement of the progressive revaluation cycle 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 which would 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 2000.

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 valuation was undertaken by the Australian Valuation Office.

All valuations are performed by independent parties.

### *Recoverable amount test*

Schedule 2 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.

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. The useful life of the Customs vessels has been reviewed and is more accurately reflected as 12 years instead of the previous estimate of 20 years.

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

	<b>1999-00</b>	<b>1998-99</b>
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	5 years	5 years
Intangibles	5 years	5 years
Customs Vessels	12 years	20 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.

## **2.15 Inventories**

Inventories are goods, publications and software held for sale or being developed for sale. Inventories also include consumable stores and supplies held ready for use in Customs operations.

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.

Consumable stores and supplies are inventories not held for sale. Where material in value they will be valued at cost, unless they are no longer required, in which case they are valued at net realisable value.

## **2.16 Taxation**

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

## **2.17 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.

## **2.18 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.

## **2.19 Insurance**

The Commonwealth's insurable risk managed fund, called 'Comcover', commenced operations in 1998-1999. Customs has insured with the fund for risks other than workers compensation, which is dealt with via continuing arrangements with Comcare.

## **2.20 Comparative figures**

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

Comparatives are not presented in Notes dealing with the Reporting on Outcomes, due to 1999-2000 being the first year of the implementation of accrual budgeting.

## **2.21 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; and,
- remuneration of auditors.

## 2.22 Receivables

All known bad debts are written off when identified and provision is made for doubtful debts annually. The write-off is charged as an expense or, to the extent a provision for doubtful debt already existed, as a reversal of that provision. The provision is based upon a review of all receivables existing at year end.

Amounts owed to Customs by importers in relation to customs duty are included in receivables where the amounts can be reliably measured and the realisation of the debts are likely.

Receivables also include amounts owing from incorrect self-assessment of duties. For those which have been identified as incorrect but are awaiting determination, an estimate of such amounts is provided.

Receivables exclude amounts expected to be recovered on behalf of other agencies (such as sales tax).

## 2.23 Creditors

Creditors include amounts owing at the reporting date from the refunds of duty, drawbacks, employee salary entitlements and other creditors. Also included are trade creditors and any liabilities arising from goods or services received but not yet paid for (accruals).

Creditors exclude amounts expected to be paid on behalf of other agencies.

### Note 3 - Operating Revenues

<u>Note 3A- Revenues from Government</u>	<b>1999-00</b>	1998-99
	<b>\$'000</b>	\$'000
Appropriations for outputs	<b>424,101</b>	401,317
Resources received free of charge	<b>134,490</b>	136,363
<b>Total</b>	<b><u>558,591</u></b>	<u>537,680</u>

### Note 3B - Administered Revenues from Government

Transfers from Official Public Account	<b><u>215,492</u></b>	835,902
<b>Total</b>	<b><u>215,492</u></b>	<u>835,902</u>

<u>Note 3C - Sales of Goods and Services</u>	<b>1999-00</b>	1998-99
	<b>\$'000</b>	\$'000
Goods and Services	<b>20,464</b>	3,561
Other revenues from independent sources	<b>1,694</b>	10,056
<b>Total</b>	<b>22,158</b>	13,617

Note 3D - Administered Interest

Interest from deposits	<b>6</b>	8
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Note 3E - Other Sources of non-taxation revenues (Administered)

Inventory – received free of charge	<b>13</b>	219
Other	<b>7,489</b>	5,510
<b>Total</b>	<b>7,502</b>	5,729

**Note 4 - Operating Expenses**

Note 4A - Employee Expenses

Remuneration (for services provided)	<b>226,989</b>	216,900
Separation and redundancy	<b>5,397</b>	5,950
Total remuneration	<b>232,386</b>	222,850
Other employee expenses	<b>2,121</b>	-
<b>Total</b>	<b>234,507</b>	222,850

Note 4B - Supplier Expenses

Supply of goods and services	<b>288,206</b>	286,271
Operating lease rentals	<b>25,338</b>	26,055
Interest paid	<b>4</b>	6
<b>Total</b>	<b>313,548</b>	312,332

Note 4C - Depreciation and Amortisation

Depreciation of property, plant and equipment	<b>10,471</b>	7,380
Amortisation of leased assets	<b>16</b>	16
Amortisation of intangibles	<b>3,392</b>	3
Depreciation of buildings	<b>209</b>	243
<b>Total</b>	<b>14,088</b>	7,642

<u>Note 4D - Write down of assets</u>	<b>1999-00</b>	1998-99
	<b>\$'000</b>	\$'000
Financial assets		
Receivables	<u>3</u>	<u>(4)</u>
<b>Total</b>	<u><u>3</u></u>	<u><u>(4)</u></u>

