

INSOLVENCY AND TRUSTEE SERVICE AUSTRALIA

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

The Insolvency and Trustee Service Australia's (ITSA's) purpose is to provide a personal insolvency system that minimises the impact of financial failure on the community, produces equitable outcomes for debtors and creditors and enjoys public confidence, through application of bankruptcy laws, regulation and trustee services.

The challenge for ITSA in 2009–10 is to fulfil this purpose at a time when increasing numbers of Australians are having to resort to some form of personal insolvency arrangement to address their unmanageable debt.

The impact of the global financial crisis appears to be contributing to an increase in the number of bankruptcies, debt agreements and personal insolvency agreements well in excess of the long-term trend, which was a growth of approximately 7% per year on average over 20 years. For people changing or losing their jobs, and possibly facing long-term unemployment, early and informed decision making about their options is critical.

ITSA will focus on ensuring that simple and useful information is available to debtors on a timely basis. In addition ITSA will continue to focus on its regulatory and compliance responsibilities in respect of all insolvency practitioners to ensure the personal insolvency system retains a high level of public confidence.

To achieve this, ITSA will:

- ensure compliance by debtors, bankrupts and their associates, and practitioners and others with the requirements of the *Bankruptcy Act 1966* and associated legislation by:
 - operating the bankruptcy registry, where debtors' petitions are lodged, debt agreement proposals are processed and public records on insolvency are maintained
 - exercising Official Receiver powers to assist trustees to obtain information and recover property
 - investigating possible offences under the *Bankruptcy Act 1966* and preparing briefs of evidence for prosecution
- regulate the administrations and activity of trustees (including the Official Trustee) and debt agreement administrators
- administer, as the Official Trustee, personal bankruptcies, debt agreements and personal insolvency agreements when private bankruptcy trustees or other administrators are not appointed, and
- act as a special trustee for government agencies, pursuant to court orders, particularly by locating, controlling and selling property under the proceeds of crime legislation.

ITSA plans to meet these challenges by:

- ensuring debtors in financial difficulty are able to make informed decisions relevant to their needs
- assisting in the development of bankruptcy laws that address the growth in consumer bankruptcy and formal alternatives to bankruptcy
- maintaining a regulatory and compliance framework that ensures the effectiveness of the bankruptcy laws and, in particular, the sustainability of the personal insolvency profession and the credibility of the debt agreement system, and
- maximising the use of technology, including online services, to deliver accessible, consistent and efficient information products that meet the expectations of insolvency professionals, creditors and insolvent individuals.

The Budget measures recognise the importance of ensuring ITSA’s capacity and capability to deliver these services on a sustainable basis in light of increasing demands. ITSA is deploying the supplementary workload funding to enable it to maintain its basic services and to process the increased level of enquiries about personal insolvency and its options and also the assessment of new debtors’ petitions and debt agreement proposals.

From 1 February 2009 the responsibility for advising government on personal insolvency laws that satisfy business and community needs was transferred to the Attorney-General’s Department.

2.2 AGENCY RESOURCE STATEMENT

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

Table 1.1: Agency resource statement—Budget estimates for 2009–10 as at Budget, May 2009

	Estimate of prior year amounts available in 2009–10 (\$'000)	+ Proposed at Budget 2009–10 (\$'000)	= Total estimate 2009–10 (\$'000)	Actual available appropriation 2008–09 (\$'000)
ORDINARY ANNUAL SERVICES				
Departmental				
Prior year departmental appropriation	2,089 ³	–	2,089	5,319
Departmental appropriation	–	40,892 ¹	40,892	36,317
S 30 & 31 relevant agency receipts	–	2,230 ²	2,230	2,205
Total ordinary annual services	A 2,089	43,122	45,211	43,841
OTHER SERVICES				
Departmental non-operating				
Equity injections	–	–	–	1,620
Total other services	B –	–	–	1,620
Total available annual appropriations	2,089	43,122	45,211	45,461

Table 1.1: Agency resource statement—Budget estimates for 2009–10 as at Budget, May 2009 (continued)

	Estimate of prior year amounts available in 2009–10 (\$'000)	+ Proposed at Budget 2009–10 (\$'000)	= Total estimate 2009–10 (\$'000)	Actual available appropriation 2008–09 (\$'000)
SPECIAL APPROPRIATIONS				
Special appropriations limited by criteria/entitlement				
<i>Bankruptcy Act 1966</i>	–	500	500	583
<i>Proceeds of Crime Act 1987</i>	–	62	62	500
<i>Proceeds of Crime Act 2002</i>	–	21,425	21,425	16,150
<i>Financial Management and Accountability Act 1997</i>	–	1,759	1,759	1,878
Total special appropriations	C	23,746	23,746	19,111
Total appropriations excluding special accounts	2,089	66,868	68,957	64,572
SPECIAL ACCOUNTS				
Departmental				
Opening balance	106 ⁴	–	106	106
Non-appropriation receipts to special accounts	–	100	100	1,500
Total departmental special accounts	106	100	206	1,606
Administered				
Opening balance	11,697 ⁴	–	11,697	9,741
Appropriation receipts ⁵	–	15,700	15,700	16,650
Non-appropriation receipts to special accounts	–	600	600	1,000
Total administered special accounts	11,697	16,300	27,997	27,391
Total special accounts	D	16,400	28,203	28,997
Less appropriations drawn from annual or special appropriations above and credited to special accounts	–	15,700	15,700	16,650
Total net resourcing for agency (A+B+C+D)	13,892	67,568	81,460	76,919

All figures are GST exclusive.

