

Annual Report 2000 – 2001



ASIC

Australian Securities &
Investments Commission



upholding standards

ASIC at a glance

The Australian Securities and Investments Commission enforces company and financial services laws to protect consumers, investors and creditors.

We regulate and inform the public about Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance and deposit taking.

The *Australian Securities and Investments Commission Act 2001* requires us to

- uphold the law uniformly, effectively and quickly
- promote confident and informed participation by investors and consumers in the financial system
- make information about companies and other bodies available to the public
- improve the performance of the financial system and the entities within it.

We work with other financial, consumer and law enforcement bodies in Australia and internationally.

We are an independent Commonwealth government body, employing 1221 full time equivalent staff around Australia. Funded through the budget our operating expenses totalled \$143 million, and we collected \$372 million revenue for the Commonwealth.

We operate under the direction of three full time Commissioners appointed by the Governor-General on the nomination of the Treasurer. We report to the Commonwealth Parliament and to the Treasurer, the Hon Peter Costello MP and Minister for Financial Services and Regulation, the Hon Joe Hockey MP.

Established by the ASIC Act 1989, we began operating on 1 January 1991. On 1 July 1998, we received increased responsibility for consumer protection in superannuation, insurance and deposit taking.

Commonwealth, State and Territory Governments reached an historic agreement to restore constitutional certainty to the Corporations Law by referring powers to the Commonwealth.

ASIC's strong enforcement outcomes included 25 people gaoled for terms totalling 91 years, 30 advisers banned, and a record 16 auditors and liquidators disciplined.

Complex investigations increased, including those into HIH Insurance, One.Tel, Harris Scarfe, GIO, NRMA and Waterwheel.

We improved prospectus disclosure for investors through stop orders on 81 inadequate prospectuses and tougher rules on prospectus forecasts.

To ensure a better informed market, we obtained additional disclosure 30 times from listed companies.

In our new industry code, consumers' rights covering telephone and internet banking, credit cards, and stored value products were defined for the first time.

We launched a new website for investors and consumers, www.fido.asic.gov.au, achieving 241,000 visits in 2000 – 2001, up fourfold on the old site.

In 90 cases, our intervention resulted in funds protected, assets frozen and compensation ordered, amounting to \$530 million.

Public demand for ASIC assistance increased: phone inquiries up 15%, complaints about corporate misconduct up 26%, internet searches of licensed and banned advisers up 100%, and 4.6 million free company searches, up 44%.

To meet rising demands with constrained resources, the Commission reorganised management structures to better manage priorities and our operating expenses of \$143 million.

Where we fit in the regulatory picture

Three Commonwealth government bodies regulate Australia's financial system.

- ASIC enforces the laws for which it is responsible and regulates how companies deal with investors and creditors and how financial services organisations deal with consumers.
- Australian Prudential Regulation Authority (APRA) regulates the safety and soundness of deposit taking institutions, life and general insurance companies, and larger superannuation funds.
- Reserve Bank of Australia (RBA) regulates monetary policy and the stability of the financial system.

Who we regulate

How we regulate them

1.2 million companies	Investigate and act against misconduct by company directors and officers. Grant or refuse their requests for relief from the law. Receive prospectuses before money is raised. Uphold the law on financial reporting and company mergers and acquisitions. Register each company with a unique number. Record the company's number, name, directors and other information on a public register.
Australian Stock Exchange Ltd Sydney Futures Exchange Other markets authorised by the Minister	Investigate and act against misconduct by listed companies, brokers and traders. Monitor what ASX Ltd says and does as a listed company. Monitor trading in ASX Ltd shares. Advise the Minister about rule changes and whether to approve new markets.
Investment advisers Insurance agents and brokers	License them before they start operating. Set standards for their education, training and operations. Investigate and act against misconduct. Record their details and the names of their authorised representatives on a public register.
Superannuation funds Life and general insurance companies Deposit taking institutions	Set standards about what they tell their customers. Report on how they comply with codes of practice. Approve consumer complaint resolution schemes. Investigate and act against misconduct. Cooperate with APRA.
Managed investment schemes	License them before they start operating. Set standards for their operations. Receive prospectuses before money is raised. Investigate and act against misconduct. Record their details and the names on a public register.
Company auditors and liquidators	Register them before they start operating. Investigate and act against misconduct.