Note 4E - Net Losses from Sale of Assets

Non-financial assets		
Infrastructure, Plant and Equipment	<u>2,050</u>	<u>184</u>
<b>Total</b>	<u><u>2,050</u></u>	<u><u>184</u></u>

Note 4F - Write down of Administered Assets

Financial Assets		
Receivables – provision for doubtful debt *	<u>(3,100)</u>	<u>(27,944)</u>
<b>Total</b>	<u><u>(3,100)</u></u>	<u><u>(27,944)</u></u>

\*Included in the 1998-1999 amount is the reversal of the 1997-1998 general provision for Excise receivables

Note 4G - Other Administered Expenses

Compensation and Legal	-	1,889
Other	<u>290</u>	<u>18</u>
<b>Total</b>	<u><u>290</u></u>	<u><u>1,907</u></u>

**Note 5 - Extraordinary Items**

Note 5A - Agency - Restructuring

As a result of the Administrative Arrangement Order (AAO) changes, responsibility for the Excise collection function transferred from Customs to the Australian Taxation Office (ATO) on 20 October 1998. Responsibility for Industry Assistance was also transferred from Customs to the Department of Industry, Science and Resources (ISR) on 20 October 1998.

The following assets and liabilities were transferred to the ATO as a result of the AAO changes.

	1999-00 \$'000	1998-99 \$'000
Assets		
Receivables	-	-
Property, Plant and Equipment	-	43
Other-	-	-
Total assets	<u>-</u>	<u>43</u>
Liabilities		
Creditors	-	381
Provisions	-	5,442
Total liabilities relinquished	<u>-</u>	<u>5,823</u>
Net (assets)/liabilities relinquished	<u>-</u>	<u>5,780</u>

The following assets and liabilities were transferred to ISR as a result of the AAO changes.

Assets		
Receivables	-	-
Property, Plant and Equipment	-	8
Other	-	-
Total assets	<u>-</u>	<u>8</u>
Liabilities		
Creditors	-	42
Provisions	-	724
Total liabilities relinquished	<u>-</u>	<u>766</u>
Net (assets)/liabilities relinquished	<u>-</u>	<u>758</u>
<b>Net revenues from restructuring</b>	<u>-</u>	<u>6,538</u>

Note 5B - Administered - Restructuring

The following administered assets and liabilities were transferred to the ATO as a result of the AAO changes.

Assets - Receivables	-	50,688
Liabilities - Creditors	-	547
Net Assets relinquished	<u>-</u>	<u>50,141</u>

The following administered assets and liabilities were transferred to ISR as a result of the AAO changes.

	<b>1999-00</b>	1998-99
	<b>\$'000</b>	<b>\$'000</b>
Assets - Receivables	-	-
Liabilities - Creditors	-	-
Net Assets relinquished	-	-
<b>Net losses from restructuring</b>	<b>-</b>	<b>50,141</b>

### **Note 6 - Financial Assets**

#### Note 6A - Cash

Cash on hand	<b>146</b>	271
Cash at bank	<b>5,318</b>	352
Investments	<b>57,130</b>	-
<b>Total</b>	<b>62,594</b>	<b>623</b>

#### Note 6B - Cash - Administered

Cash on hand	<b>39</b>	220
Cash at bank	<b>(4)</b>	1,891
Trust Account balances held in CPA (Commonwealth Public Account)	<b>430</b>	186
<b>Total</b>	<b>465</b>	<b>2,297</b>

<u>Note 6C - Receivables</u>	<b>1999-00</b>	1998-99
	<b>\$'000</b>	\$'000
Appropriations – Ordinary Annual Services	-	30,896
Appropriations – Other Services	<b>9,344</b>	4,509
	<b>9,344</b>	35,405
Goods and services	<b>7,777</b>	933
Less: Provision for doubtful debts	-	-
	<b>7,777</b>	933
Other	<b>5,490</b>	4,680
Less: Provision for doubtful debts	<b>(8)</b>	(5)
	<b>5,482</b>	4,675
<b>Total</b>	<b>22,603</b>	41,013
Overdue Agency receivables as at 30 June 2000 were aged as follows:		
Not Overdue	<b>22,399</b>	40,854
Overdue by:		
Less than 30 days	<b>26</b>	52
30 to 60 days	<b>26</b>	15
60 to 90 days	<b>50</b>	-
More than 90 days	<b>102</b>	92
	<b>22,603</b>	41,013