1. Appropriation Bill (No. 1) 2009–10.
2. Sections 30 & 31 relevant agency receipts—estimate.
3. Estimated adjusted balance carried forward from previous year for annual appropriations.
4. Estimated opening balance for special accounts. For further information on special accounts see Table 3.1.2.
5. Special appropriations for 2008–09 included above.

1.3 BUDGET MEASURES

Budget measures relating to ITSA are detailed in Budget Paper No. 2 and are summarised below.

Table 1.2: Agency 2009–10 Budget measures

	Program	2008–09 (\$'000)	2009–10 (\$'000)	2010–11 (\$'000)	2011–12 (\$'000)	2012–13 (\$'000)
REVENUE MEASURES						
Insolvency and Trustee Service Australia—maintaining service standards						
Administered revenues	1.1	–	3,723	5,219	–	–
Administered revenues	1.2	–	–	–	–	–
Administered revenues	1.3	–	2,482	3,479	–	–
Total revenue measures						
Administered		–	6,205	8,698	–	–
Total		–	6,205	8,698	–	–
EXPENSE MEASURES						
Insolvency and Trustee Service Australia—maintaining service standards						
Departmental expenses	1.1	–	2,795	2,893	–	–
Departmental expenses	1.2	–	715	724	–	–
Departmental expenses	1.3	–	3,061	3,211	–	–
Departmental expenses	1.4	–	467	483	–	–
Total expense measures						
Departmental		–	7,038	7,311	–	–
Total		–	7,038	7,311	–	–

Prepared on a Government Finance Statistics (fiscal) basis.

1.4 TRANSITION FROM OUTCOMES AND OUTPUTS TO OUTCOMES AND PROGRAMS

From the 2009–10 Budget, all General Government Sector (GGS) entities will be reporting on a program basis. Figure 2 outlines the transition from the 2008–09 Budget year (as at Additional Estimates), which was presented in outputs and output groups, to the program reporting framework used for the 2009–10 Budget. The table also captures revisions made to ITSA's outcome statement under the Operation Sunlight Outcome Statements Review.

Figure 2: Transition table

2008–09 Budget year	2009–10 Budget year
Outcome 1: A personal insolvency system that produces equitable outcomes for debtors and creditors, enjoys public confidence and minimises the impact of financial failure on the community	Outcome 1: A personal insolvency system that minimises the impact of financial failure on the community, produces equitable outcomes for debtors and creditors and enjoys public confidence, through application of bankruptcy laws, regulation and trustee services
Output Group 1.1: Personal insolvency laws which satisfy business and community needs AGD P1.2*	
Output Group 1.2: A bankruptcy registry service and compliance with the Bankruptcy Act P1.1	Program 1.1: A bankruptcy registry service and compliance with the Bankruptcy Act OG1.2
Output Group 1.3: Regulation of bankruptcy trustees and debt agreement administrators P1.2	Program 1.2: Regulation of bankruptcy trustees and debt agreement administrators OG1.3
Output Group 1.4: Administration of bankrupt estates and other arrangements under the Bankruptcy Act P1.3	Program 1.3: Administration of bankrupt estates and other arrangements under the Bankruptcy Act OG1.4
Output Group 1.5: Investigation of Bankruptcy Act offences P1.4	Program 1.4: Investigation of Bankruptcy Act offences OG1.5
Output Group 1.6: Administration of proceeds of crime property P1.5	Program 1.5: Administration of proceeds of crime property OG1.6

Note: P = Program, OG = Output Group.

* The personal insolvency laws function previously reported under Output Group 1.1 in 2008–09 has been transferred to the Attorney-General's Department from 1 February 2009.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the government on the Australian community. Agencies deliver programs, which are the government actions taken to deliver the stated outcomes. Agencies are required to identify the programs that contribute to government outcomes over the Budget and forward years.

ITSA has one outcome, described below, with five sub-programs. Each sub-program has performance indicators and targets used to assess and monitor the performance of ITSA in achieving its outcome.

Outcome 1: A personal insolvency system that minimises the impact of financial failure on the community, produces equitable outcomes for debtors and creditors and enjoys public confidence, through application of bankruptcy laws, regulation and trustee services

Outcome 1 strategy

The strategy for Outcome 1 is outlined in ITSA's statement of strategic direction for 2009-10 at section 1.1.