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Enforcement	Heavy workload: 25 criminals gaoled, funds protected and recovered, bannings and disciplinary action.	20
Financial services regulation	Regulated retail financial advice and products, inquired into mortgage schemes and prepared for law reform.	28
Market regulation and policy	Tougher standards of disclosure to maintain market integrity.	32
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More information

Use our website <http://www.asic.gov.au> or phone Infoline on 1300 300 630

About this report

This report is produced under section 36 of the *Commonwealth Authorities and Companies Act 1997*. As required, we gave it to the Minister for tabling in Parliament on or before 30 October.

To meet high standards of disclosure, as well as legal requirements, we used feedback from Parliamentarians and the public. Last year's report won a Gold award from Annual Report Awards Australia Inc.

Results for 2000 – 2001

What we planned to do

Public impact

Uphold the law effectively and quickly

Promote confident and informed consumers and investors

Make company information available quickly

Improve performance of financial system and entities within it

Operations

Take faster, more effective enforcement and regulatory action

Tackle patterns of misconduct, not just individual cases

Build e-commerce capacities

Our staff

Lead, develop and challenge staff to boost our regulatory effectiveness

Finance

Control costs, increase efficiency and align financial management with core business.

What we achieved

- Increased public confidence in ASIC enforcement through investigations and legal proceedings in high priority cases.
- 25 criminals gaoled, 30 advisers banned, a record 16 auditors and liquidators disciplined.

- For the first time, codified consumer rights in telephone and internet banking, credit cards, and stored value products
- Created a new consumer website and increased visits fourfold to 241,000.

- Free basic company searches increased 44% to 4.6 million, paid full searches by 2% to 2.9 million.
- 102,000 searches of registers of licensed and banned advisers, double last year.

- Released our proposals to implement more consistent financial services regulation, if Government legislation is enacted.

- Increased major investigations.
- Adopted a new national structure to manage enforcement.
- Finished 145 corporate investigations within 12 months, and 37 market investigations within 9 months, still below target.

- Investigated defaulting solicitors' mortgage schemes.
- Targeted poor disclosure in the high technology sector.
- Issued stop orders on 81 inadequate prospectuses, and acted against unsubstantiated forecasts.

- Increased electronic processing of company data to 66%. A record 60% of new companies registered electronically.
- Developed new IT systems to receive and process complaints and licence applications electronically.

- Devised and implemented a new management structure, incorporating simpler reporting lines with greater national focus.
- Successfully negotiated a new 2 year Certified Agreement.

- Despite stretched resources, controlled overall costs and returned to positive equity, see page 12.
- Collected \$372 million in revenue on behalf of the Commonwealth, up 3%.
- Implemented new system to upgrade revenue management and reporting.

Economic and market conditions, government policy and legal issues required us to adjust our plans, staff and funding during the year. Below we describe the key events and their impact on us.

Influences	Key events	How we responded
Economic and market conditions turn downwards	Collapse of HIH Insurance Ltd, one of the largest financial collapses in Australia. Royal Commission announced.	Set up our largest enforcement team ever. Government pledged \$5 million contingency funding.
	Global and domestic economic growth contracted.	Increased investigation and proceedings against insolvent trading, inadequate disclosure and poor corporate governance.
	Markets lost confidence in high technology companies.	Increased surveillance of high-tech companies' financial disclosure.
Government initiatives	Government announced major reform of financial services laws.	Began \$2 million project to update our policy, information technology and compliance systems.
Court rulings and legal issues	High Court rulings adversely affected the Corporations Law.	Dealt with technical legal challenges to our enforcement proceedings, that delayed and complicated those proceedings.
	State governments agreed to refer powers under the Constitution to the Commonwealth.	Set up project to deal with consequential changes.