Note 6D - Receivables - Administered

Customs Duty	<b>39,887</b>	22,354
Other Taxes, Fees and Fines	<b>34,228</b>	31,613
Goods and Services	-	1,089
Other	<b>9,045</b>	9,950
Less: Provision for doubtful debts	<b>(3,706)</b>	(9,453)
<b>Total</b>	<b>79,454</b>	55,553
Overdue Administered receivables as at 30 June 2000 were aged as follows:		
Not Overdue	<b>61,177</b>	42,376
Overdue by:		
Less than 30 days	<b>1,501</b>	1,005
30 to 60 days	<b>1,916</b>	254
60 to 90 days	<b>1,029</b>	-
More than 90 days	<b>13,831</b>	11,918
	<b>79,454</b>	55,553

<b>Note 7 - Non-Financial Assets</b>	<b>1999-00</b>	1998-99
	<b>\$'000</b>	\$'000
<u>Note 7A - Land and Buildings</u>		
Land - at valuation	<u>4,078</u>	<u>4,108</u>
Total land - at valuation	<b>4,078</b>	4,108
Buildings – at cost	207	207
Accumulated depreciation	<u>(6)</u>	<u>(1)</u>
Total buildings - at cost	<b>201</b>	206
Buildings – at valuation	7,904	8,056
Accumulated depreciation	<u>(441)</u>	<u>(242)</u>
Total buildings - at valuation	<b>7,463</b>	7,814
<b>Total land and buildings</b>	<b><u>11,742</u></b>	<b><u>12,128</u></b>
<u>Note 7B - Infrastructure, plant and equipment</u>		
Infrastructure, plant and equipment - at cost	29,965	-
Accumulated depreciation	<u>(1,996)</u>	-
Total plant and equipment - at cost	<b>27,969</b>	-
Infrastructure, plant and equipment - at valuation	42,858	51,348
Accumulated depreciation	<u>(10,233)</u>	<u>(3,173)</u>
Total plant and equipment - at valuation	<b>32,625</b>	48,175
<b>Total infrastructure, plant and equipment</b>	<b><u>60,594</u></b>	<b><u>48,175</u></b>
<u>Note 7C - Intangible assets</u>		
Purchased software	883	123
Accumulated amortisation	<u>(84)</u>	<u>(3)</u>
	<b>799</b>	120
Internally developed software – at valuation	16,261	16,261
Accumulated amortisation	<u>(3,311)</u>	-
	<b>12,950</b>	16,261
<b>Total Intangible assets</b>	<b><u>13,749</u></b>	<b><u>16,381</u></b>

## 7D - Analysis Of Property, Plant And Equipment And Intangibles

**TABLE A**

Movement summary 1999-00 for all assets irrespective of valuation basis

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>	<b>Other</b>	<b>Intangibles</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>Land and</b>	<b>infrastructure,</b>	<b>\$'000</b>	<b>\$'000</b>
			<b>buildings</b>	<b>plant and</b>		
			<b>\$'000</b>	<b>equipment</b>		
				<b>\$'000</b>		
<b>Gross value at 1 July 1999</b>	<b>4,108</b>	<b>8,263</b>	<b>12,371</b>	<b>51,348</b>	<b>16,384</b>	<b>80,103</b>
Additions						
• Acquisition of replacement assets	-	-	-	29,693	760	30,453
• Acquisition of new assets	-	-	-	277	-	277
Revaluations	-	-	-	-	-	-
Initial Valuation	-	-	-	-	-	-
Disposals	(30)	(152)	(182)	(4,495)	-	(4,677)
Other Movements	-	-	-	(4,000)	-	(4,000)
<b>Gross value at 30 June 2000</b>	<b>4,078</b>	<b>8,111</b>	<b>12,189</b>	<b>72,823</b>	<b>17,144</b>	<b>102,156</b>
<b>Accumulated depreciation at 1 July 1999</b>	<b>-</b>	<b>243</b>	<b>243</b>	<b>3,173</b>	<b>3</b>	<b>3,419</b>
Depreciation/amortisation charge for assets held 1 July 1999	-	209	209	8,434	3,352	11,995
Depreciation/amortisation on additions	-	-	-	2,053	40	2,093
Adjustment for revaluation	-	-	-	-	-	-
Adjustment for disposals	-	(5)	(5)	(1,431)	-	(1,436)
Adjustment for other movements	-	-	-	-	-	-
<b>Accumulated depreciation/ amortisation at 30 June 2000</b>	<b>-</b>	<b>447</b>	<b>447</b>	<b>12,229</b>	<b>3,395</b>	<b>16,071</b>
<b>Net book value at 30 June 2000</b>	<b>4,078</b>	<b>7,664</b>	<b>11,742</b>	<b>60,594</b>	<b>13,749</b>	<b>86,085</b>
Net book value at 1 July 1999	4,108	8,020	12,128	48,175	16,381	76,684