ITSA also operates under cost recovery arrangements, with fees and charges raised being returned to the Consolidated Revenue Fund. ITSA expects to collect \$32.2m under its cost recovery arrangements in 2009-10.

A scheduled biennial review of all ITSA's fees and charges was completed in June 2008. Each cost recovery review results in a cost recovery impact statement. These statements are available on ITSA's website, www.itsa.gov.au.

Outcome 1 budgeted expenses and resources

Table 2.1 provides an overview of the total expenses for Outcome 1, by program.

Table 2.1: Budgeted expenses and resources for Outcome 1

Outcome 1: A personal insolvency system that minimises the impact of financial failure on the community, produces equitable outcomes for debtors and creditors and enjoys public confidence, through application of bankruptcy laws, regulation and trustee services	2008-09 Estimated actual expenses (\$'000)	2009-10 Estimated expenses (\$'000)
Program 1.1: A bankruptcy registry service and compliance and compliance with the Bankruptcy Act		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	14,184	15,160
Revenues from independent sources (Section 31)	927	932
Total for Program 1.1	15,111	16,092
Program 1.2: Regulation of bankruptcy trustees and debt agreement administrators		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	3,644	3,881
Revenues from independent sources (Section 31)	239	239
Total for Program 1.2	3,883	4,120
Program 1.3: Administration of bankrupt estates and other arrangements under the Bankruptcy Act		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	15,144	16,603
Revenues from independent sources (Section 30 & 31)	986	1,019
Total for Program 1.3	16,130	17,622

Table 2.1: Budgeted expenses and resources for Outcome 1 (continued)

Outcome 1: A personal insolvency system that minimises the impact of financial failure on the community, produces equitable outcomes for debtors and creditors and enjoys public confidence, through application of bankruptcy laws, regulation and trustee services	2008–09 Estimated actual expenses (\$'000)	2009–10 Estimated expenses (\$'000)
Program 1.4: Investigation of Bankruptcy Act offences		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	2,390	2,531
Revenues from independent sources (Section 31)	157	156
Total for Program 1.4	2,547	2,687
Program 1.5: Administration of proceeds of crime property		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	1,195	1,207
Revenues from independent sources (Section 30 & 31)	79	73
Total for Program 1.5	1,274	1,280
Outcome 1 totals by appropriation type		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	36,557	39,382
Revenues from independent sources (Section 30 & 31)	2,388	2,419
Total expenses for Outcome 1	38,945	41,801
Old Output Group 1.1: Personal insolvency laws which satisfy business and community needs—transferred to the Attorney-General's Department on 1 February 2009		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	500	–
Total expenses	39,445	41,801
	2008–09	2009–10
Average staffing level (number)	280	293

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

Contributions to Outcome 1

Program 1.1: A bankruptcy registry service and compliance with the Bankruptcy Act

Program objective

ITSA accepts or rejects debtors' petitions in accordance with the Bankruptcy Act, accepts debt agreement proposals for processing, issues bankruptcy and Official Receiver notices, sends initial notifications of bankruptcy to creditors and maintains the National Personal Insolvency Index.

Program 1.1 expenses					
(\$'000)	2008–09 Revised budget	2009–10 Budget	2010–11 Forward year 1	2011–12 Forward year 2	2012–13 Forward year 3
Annual departmental expenses					
Departmental appropriation	14,184	15,160	15,788	12,758	12,806
S 30 & 31 relevant agency receipts	927	932	940	922	931
Total program expenses	15,111	16,092	16,728	13,680	13,737

Program 1.1 deliverables

- Improved information materials are given to all persons enquiring about bankruptcy and its alternatives.
- Approximately 40,000 new personal insolvency matters and proposals are processed in accordance with standards.
- 320,000 National Personal Insolvency Index searches give accurate and timely information.
- Approximately 600 Official Receiver notices and 10,000 bankruptcy notices are issued to assist trustees and creditors.
- Level of client satisfaction improved.

Program 1.1 key performance indicators

- Debtors in financial difficulty and creditors receive all appropriate information to make informed decisions on bankruptcy and its alternatives.
- New personal insolvency administrations are registered and processed annually in accordance with regulations and prescribed standards.
- The National Personal Insolvency Index is accurate and accessible.
- Official Receiver powers are effective and exercised within the prescribed or agreed standards.
- Client satisfaction with registry, compliance and information services as measured by periodic client opinion surveys.

Program 1.2: Regulation of bankruptcy trustees and debt agreement administrators

Program objective

The regulatory responsibilities of the Inspector-General in Bankruptcy aim to ensure high national standards of bankruptcy practice and procedure. Both groups of private practitioners, bankruptcy trustees and debt agreement administrators, and ITSA's trustee function (the Official Trustee) are regulated.