Results with three year comparison

Result	2000/01	1999/00	1998/99
Operating expenses held steady			
\$ millions	143	143	145
Annual change	nil	-1%	8%
Staff (full time equivalents) steady to meet budget			
Annual change	1221	1234	1206
	-1%	2%	7%
Revenue collected for the Commonwealth up			
\$ millions	372	361	332
Annual change	3%	9%	2%
Court results remained above 70% target*			
Litigation concluded	150	173	154
% successful	71%	75%	81%
Annual change	-5%	-7%	-1%
New major investigations increased*			
Annual change	214	200	207
	7%	-3%	11%
Speed of complex corporate investigations steady			
Number completed within 12 months	145	174	146
% completed within 12 months	94%	95%	90%
Annual change	-1%	6%	6%
Speed of market investigations steady			
Number completed within 9 months	37	48	61
% completed within 9 months	82%	83%	74%
Annual change	-1%	11%	6%
More licensed dealers, advisers, fund managers, insurance brokers			
Annual change	3917	3705	3398
	6%	9%	17%
Prospectuses increased, inadequate documents stopped.**			
Prospectuses and offer documents	2744	1033	707
Annual change	166%	46%	4%
Stop orders issued	81	n/a	n/a
Rising public complaints about corporate misconduct			
Annual change	6946	5534	5269
	26%	5%	n/a
ASIC websites used more often			
Visits to www.asic.gov.au	2,366,000	1,777,000	n/a
Visits to our consumer site www.fido.asic.gov.au	241,000	58,000	n/a
Phone calls to Infoline increased			
Annual change	123,000	107,000	104,000
	15%	3%	17%
% public availability of our databases improved			
Annual change	99.9	99.7	99.7
	0.2%	nil	-0.1%
% online company searches up			
Annual change	96%	94%	92%
	2%	2%	4%
% company annual returns lodged on time			
Annual change	96%	94%	93%
	2%	1%	-1%
% annual returns lodged electronically			
Annual change	64%	63%	59%
	1%	7%	9%

* Figures restated to remove discontinued summary prosecutions program.

** There may be more than one prospectus for the same product, for example we received 804 short form prospectuses which incorporate by reference a long form prospectus for the same product. See page 35 concerning stop orders.

Objectives	What we plan to deliver over next three years
Public impact	
Uphold the law effectively and quickly	<ul style="list-style-type: none"> Enhance public confidence in ASIC enforcement. Raise standards of compliance among company directors and officers and financial services organisations.
Promote confident and informed consumers and investors	<ul style="list-style-type: none"> Help consumers and investors get honest and competent financial advice, untainted by conflicts of interest. Help consumers educate themselves about financial services.
Make company information available quickly	<ul style="list-style-type: none"> Meet public demand for company information. Boost accuracy of data by increasing online lodgement of company and other data.
Improve performance of financial system and entities within it	<ul style="list-style-type: none"> Implement more consistent financial services regulation, if Government legislation is enacted. Manage issues of cross border regulation to maintain market integrity.
Operations	
Take faster, more effective enforcement action	<ul style="list-style-type: none"> Pursue major investigations that offer significant impact. Implement the new national structure to manage enforcement. Finish all corporate investigations within 12 months, and all market investigations within 9 months.
Tackle patterns of misconduct, not just individual cases	<ul style="list-style-type: none"> Maintain focus on insolvent trading. Target disclosure standards of listed companies facing financial pressure. Promote access to honest, competent financial advice, free of conflicts of interest. Maintain risk based inspection of prospectuses. Adopt and implement a consumer education strategy that achieves effective results.
Build e-commerce capacities	<ul style="list-style-type: none"> Increase electronic processing of company data to 70%. Create new systems for business to interact with us electronically. Keep pace with e-commerce innovations in financial services.
Our staff	
Lead, develop and challenge staff to boost our regulatory effectiveness	<ul style="list-style-type: none"> Implement and settle down our new management structure. Achieve clearer accountability and greater national focus to meet higher public expectations. Introduce knowledge management systems.
Finance	
Control costs, increase efficiency and align financial management with core business.	<ul style="list-style-type: none"> Control overall costs within our appropriation. Demonstrate to Government that ASIC operates cost effectively and our funding warrants reappraisal. Collect revenue on behalf of the Commonwealth efficiently.