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

**TABLE B**

Summary of balances of assets at valuation as at 30 June 2000

	<b>Land</b>	<b>Buildings</b>	<b>Total land and buildings</b>	<b>Other infrastructure, plant and equipment</b>	<b>Intangibles</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 30 June 2000</b>						
Gross value	4,078	7,904	11,982	42,858	16,261	71,101
Accumulated depreciation	-	(441)	(441)	(10,233)	(3,311)	(13,985)
<b>Net book value</b>	<b>4,078</b>	<b>7,463</b>	<b>11,541</b>	<b>32,625</b>	<b>12,950</b>	<b>57,116</b>
<b>As at 30 June 1999</b>						
Gross value	4,108	8,056	12,164	51,348	16,261	79,773
Accumulated depreciation	-	(242)	(242)	(3,173)	-	(3,415)
<b>Net book value</b>	<b>4,108</b>	<b>7,814</b>	<b>11,922</b>	<b>48,175</b>	<b>16,261</b>	<b>76,358</b>

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

Summary of balances of assets held under Finance Leases as at 30 June 2000

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>	<b>Other</b>	<b>Intangibles</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>Land and</b>	<b>infrastructure,</b>	<b>\$'000</b>	<b>\$'000</b>
			<b>buildings</b>	<b>plant and</b>		
			<b>\$'000</b>	<b>equipment</b>		
				<b>\$'000</b>		
<b>As at 30 June 2000</b>						
Gross value	-	-	-	79	-	79
Accumulated amortisation	-	-	-	(57)	-	(57)
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>22</b>
<b>As at 30 June 1999</b>						
Gross value	-	-	-	79	-	79
Accumulated amortisation	-	-	-	(41)	-	(41)
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>38</b>

<u>Note 7G - Inventories</u>	<b>1999-00</b> <b>\$'000</b>	1998-99 \$'000
Inventories not held for sale	<b>1,918</b>	2,006

Note 7H – Inventories - Administered

Inventories held for sale	<b>13</b>	219
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Note 7I - Non-Financial Assets - Other

Prepayments	<b>2,314</b>	10,276
Assets under construction	<b>39,719</b>	7,645
Other	-	4,649
<b>Total</b>	<b>42,033</b>	22,570

**Note 8 - Debt**

Note 8A - Leases

Finance Lease commitments		
Not Later than one year	<b>22</b>	19
Later than one year and not later than five years	-	19
Minimum lease payments	<b>22</b>	38
Deduct: future finance charges	<b>2</b>	3
<b>Lease Liability</b>	<b>20</b>	35

Lease Liabilities represented by:

Current	<b>20</b>	15
Non-Current	-	20
<b>Lease Liability</b>	<b>20</b>	35

<b>Note 9 - Provisions and Payables</b>	<b>1999-00</b>	1998-99
	<b>\$'000</b>	<b>\$'000</b>

Note 9A - Employees

Salaries and wages	<b>5,566</b>	4,211
Leave	<b>70,081</b>	59,925
<b>Total</b>	<b>75,647</b>	64,136

Note 9B - Suppliers

Trade creditors	<b>24,009</b>	6,204
Operating lease rentals	-	6
<b>Total</b>	<b>24,009</b>	6,210

Note 9C - Other

Fringe Benefits Tax	<b>401</b>	385
<b>Total</b>	<b>401</b>	385

Note 9D Provisions and Payables - Administered

Refunds of Customs Duty	<b>19,721</b>	26,684
Other	<b>13</b>	5
<b>Total</b>	<b>19,734</b>	26,689

## Note 10 - Equity

### Note 10A - Equity - Agency

Item	Capital		Accumulated results		Asset revaluation		Total Reserves		Total Equity	
	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000
Balance at 1 July 1999	35,405	-	15,876	(13,627)	20,849	2,617	20,849	2,617	72,130	(11,010)
Operating Result	-	-	14,929	13,242	-	-	-	-	14,929	13,242
Equity Appropriation	33,112	-	-	-	-	-	-	-	33,112	-
Net Revaluation Increment	-	-	-	-	-	18,232	-	18,232	-	18,232
Changes in Accounting Policy	-	-	-	16,261	-	-	-	-	-	16,261
Capital Use Charge	-	-	(4,096)	-	-	-	-	-	(4,096)	-
Transfers	-	35,405	-	-	(124)	-	(124)	-	(124)	35,405
<b>Balance 30 June 2000</b>	<b>68,517</b>	<b>35,405</b>	<b>26,709</b>	<b>15,876</b>	<b>20,725</b>	<b>20,849</b>	<b>20,725</b>	<b>20,849</b>	<b>115,951</b>	<b>72,130</b>