Program 1.2 expenses					
	2008–09 Revised budget	2009–10 Budget	2010–11 Forward year 1	2011–12 Forward year 2	2012–13 Forward year 3
Annual departmental expenses					
Departmental appropriation	3,644	3,881	3,953	3,817	3,775
S 31 relevant agency receipts	239	239	235	276	274
Total program expenses	3,883	4,120	4,188	4,093	4,049

Program 1.2 deliverables

- Planned inspection program covering approximately 270 practitioners finds generally high standards of practice and no systemic issues.
- Completion of Inspector-General reviews within statutory timeframes and complaints enquiries within performance standards.
- Registration of suitable new bankruptcy trustees and debt agreement administrators who apply for registration.
- Level of client satisfaction improved.

Program 1.2 key performance indicators

- Achievement of target inspection program covering the administrations of approximately 270 bankruptcy trustees and debt agreement administrators.
- Complaints are handled and statutory reviews completed within set timeframes.
- Only suitably qualified people are registered as bankruptcy trustees and debt agreement administrators.
- Client satisfaction with regulation services as measured by periodic client opinion surveys.

Program 1.3: Administration of bankruptcy estates and other arrangements under the Bankruptcy Act

Program objective

Australia’s personal insolvency system operates on the basis that a trustee or administrator is appointed in every bankruptcy or arrangement under the Bankruptcy Act. When a registered trustee or administrator is not appointed, ITSA handles the matter for the Official Trustee.

Program 1.3 expenses					
	2008–09	2009–10	2010–11	2011–12	2012–13
(\$'000)	Revised budget	Budget	Forward year 1	Forward year 2	Forward year 3
Annual departmental expenses					
Departmental appropriation	15,144	16,603	15,527	13,818	14,041
S 30 & 31 relevant agency receipts	986	1,019	1,043	999	1,022
Total program expenses	16,130	17,622	18,570	14,817	15,063

Program 1.3 deliverables

- 75% of reports to creditors are issued within six weeks of bankruptcy.
- 80% of dividends are paid within two months of receipt of realisations.
- Realisations are achieved in 70% of finalised administered estates greater than three months old.
- Dividends are paid in 33% of finalised administration estates greater than three months old.
- Number of major issues identified is less than in 2008–09.
- Level of client satisfaction improved.

Program 1.3 key performance indicators

- Timely reports to bankrupts and creditors and dividends paid within standards.
- Approximately 26,000 estates with potentially complex issues are investigated annually, with property and income distributions recovered, dividends paid to creditors and possible offences identified.
- Low incidence of major issues raised by Bankruptcy Regulation in respect of Official Trustee administrations.
- Client satisfaction with estate administration services as measured by periodic client opinion surveys.

Program 1.4: Investigation of Bankruptcy Act offences

Program objective

ITSA is responsible for enforcing the offence provisions of the Bankruptcy Act. ITSA receives, assesses and investigates alleged offence referrals and prepares briefs of evidence, which are referred for prosecution to the Commonwealth Director of Public Prosecutions.

Program 1.4 expenses

	2008–09 Revised budget	2009–10 Budget	2010–11 Forward year 1	2011–12 Forward year 2	2012–13 Forward year 3
Annual departmental expenses					
Departmental appropriation	2,390	2,531	2,635	2,481	2,454
S 31 relevant agency receipts	157	156	157	179	178
Total program expenses	2,547	2,687	2,792	2,660	2,632

Program 1.4 deliverables

- Complete investigation of 90% of all offence referrals within 12 months.
- 90% of all briefs to the Director of Public Prosecutions are accepted.
- Actively pursue voluntary compliance in 80% of matters accepted for investigation.
- Level of client satisfaction improved.

Program 1.4 key performance indicators

- Timely identification and investigation of material offences under the Bankruptcy Act.
- High-quality briefs accepted by the Director of Public Prosecutions leading to successful prosecutions.
- Enforcement strategies ensure compliance with the Bankruptcy Act.
- Client satisfaction with offence investigation services as measured by periodic client opinion surveys.

Program 1.5: Administration of proceeds of crime property

Program objective

ITSA, acting as the Official Trustee, administers property that is the subject of orders made under the *Proceeds of Crime Act 1987*, the *Proceeds of Crime Act 2002*, the *Customs Act 1901* and the *Crimes Act 1914*. ITSA acts as custodian of restrained property and disposes of both forfeited property and property available to satisfy pecuniary penalty orders.

Program 1.5 expenses

	2008–09 Revised budget	2009–10 Budget	2010–11 Forward year 1	2011–12 Forward year 2	2012–13 Forward year 3
Annual departmental expenses					
Departmental appropriation	1,195	1,207	1,219	1,231	1,244
S 30 & 31 relevant agency receipts	79	73	69	97	96
Total program expenses	1,274	1,280	1,288	1,328	1,340

Program 1.5 deliverables

- Control of all property pursuant to court orders is achieved upon identification of the property.
- All property is administered pursuant to court orders and within set timeframes and standards.
- Positive feedback is given by clients upon completion of matters.