Chairman's report

ASIC Chairman
David Knott

In this section we cover:

- Chairman's report
 - Financial results
 - Description of ASIC directorates
 - Commissioners
 - Community involvement
 - Governance, ethics and audit
-

This is my first report as ASIC Chairman, having been appointed on 18 November 2000.

At the outset, I wish to acknowledge the outstanding work of my predecessor, Mr Alan Cameron, who led the agency for almost eight years. He built the organisation's reputation in the business community, managed the transition from the ASC to ASIC and established its high standing among international securities regulators.

Mr Cameron was assisted over those years by several Commissioners, senior officers and staff – whose number defeats individual acknowledgment. However, I do wish to single out current Deputy Chair Ms Jillian Segal, first appointed to the Commission in October 1997, and Mr Joe Longo, who returned to the private sector in March 2000 after nearly five years as head of ASIC's enforcement activities. They both played vital roles in ensuring that ASIC was in good shape when I took over as Chairman.

Credible outcomes in a challenging environment

Those who read this annual report will, I hope, discern that

- ASIC is delivering highly credible outcomes across a wide range of regulatory, policy, enforcement, consumer protection and public registry functions
- the environment in which we are working is rapidly becoming more complex, reflecting the evolution and internationalisation of our markets
- we are currently investigating several large corporate failures which are challenging and resource intensive
- activity levels — measured by increases in the regulated population, numbers of consumer complaints and continuing law reform programs — have never been higher
- the Commission is engaged in renewed strategic and management initiatives to more effectively allocate constrained resources to expanding service demands.

Highlights and key issues

This report includes a comprehensive description of major outcomes and work in progress that I need not recount here. However, there are a few matters I wish to highlight from the Commission's perspective.

- We have reorganised ASIC's **operating structure** under seven national directorates that are, for the first time, reflected in the format of this annual report. We believe this structure will better combine the strength of our decentralised operations with the cohesion of national direction and consistency.
- We have formed an **Executive Committee** comprising the Commission and Executive Directors, as part of an increased focus on the strategic and integrated management of our activities.

Initial work of the Executive Committee has resulted in several important new initiatives including

- a review of prospectus policy
- commencement of our national investigation into solicitor mortgage schemes
- the creation of our new consumer protection directorate
- oversight of our operating restructure
- the foundation stages of our longer term strategic planning.

- **Law reform** has continued to occupy substantial resources in both policy and implementation. The Government's Financial Services Reform Bill (which passed through Parliament in August 2001) involves a major commitment of policy and implementation resources which will continue throughout the two year transition period.
- The **international** aspects of our work are increasing and changing as business globalisation takes hold. While our commitment to the International Organisation of Securities Commissions (IOSCO) continues unabated, we are being called upon to do more to facilitate markets and regulatory interaction with individual countries, particularly in the Asia Pacific region. At home, we have responded to innovative dual listed company proposals designed to meet the commercial challenges of globalisation.
- The **constitutional arrangements** agreed between the Commonwealth, States and Territories have restored confidence in the integrity of our Corporations Law and provided a platform upon which the Commission can build ASIC's future direction. We express appreciation to these Governments and to the many individuals in both the public and private sectors who worked so hard to develop and implement these new arrangements.

Reallocation of resources

Some of the statistical information contained in this report reflects a reallocation of resources foreshadowed last year. In particular, the substantial reduction in summary prosecutions reflects the diversion of enforcement resources from relatively minor offences to the more complex cases now confronting us.

Such decisions are difficult for the Commission and inevitably disappoint affected stakeholders. We would, of course, welcome additional resources to address more comprehensively our changing, more complex environment. However, it is a matter for Government to determine the acceptable level of funding for corporate regulation and it is unrealistic to imagine that every sectoral demand can ever be fully satisfied.