### 10B - Equity – Administered

Item	Capital		Accumulated results		Asset revaluation		Total Reserves		Total Equity	
	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000
Balance at 1 July 1999	-	-	31,380	179,944	-	-	-	-	31,380	179,944
Net Change in Admin Assets	-	-	28,818	(148,564)	-	-	-	-	28,818	(148,564)
Net Revaluation Increment	-	-	-	-	-	-	-	-	-	-
Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Balance 30 June 2000</b>	<b>-</b>	<b>-</b>	<b>60,198</b>	<b>31,380</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,198</b>	<b>31,380</b>

## Note 11 - Cash Flow Reconciliation

### 11A - Agency Reconciliation

Reconciliation of operating surplus to net cash provided by operating activities:

	<b>1999-00</b>	1998-99
	<b>\$'000</b>	\$'000
Operating surplus (deficit) before extraordinary items	<b>14,929</b>	6,704
Extraordinary item - restructuring	-	6,538
Net surplus (deficit)	<b>14,929</b>	13,242
Depreciation/amortisation	<b>14,088</b>	7,642
Write down of assets	<b>3</b>	(4)
Loss on sale or disposal of non-current assets	<b>2,050</b>	184
(Increase) decrease in receivables	<b>18,407</b>	(17,960)
Decrease (increase) in inventories	<b>88</b>	78
(Increase) decrease in other assets	<b>(19,463)</b>	(15,332)
(Decrease) increase in provisions	<b>11,511</b>	(10,393)
(Decrease) increase in creditors	<b>17,799</b>	(937)
Increase (decrease) in leases	<b>(15)</b>	(13)
(Decrease) increase in other payables	<b>16</b>	(144)
Initial recognition of future running cost carry over	-	35,405
Recognition of equity injection carry over	<b>9,344</b>	-
<b>Net cash provided by operating activities</b>	<b>68,757</b>	11,768

### 11B - Administered Reconciliation

Reconciliation of net contribution to budget outcomes to net cash provided by operating activities:

Net contribution to the budget outcome (before extraordinary items)	<b>4,496,770</b>	10,198,384
Extraordinary items – restructuring	-	(50,141)
Net contribution or cost to the budget outcome	<b>4,496,770</b>	10,148,243
Cash to Commonwealth Public Account from operations	<b>(4,467,952)</b>	(10,296,807)
Net surplus (deficit)	<b>28,818</b>	(148,564)
Decrease (increase) in receivables	<b>(23,901)</b>	384,526
Decrease (increase) in inventories	<b>206</b>	142
Increase (decrease) in creditors	<b>(6,955)</b>	(237,442)
<b>Net cash from operating activities</b>	<b>(1,832)</b>	(1,338)

## Note 12 – Appropriations

### Note 12A Agency appropriations

#### Annual appropriations for Agency items (price of outputs)

	1999- 000
	\$
Balance available at 1 July	-
Add: Appropriation Acts No 1 & 3 credits:	
Section 6 – Act 1 – basic appropriations (budget)	419,012,000
Section 6 – Act 3 – basic appropriations	4,948,000
Section 9 – adjustments	-
Section 10 – Advance to the Finance Minister	-
Section 11 – Comcover receipts	-
Add: FMA Act	
s30 appropriations	-
s31 appropriations	20,377,427
Total appropriations available for the year	<u>444,337,427</u>
Expenditures during the year	<u>378,158,000</u>
Balance of appropriations for outputs at 30 June	66,179,427

Annual Appropriations for Agency non- revenue items

	Equity Injections	Loans	Carryovers
	1999-00	1999-00	1999-00
	\$	\$	\$
Balance available at 1 July	35,437,000	-	-
Add: Appropriation Act No 2 (Budget)	26,629,000	-	-
Add: Advance to the Finance Minister	-	-	-
Add: FMA Act s30 appropriations	-	-	-
Add: Appropriations Act No 4	<u>3,739,000</u>	<u>-</u>	<u>-</u>
Total appropriations available for the year	65,805,000	-	-
Expenditure debited during the year	<u>57,914,000</u>	<u>-</u>	<u>-</u>
Balance of appropriations for capital at 30 June 2000	7,891,000	-	-