Program 1.5 key performance indicators

- Achieve control of property on identification.
- Property administered pursuant to court orders and within set timeframes and standards.
- Client satisfaction with proceeds of crime service as measured by client feedback and level of complaints.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements that provide a comprehensive snapshot of agency finances for the Budget year 2009–10. It explains how Budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, special accounts and trust moneys, and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Movement of administered funds between years

ITSA has not moved any administered funds between years.

3.1.2 Special accounts and trust moneys

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's Determination under the *Financial Management and Accountability Act 1997* or under separate enabling legislation. ITSA also holds trust moneys, which are not public moneys, given its trustee role.

Table 3.1.2(a) shows the expected additions (receipts) and reductions (payments) for each special account used by ITSA.

Table 3.1.2(a): Estimates of special account cash flows and balances

		Opening balance 2009–10	Receipts 2009–10	Payments 2009–10	Closing balance 2009–10
	Outcome	2008–09 (\$'000)	2008–09 (\$'000)	2008–09 (\$'000)	2008–09 (\$'000)
Common Investment Fund					
Equalisation Account—	1	38	600	600	38
s 20G <i>Bankruptcy Act 1966</i> (A) ¹	1	188	1,000	1,150	38
Confiscated Assets Special Account—	1	12	50	60	2
s 34A <i>Proceeds of Crime Act 1987</i> (A) ²	1	56	500	544	12
Confiscated Assets Account—s 295	1	11,647	15,650	18,000	9,297
<i>Proceeds of Crime Act 2002</i> (A) ³	1	9,497	16,150	14,000	11,647
Other Trust Moneys—s 20 <i>Financial Management and Accountability Act 1997</i> (D)	1	106	100	100	106
	1	106	1,500	1,500	106
Total special accounts 2009–10 Budget estimate		11,803	16,400	18,760	9,443
Total special accounts 2008–09 estimate actual		9,847	19,150	17,194	11,803

(A) = Administered.

(D) = Departmental.

1. The Common Investment Fund Equalisation Account contains interest earned on the Common Investment Fund (moneys received by the Official Trustee when administering bankrupt estates) and is paid to the Consolidated Revenue Fund on a regular basis (usually monthly). The use of this account has replaced the use of the Common Investment Fund Holding Account.
2. The Confiscated Assets Special Account contains the net proceeds of the sale of assets confiscated under the *Proceeds of Crime Act 1987*. A determination is made annually to pay these funds to the Consolidated Revenue Fund.
3. The Confiscated Assets Account contains the net proceeds of the sale of assets confiscated under the *Proceeds of Crime Act 2002*. The Minister may approve these funds to be expended on measures for crime prevention, law enforcement and drug-related programs.

ITSA fulfils the Official Trustee role under both bankruptcy and proceeds of crime legislation. As a result, it controls assets in a trustee capacity. Assets held in a trustee capacity by the Official Trustee (a separate body corporate) are not public assets or public moneys, nor does the expenditure of moneys held in that capacity amount to special appropriations. Where those assets are realised as part of the administration of bankruptcies, the proceeds are paid into the Common Investment Fund Account (also not public moneys) for subsequent distribution to creditors.

Table 3.1.2(b) shows the expected additions (receipts) and reductions (payments) for the trust account used by ITSA.

Table 3.1.2(b): Estimates of trust moneys cash flows and balances

		Opening balance 2009–10 2008–09	Receipts 2009–10 2008–09	Payments 2009–10 2008–09	Closing balance 2009–10 2008–09
	Outcome	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Common Investment Fund Account—	1	18,347	40,000	40,000	18,347
<i>Bankruptcy Act 1966 (A)</i> ¹	1	16,638	36,709	35,000	18,347
Total trust moneys 2009–10 Budget estimate		18,347	40,000	40,000	18,347
Total trust moneys 2008–09 estimate actual		16,638	36,709	35,000	18,347

1. The Common Investment Fund Account holds all moneys (other than moneys to which section 20B(8), Division 2 of the Bankruptcy Act applies) held by the Official Trustee under the Bankruptcy Act. Moneys in that account are invested under section 20D of the Bankruptcy Act. The movements in the account disclosed in the table do not include the rollover of investments in 2008–09 and 2009–10.

3.1.3 Australian Government Indigenous Expenditure

ITSA has three Indigenous trainees who joined in 2008 through the Indigenous Entry Level Recruitment Program administered by the Australian Public Service Commission. During 2008 one other Indigenous employee participated in the Horizons Program, also administered by the Australian Public Service Commission.