Staff and management

I extend the Commission's thanks to ASIC staff who have experienced yet another demanding year.

I have greatly appreciated the support of officers and staff since my appointment and am very conscious of the commitment they make in pursuit of public interest.

During the year, we said farewell to some other outstanding officers. They include former Chief Accountant Jan McCahey and Regional Commissioners Sue Carter (Victoria) and Jamie Ogilvie (Western Australia). We wish them all well in their new private sector careers.

I also record that shortly after year's end, our NSW Regional Commissioner and Executive Director Jane Diplock, was appointed to head up the New Zealand Securities Commission. She has been an inspiring leader at ASIC, and we look forward to a continued association in her new role.

Outlook

The next 12 months will be a testing time for ASIC. I believe that we are well prepared to further build public support and community recognition as an effective and respected corporate and securities regulator.



David Knott
CHAIRMAN

Financial results 2000 – 2001

ASIC's financial outcome demonstrates stability, achieved through efficient resource management. Major categories of expenditure mirrored those of the previous year, despite expanding demands.

Our operating revenue produced a small surplus, after the deficit in 1999 – 2000. However, the strain on our resources from high priority tasks continues unabated. Without the unexpected large recovery of litigation costs (see the increase in 'Other revenue' in our Statement of Financial Performance), a deficit would have recurred in 2000 – 2001.

Through actively managing our balance sheet, we have returned to positive equity and improved our ability to meet current obligations. The cash flow statement shows that we have paid off our loans, and built cash to meet current liabilities and to invest in the organisation.

Costs of outputs

The net cost of ASIC's services was \$143.3 million, \$131.6 million funded from Parliamentary appropriation, including \$0.1 million for resources received free of charge, and the balance from operating revenue. See page 61 for our full financial report.

Our costs for each of our outputs were

Output*	Cost
1 Policy and guidance about laws administered by ASIC	\$14.7m
2 Comprehensive and accurate information on companies and corporate activity	\$43.4m
3 Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	\$25.6m
4 Enforcement activity to give effect to the laws administered by ASIC	\$59.6m

*Infrastructure costs are apportioned to these outputs.

Expenses

We kept our major outlay which is employee expenses, steady, compared to last year at just over \$83 million.

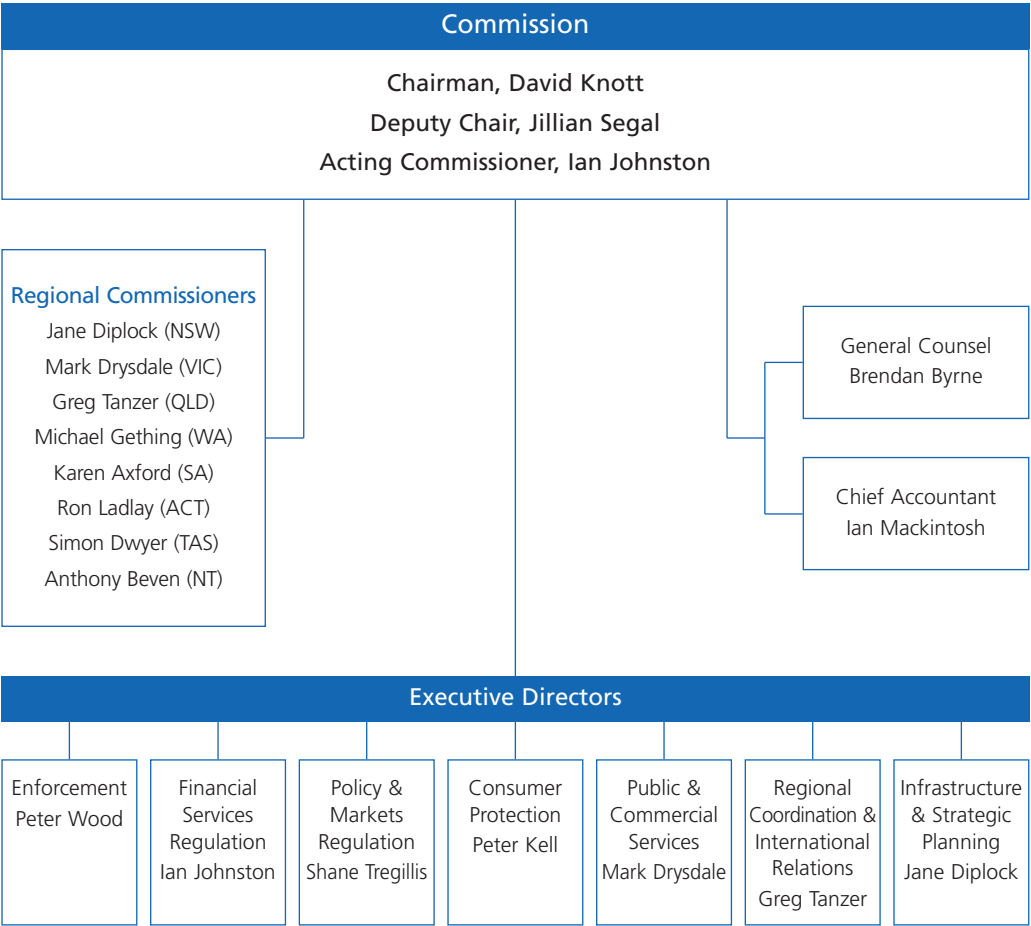
Our costs on goods and services, excluding property, representing 21% of outlays also remained steady compared to last year. We will continue to contain these costs. Property expenses for the year were \$20.1 million. We invested about