**Note 12B Administered appropriations**

Annual Appropriations for Administered expense items

	Administered expenses Appropriation Act No 1 1999-00 \$	Other administered expenses Appropriation Act No 2 1999-00 \$	State Payment items Appropriation Act No 2 1999-00 \$
Balance available at 1 July			
Add: Appropriations Act Nos 1 / 2			
Basic appropriations specified Acts 1 / 2 (Budget)	260,000	-	-
Basic appropriations specified Acts 3/4	-	-	-
Section 10 – Advance to the Finance Minister	-	-	-
Section 11 – Comcover receipts	-	-	-
Add: FMA Act			
s30 appropriations	-	-	-
s31 appropriations	-	-	-
Total appropriations available for the year	<u>260,000</u>	<u>-</u>	<u>-</u>
Expenditure debited during the year	<u>252,433</u>	<u>-</u>	<u>-</u>
Balance unspent	7,567	-	-
Appropriations lapsing	<u>-</u>	<u>-</u>	<u>-</u>
Balance of appropriations at 30 June	7,567	-	-

Annual Appropriations for Administered non-revenue items

	Capital 1999-00 \$
Balance available at 1 July	-
Add: Appropriation Act No 2 (Budget)	-
Add: Advance to the Finance Minister	-
Add: FMA Act s30 appropriations	-
Add: Appropriation Act No 4	-
Total appropriations available for the year	-
Expenditure debited during the year	-
Balance of appropriations at 30 June 2000	-

## Note 12C Special Accounts

### 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.

	<b>1999-00</b>
	<b>\$</b>
Balance as at 1 July 1999	<b>5,251,555</b>
Add: Receipts from Appropriations	-
Receipts From other sources	<b>2,133,011</b>
	<hr/> <b>7,384,566</b>
Less: Expenditure in 1999-00	<b>(850,418)</b>
Balance as at 30 June 2000	<hr/> <b>6,534,148</b> <hr/>

#### **Services for Other Government and non-Government Bodies Reserve**

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

Purpose: For expenditure in connection with services performed on behalf of other Governments and bodies that are not FMA agencies

Balance as at 1 July 1999	<b>139,289</b>
Add: Receipts from Appropriations	-
Receipts From other sources	-
	<hr/> <b>139,289</b>
Less: Expenditure in 1999-00	<b>(139,289)</b>
Balance as at 30 June 2000	<hr/> <b>-</b> <hr/>

**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.

	<b>1999-00</b>
	<b>\$</b>
Balance as at 1 July 1999	<b>93,977</b>
Add: Receipts from Appropriations	-
Receipts From other sources	<b>7,185,667</b>
	<hr/> <b>7,279,644</b>
Less: Expenditure in 1999-00	<b>(7,161,145)</b>
Balance as at 30 June 2000	<hr/> <b>118,499</b> <hr/>

**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 as at 1 July 1999	<b>7,000,266</b>
Add: Receipts from Appropriations	-
Receipts From other sources	<b>3,146,914</b>
	<hr/> <b>10,147,180</b>
Less: Expenditure in 1999-00	<b>(2,123,756)</b>
Balance as at 30 June 2000	<hr/> <b>8,023,424</b> <hr/>

## Industry Related Systems Development Fund

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

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

	<b>1999-00</b>
	\$
Balance as at 1 July 1999	<b>1,844,549</b>
Add: Receipts from Appropriations	-
Receipts From other sources	<b>364,381</b>
	<hr/> <b>2,208,930</b>
Less: Expenditure in 1999-00	<b>(492,123)</b>
Balance as at 30 June 2000	<hr/> <b>1,716,807</b> <hr/>

## ACS Air Express Courier Deposits Reserve

Legal 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 as at 1 July 1999	<b>1,662,822</b>
Add: Receipts from Appropriations	-
Receipts From other sources	<b>5,275,961</b>
	<hr/> <b>6,938,783</b>
Less: Expenditure in 1999-00	<b>(6,262,817)</b>
Balance as at 30 June 2000	<hr/> <b>675,966</b> <hr/>

**Note 13 - Reporting of Outcome**

**Reporting by Outcomes (Clause 6 of schedule 2 and AAS 29 12.7 & 12.9 refer)**

	<b>Effective Border Management</b>	
	<b>Budget \$'000</b>	<b>Actual \$'000</b>
Total net administered expenses	260	(2,810)
Add Net cost of entity outputs	22,511	7,229
Outcome before abnormal/extraordinary items	22,771	4,419
Abnormal / extraordinary items	-	-
<b>Net Cost to Budget Outcome</b>	<b>22,771</b>	<b>4,419</b>

Total assets deployed as at 30/6/00	209,185	295,960
Net assets deployed as at 30/6/00	(50,130)	176,149

**Major Agency Revenues and Expenses by outcome**

	<b>Effective Border Management</b>
	<b>Actual \$'000</b>
Major expenses	
Employees	234,507
Suppliers	313,548
Depreciation	14,088
Major sources of revenues other than from government	
Sale of goods and services	22,158