Table 3.1.3: Australian Government Indigenous Expenditure (AGIE)

Outcome	Appropriations				Program
	Bill No. 1 (\$'000)	Bill No. 2 (\$'000)	Special Appropriation (\$'000)	Total Appropriation (\$'000)	
Outcome 1					
Departmental 2009–10	63	–	–	63	1.1
Departmental 2009–10	131	–	–	131	1.3
<i>Departmental 2008–09</i>	76	–	–	76	1.1
<i>Departmental 2008–09</i>	110	–	–	110	1.3
Total AGIE 2009–10	194	–	–	194	
Total AGIE 2008–09	186	–	–	186	

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

There is no significant difference between the agency resourcing and financial statements.

3.2.2 Analysis of budgeted financial statements

Departmental

Income statement

In the 2007–08 Budget ITSA was provided with an increase in resources to maintain service standards in recognition of long-term changes in the externally driven workload under the Bankruptcy Act. The additional funding was for two years, given that assessments of ongoing changes in workloads could be difficult to predict. Since the additional funding was provided, actual workload growth has exceeded projected growth, requiring a higher level of operational expenses. During 2008–09, changes in Treasury Bond rates have also meant that ITSA has had to set aside increased amounts to fund employee entitlements. As a result of both these factors, ITSA's expenses are projected to exceed its revenues during 2008–09.

The 2009–10 Budget continues the supplementation provided in the 2007–08 Budget, and provides a further increase in funding in light of continuing workload growth. Again, the funding is for two years given that assessments of ongoing changes in workloads can be difficult to predict.

ITSA is budgeting for a surplus in 2009–10 to fund the replacement bankruptcy case management and information system. It is planned that the replacement system will assist ITSA to provide some of the additional support the community expects as levels of bankruptcies, debt agreements and personal insolvency agreements continue to increase.

The financial year 2009–10 is also the first year that ITSA will be reducing its ICT 'business as usual' budget, following the Gershon Review – savings measure.

The reduction is 2.5% of ITSA's ICT 'business as usual' budget, rising to 7.5% in 2010–11 and subsequent years.

Income statement, balance sheet and statement of cash flows

The development of the replacement bankruptcy case management and information system impacts depreciation expenses, non-financial assets and the amount of appropriation available to fund capital expenditures.

Administered

Schedule of budgeted income and expenses

As outlined above, additional funding has been provided for two years in recognition of changes in bankruptcy workloads. That additional funding results in additional fees and charges revenues over the next two years.

3.2.3 Budgeted financial statements tables

Departmental

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

	Estimated actual 2008–09 (\$'000)	Budget estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)	Forward estimate 2012–13 (\$'000)
EXPENSES					
Employee expenses	23,866	25,119	27,056	21,578	22,505
Suppliers	13,676	14,137	13,475	12,042	11,368
Depreciation and amortisation	1,816	2,520	3,010	2,937	2,932
Other	87	25	25	21	16
Total expenses	39,445	41,801	43,566	36,578	36,821
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	1,062	1,075	1,080	1,090	1,098
Other revenue	1,143	1,155	1,166	1,177	1,189
Total revenue	2,205	2,230	2,246	2,267	2,287
Gains					
Other gains	183	189	198	206	214
Total gains	183	189	198	206	214
Total own-source income	2,388	2,419	2,444	2,473	2,501
Net cost of (contribution by) services	(37,057)	(39,382)	(41,122)	(34,105)	(34,320)
Appropriation revenue	36,317	40,892	41,122	34,105	34,320
Surplus (deficit)	(740)	1,510	-	-	-
Surplus (deficit) attributable to the Australian Government	(740)	1,510	-	-	-

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

	Estimated actual 2008–09 (\$'000)	Budget estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)	Forward estimate 2012–13 (\$'000)
ASSETS					
Financial assets					
Cash and cash equivalents	500	500	500	500	500
Appropriation and other receivables	2,279	2,162	4,056	6,554	7,277
Total financial assets	2,779	2,662	4,556	7,054	7,777
Non-financial assets					
Land and buildings	3,921	3,130	2,358	1,746	2,502
Infrastructure, plant and equipment	2,241	2,691	1,990	1,363	798
Intangibles	5,160	7,230	6,613	5,406	4,223
Other	455	455	455	455	455
Total non-financial assets	11,777	13,506	11,416	8,970	7,978
Assets held for sale					
Total assets	14,556	16,168	15,972	16,024	15,755
LIABILITIES					
Interest-bearing liabilities					
Leases	427	505	383	314	160
Total interest-bearing liabilities	427	505	383	314	160
Provisions					
Employees	6,595	6,595	6,495	6,595	6,695
Other	650	675	700	721	506
Total provisions	7,245	7,270	7,195	7,316	7,201
Payables					
Suppliers	263	263	263	263	263
Other	640	639	640	640	640
Total payables	903	902	903	903	903
Total liabilities	8,575	8,677	8,481	8,533	8,264
Net assets	5,981	7,491	7,491	7,491	7,491
EQUITY*					
Parent entity interest					
Contributed equity	2,890	2,890	2,890	2,890	2,890
Reserves	1,042	1,042	1,042	1,042	1,042
Retained surpluses or accumulated deficits	2,049	3,559	3,559	3,559	3,559
Total parent entity interest	5,981	7,491	7,491	7,491	7,491
Total equity	5,981	7,491	7,491	7,491	7,491
Current assets	3,234	3,117	5,011	7,509	8,232
Non-current assets	11,322	13,051	10,961	8,515	7,523
Current liabilities	7,221	7,299	7,077	7,108	7,054
Non-current liabilities	1,354	1,378	1,404	1,425	1,210