**Major Administered Revenues and Expenses by outcome**

	<b>Effective Border Management</b>
	<b>Actual</b>
	<b>\$'000</b>
Major sources of revenues other than from government	
Customs Duty	3,966,595
Other taxes, fees and fines	226,196
Sale of goods and services	78,169

Outcomes	Administered Expenses \$'000				Departmental Outputs \$'000					Total Appropriations \$'000	Total Expenses \$'000									
	Expenses against Special Appropriations	Expenses against Appropriations		Annual Administered Expenses (A)	Expenses against Revenue from Government (Appropriations) (B)			Expense against Revenue From other sources (C)	Total Expenses against outputs											
Appropriations Act 1 & 3		Appropriation Act 2 & 4 (SPP's & New Outcomes			Special Appropriations	Annual Appropriation Acts	Total			(D)=(A) + (B)										
Effective border management																				
Actual	-	252	-	252	-	(1)	(1)	(1)	565,820	(1)	565,820									
Budget	-	260	-	260	-	423,960	423,960	117,803	541,763	424,220	551,995									
									Appropriation Act 2 Administered Capital											
									Actual	-										
									Budget	-										
																		Appropriation Act 2 Departmental Capital		
																		Actual	57,914	
									Budget	65,805										
																		Total Appropriations		
																		Actual	(1)	
Budget	490,025																			

(1) It is not possible to identify expenses incurred against specific funding sources in all cases

**Note 14 - Executive Remuneration**

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

	<b>1999-00</b>	1998-99
	<b>Number</b>	Number
\$100,000 - \$110,000	-	1
\$110,001 - \$120,000	-	6
\$120,001 - \$130,000	2	15
\$130,001 - \$140,000	7	-
\$140,001 - \$150,000	8	5
\$150,001 - \$160,000	3	1
\$160,001 - \$170,000	1	-
\$170,001 - \$180,000	3	-
\$180,001 - \$190,000	1	3
\$190,001 - \$200,000	1	-
\$220,001 - \$230,000	1	1
\$260,001 - \$270,000	1	-

The aggregate amount of total remuneration of Executives shown above. **\$4,364,086** \$4,319,029

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

**Note 15 - Services Provided by the Auditor General**

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

	<b>1999-00</b>	1998-99
	<b>\$</b>	\$
Audit of the financial statements	<u>540,000</u>	<u>524,000</u>

No other services were provided.

**Note 16 - Act of Grace Payments and Waivers and Defective Administration Scheme**

	<b>1999-00</b>	1998-99
	\$	\$
No Act of Grace payments were made during the reporting period.	<u>-</u>	<u>8,557</u>
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of <i>the Financial Management and Accountability Act 1997</i> .	-	-
Three payments were made under the Defective Administration Scheme during the reporting period.	<u><b>7,096</b></u>	<u>-</u>

**Note 17 - Average Staffing Levels**

The average staffing levels for Customs in 1999-2000 were 3,921 (4,104 for 1998-1999).

## Note 18 - FINANCIAL INSTRUMENTS

### (a) 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	6A 6B	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 7% for the year (1998-1999: 8%). Interest is paid at month end.
Receivables for goods and Services	6C	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.	All receivables are with entities external to the Commonwealth. Credit terms are net 30 days (1998-1999: 30 days).
Receivables for customs duty and other	6D	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	9C	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.
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 13.05% (1998-1999: 13.05%) The lease liabilities are secured by the lease assets.
Trade creditors	9B	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 18 Financial Instruments (cont.)**

**(b) 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							
		99-00 \$'000	98-99 \$'000	99-00 \$'000	98-99 \$'000	99-00 \$'000	98-99 \$'000	99-00 \$'000	98-99 \$'000	99-00 \$'000	98-99 \$'000	99-00 \$'000	98-99 \$'000	99-00 \$'000	98-99 \$'000	99-00 %	98-99 %
<b>Financial Assets</b>																	
Cash at Bank	6A	-	-	62,448	-	-	-	-	-	-	-	146	623	62,594	623	7	8
Receivables	6C	-	-	-	-	-	-	-	-	-	-	22,603	41,013	22,603	41,013	n/a	n/a
Capital Use		-	-	-	-	-	-	-	-	-	-	795	-	795	-	n/a	n/a
												-	-	-	-		
<b>Total Financial Assets (Recognised)</b>		-	-	62,448	-	-	-	-	-	-	-	23,544	41,636	85,992	41,636		
<b>Total Assets</b>														216,028	142,896		

<b>Financial Liabilities</b>																	
Trade Creditors and Accruals	9B	-	-	-	-	-	-	-	-	-	-	24,009	6,210	24,009	6,210	n/a	n/a
Finance Lease Liabilities	8A	-	-	20	15	-	20	-	-	-	-			20	35	13.05	13.05
<b>Total Financial Liabilities (Recognised)</b>		-	-	20	15		20	-	-	-	-	24,009	6,210	24,029	6,245		
<b>Total Liabilities</b>														100,077	70,766		