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

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2008–09 (\$'000)	Budget estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)	Forward estimate 2012–13 (\$'000)
OPERATING ACTIVITIES					
Cash received					
Goods and services	1,168	1,183	1,188	1,199	1,208
Appropriations	40,845	41,009	39,228	31,607	33,597
Other	2,798	2,337	2,148	2,319	2,458
Total cash received	44,811	44,529	42,564	35,125	37,263
Cash used					
Employees	23,455	25,119	27,156	21,478	22,405
Suppliers	14,887	14,735	14,397	13,106	12,725
Total cash used	38,342	39,854	41,553	34,584	35,130
Net cash from (used by) operating activities	6,469	4,675	1,011	541	2,133
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	6,792	4,675	1,011	541	2,133
Total cash used	6,792	4,675	1,011	541	2,133
Net cash from (used by) investing activities	(6,792)	(4,675)	(1,011)	(541)	(2,133)
Net increase (decrease) in cash held	(323)	–	–	–	–
Cash at beginning of reporting period	823	500	500	500	500
Cash at end of reporting period	500	500	500	500	500

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Departmental statement of changes in equity—summary of
movement (Budget year 2009–10)**

	Retained earnings (\$'000)	Asset revaluation reserve (\$'000)	Contributed equity/ capital (\$'000)	Total equity (\$'000)
Opening balance as at 1 July 2009				
Balance carried forward from previous period	2,049	1,042	2,890	5,981
Income and expenses				
Surplus (deficit) for the period	1,510	–	–	1,510
Total income and expenses	1,510	–	–	1,510
Estimated closing balance as at 30 June 2010	3,559	1,042	2,890	7,491

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement

	Estimated actual 2008–09 (\$'000)	Budget estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)	Forward estimate 2012–13 (\$'000)
CAPITAL APPROPRIATIONS					
Total capital appropriations	–	–	–	–	–
ACQUISITION OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	1,620	–	–	–	–
Funded internally from departmental resources ¹	4,555	4,250	919	492	1,939
TOTAL	6,175	4,250	919	492	1,939

Prepared on Australian Accounting Standards basis.

1. Includes the following sources of funding:

- annual and prior year appropriations
- finance leases
- internally developed assets, and
- s 31 relevant agency receipts, including proceeds from the sale of assets.

Purchases are disclosed exclusive of GST.

Table 3.2.6: Statement of departmental asset movements (2009–10)

	Buildings (\$'000)	Other infrastructure, plant & equipment (\$'000)	Intangibles (\$'000)	Total (\$'000)
As at 1 July 2009				
Gross book value	4,984	2,793	9,929	17,706
Accumulated depreciation/amortisation	1,063	552	4,769	6,384
Opening net book balance	3,921	2,241	5,160	11,322
CAPITAL ASSET ADDITIONS				
Estimated expenditure on new or replacement assets				
By purchase or internally developed	–	1,474	2,776	4,250
Sub-total	–	1,474	2,776	4,250
Other movements				
Depreciation/amortisation expense	791	1,024	705	2,520
As at 30 June 2010				
Gross book value	4,984	4,267	12,705	21,956
Accumulated depreciation/amortisation	1,854	1,576	5,475	8,905
Closing net book balance	3,130	2,691	7,230	13,051

Prepared on Australian Accounting Standards basis.

Administered

Table 3.2.7: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)

	Estimated actual 2008–09 (\$'000)	Budget estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)	Forward estimate 2012–13 (\$'000)
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation					
Other taxes, fees and fines	8,380	9,892	10,830	7,906	7,985
Total taxation	8,380	9,892	10,830	7,906	7,985
Non-taxation					
Interest	1,100	600	606	612	618
Other sources of non-taxation revenues	18,790	21,663	23,461	17,943	18,122
Total non-taxation	19,890	22,263	24,067	18,555	18,740
Total revenue administered on behalf of government	28,270	32,155	34,897	26,461	26,725
Total income administered on behalf of government	28,270	32,155	34,897	26,461	26,725
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Total expenses administered on behalf of government	–	–	–	–	–

Prepared on Australian Accounting Standards basis.

Table 3.2.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

	Estimated actual 2008–09 (\$'000)	Budget estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)	Forward estimate 2012–13 (\$'000)
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	5,620	5,620	5,620	5,620	5,620
Receivables	363	362	361	360	359
Other financial assets	4,379	4,379	4,379	4,379	4,379
Total financial assets	10,362	10,361	10,360	10,359	10,358
Non-financial assets					
Other	13,992	13,992	13,992	13,992	13,992
Total non-financial assets	13,992	13,992	13,992	13,992	13,992
Total assets administered on behalf of government	24,354	24,353	24,352	24,351	24,350
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Provisions					
Other provisions	19,008	19,008	19,008	19,008	19,008
Total provisions	19,008	19,008	19,008	19,008	19,008
Payables					
Other payables	192	192	192	192	192
Total payables	192	192	192	192	192
Total liabilities administered on behalf of government	19,200	19,200	19,200	19,200	19,200

Prepared on Australian Accounting Standards basis.

**Table 3.2.9: Schedule of budgeted administered cash flows
(for the period ended 30 June)**

	Estimated actual 2008–09 (\$'000)	Budget estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)	Forward estimate 2012–13 (\$'000)
OPERATING ACTIVITIES					
Cash received					
Taxes	8,380	9,892	10,830	7,906	7,985
Sales of goods and rendering of services	19,598	22,595	24,470	18,715	18,901
Interest	1,100	600	606	612	618
Total cash received	29,078	33,087	35,906	27,233	27,504
Cash used					
Net GST paid	808	932	1,009	772	779
Other	1,653	1,327	1,267	1,521	1,532
Total cash used	2,461	2,259	2,276	2,293	2,311
Net cash from (used by) operating activities	26,617	30,828	33,630	24,940	25,193
INVESTING ACTIVITIES					
Cash received					
Other	17,483	16,485	16,485	16,800	16,800
Total cash received	17,483	16,485	16,485	16,800	16,800
Cash used					
Other	17,483	16,485	16,485	16,800	16,800
Total cash used	17,483	16,485	16,485	16,800	16,800
Net cash from (used by) investing activities	–	–	–	–	–
FINANCING ACTIVITIES					
Cash received					
Cash from Official Public Account	2,461	2,259	2,276	2,293	2,311
Total cash received	2,461	2,259	2,276	2,293	2,311
Cash used					
Cash to Official Public Account	29,078	33,087	35,906	27,233	27,504
Total cash used	29,078	33,087	35,906	27,233	27,504
Net cash from (used by) financing activities	(26,617)	(30,828)	(33,630)	(24,940)	(25,193)
Net increase (decrease) in cash held	–	–	–	–	–
Cash at beginning of reporting period	5,620	5,620	5,620	5,620	5,620
Cash at end of reporting period	5,620	5,620	5,620	5,620	5,620

Prepared on Australian Accounting Standards basis.

3.2.4 Notes to the financial statements

Basis of accounting

The budgeted financial statements have been prepared on an accrual basis, in accordance with the historical cost convention and consistent with Australian Accounting Standards.

Departmental

Revenue from government

Appropriations for departmental outputs are recognised as revenue.

Employee expenses

Employee expenses consist of salaries, leave entitlements, superannuation and workers' compensation insurance.

Supplier expenses

Supplier expenses consist of consultant and contractor costs, property operating costs, legal and estate management costs and other general administrative costs.

Receivables

Receivables include appropriation receivable, GST receivable from the Australian Taxation Office, and receivables for goods and services provided.

Land and buildings

Land and buildings comprise leasehold improvements.

Infrastructure, plant and equipment

Infrastructure, plant and equipment comprise furniture and fittings, computer hardware and other office equipment. Purchases of infrastructure, plant and equipment are recognised initially at cost in the departmental balance sheet, except for purchases costing less than \$2,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items that are significant in total).

Infrastructure, plant and equipment are recognised at valuation, and are revalued with sufficient frequency such that the carrying amount of each asset class is not materially different at reporting date from its fair value.

Intangibles

Intangibles comprise internally developed software and purchased software for internal use. These assets are recognised at cost.

Employee provisions

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled. This includes annual leave and long service leave, but does not include sick leave.

Supplier payables

Supplier payables largely comprise accrued expenses, where services have been provided and invoices for those services are yet to be received, processed and paid.

Administered

Revenue

All administered revenue items relate to the core operating activities ITSA performs on behalf of the Commonwealth.

Administered revenue includes remuneration and fees for work done by the Official Trustee and Official Receivers under the *Bankruptcy Act 1966* and under proceeds of crime legislation. This is disclosed under non-taxation revenue.

Under the *Bankruptcy (Estate Charges) Act 1997*, interest earned on trust funds administered by all bankruptcy trustees and debt agreement administrators, and a realisations charge imposed on amounts received by all bankruptcy trustees and debt agreement administrators, are payable to the Official Public Account. These are shown under taxation revenue.