**Note 18 Financial Instruments (cont.)**

**(b) 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							
		99-00	98-99	99-00	98-99	99-00	98-99	99-00	98-99	99-00	98-99	99-00	98-99	99-00	98-99	99-00	98-99
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>																	
Cash at Bank	6B	-	-	-	-	-	-	-	-	-	-	465	2,297	465	2,297	n/a	n/a
Receivables	6D	-	-	-	-	-	-	-	-	-	-	79,454	55,553	79,454	55,553	n/a	n/a
<b>Total Financial Assets (Recognised)</b>		-	-	-	-	-	-	-	-	-	-	79,919	57,850	79,919	57,850		
<b>Total Assets</b>														79,932	58,069		
<b>Financial Liabilities</b>																	
Subsides	n/a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	n/a	n/a
Refunds / Rebates	9D	-	-	-	-	-	-	-	-	-	-	19,734	26,689	19,734	26,689	n/a	n/a
<b>Total Financial Liabilities (Recognised)</b>		-	-	-	-	-	-	-	-	-	-	19,734	26,689	19,734	26,689		
<b>Total Liabilities</b>														19,734	26,689		

**Note 18 Financial Instruments (cont.)**

**(c) Net Fair Values of Financial Assets and Liabilities.**

AGENCY	Note	1999-00		1998-99	
		Total Carrying Amount \$'000	Aggregate Net fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net fair Value \$'000
<b>Agency</b>					
<b>Financial Assets</b>					
Cash at bank	6A	62,594	62,594	352	352
Receivables for goods and services	6C	22,603	22,603	5,608	5,608
Capital use		795	795	-	-
<b>Total Financial Assets</b>		<b>85,992</b>	<b>85,992</b>	<b>5,960</b>	<b>5,960</b>
<b>Financial Liabilities (recognised)</b>					
Trade creditors	9B	24,009	24,009	6,210	6,210
Finance lease	8A	20	20	35	35
<b>Total Financial Liabilities (recognised)</b>		<b>24,029</b>	<b>24,029</b>	<b>6,245</b>	<b>6,245</b>
<b>Administered</b>					
<b>Financial Assets</b>					
Cash at Bank	6B	465	465	1,891	1,891
Receivables for goods and services	6D	79,454	79,454	55,553	55,553
<b>Total Financial Assets</b>		<b>79,919</b>	<b>79,919</b>	<b>57,444</b>	<b>57,444</b>
<b>Financial Liabilities (recognised)</b>					
Refunds / Rebates	9D	19,734	19,734	26,684	26,684
<b>Total Financial Liabilities (recognised)</b>		<b>19,734</b>	<b>19,734</b>	<b>26,684</b>	<b>26,684</b>

## **Note 18 Financial Instruments (cont.)**

### **(c) Net Fair Values of Financial Assets and Liabilities (cont.)**

#### *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.

### **(d) 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 Assets and Liabilities.

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

## CAMEO - OUTPUT PRICING REVIEW

International customs organisations have been seeking to achieve improved effectiveness and Customs has been working toward improving this on a number of fronts over the past six years. By comparing itself with the performance of other global customs organisations, Customs is confident that it is achieving its mission – to be a world leader in Customs administration.

As part of the Government's decision to test the pricing of all its services, Customs was one of the first agencies selected for an output pricing review which was jointly conducted with the Department of Finance and Administration (DOFA). It examined the cost, quality, efficiency and effectiveness of Customs outputs in order to inform Ministers about the appropriateness of Customs funding.

The review examined each of Customs five outputs, with a total cost in 1998-1999 of \$400 million. DOFA and Customs prioritised and applied different levels of review to each output component. The majority were subjected to detailed review or desk-based performance review. A small number, affected by major re-engineering and recent or impending Government review or investment decisions, were reviewed in less detail.

Detailed review included external benchmarking, time series benchmarking, and 'value studies'. External benchmarking involved eight overseas Customs and immigration administrations, a major international airline, and six Commonwealth agencies. Previous international Customs benchmarking and independent studies by the Australian National Audit Office (ANAO), other external auditors, and the air transport industry also were considered.

The pricing review concluded that Customs provides good value for money, and that its output prices are reasonable. Services were typically of very high quality, but were increasingly stretched by workload growth. It found that Customs delivered wide-ranging and effective border control, consistent with current Government requirements.

Specific outcomes of the Output Pricing Review are detailed under Customs Outcome on page 26, Output One on page 31, Output Two on page 46 and Output Four on Page 55.