\$2.6 million in infrastructure, more than half of which was in information technology assets.

We paid out the final \$2.8 million instalment of a \$6.5 million loan we took out in 1998.

Revenue collected

Total revenue collected increased 3% to \$372 million, see pages 69 – 72 of our financial statements.



Description of ASIC directorates

	Enforcement	Financial services regulation	Market regulation and policy
Staff**	300 staff	130 staff	110 staff
Role	Investigate and act against misconduct.	Regulate financial advice and retail financial products.	Regulate markets, fundraising, takeovers and financial reporting; develop new policies.
Key events	<p>HIH insurance investigation begins. Royal Commission announced.</p> <p>One.Tel, Harris Scarfe, Satellite Group collapses signal increase in corporate problems.</p>	<p>ASIC launches investigation into solicitors' mortgage schemes.</p> <p>Minister introduced Financial Services Reform Bill.</p>	<p>Equity markets reduced investor returns from high technology sector.</p> <p>BHP-Billiton and Brambles proposed to form dual listed companies.</p>
Results	<p>25 prison sentences. Funds protected, frozen, compensation ordered in 90 cases, amounting to \$530 million.</p> <p>Court results dropped to 71% success in 150 matters, but above 70% target.</p> <p>Completed 91% of investigations within target times, despite large scale matters on hand.</p>	<p>30 advisers banned, 4 insurance brokers deregistered.</p> <p>FSR project publishes 9 policy papers and speaks to more than 2300 people at national seminars.</p> <p>Obligated more than 400 retail advisers to join a complaints scheme.</p>	<p>New guidelines and stricter standards applied to prospectuses resulting in 81 stop orders.</p> <p>Tighter regulation of high technology and dot.com companies with weak disclosure.</p> <p>4 new policies and 11 proposals issued to guide industry.</p>
Targets	<p>Raise visibility and public credibility of enforcement.</p> <p>Maintain target for successful criminal and civil litigation at 70%.</p> <p>Complete all investigations within 12 months.</p>	<p>Implement the Financial Services Reform Bill, if enacted.</p> <p>Raise standards of retail financial advice.</p> <p>Boost inspection of key risk areas in managed investment schemes.</p>	<p>Maintain vigilance over corporate disclosure to the market.</p> <p>Focus on prospectuses likely to fall short of adequate disclosure.</p> <p>Complete new policies on financial services reform legislation if enacted.</p>

* The work of these directorates received substantial support from other directorates.

** Full time equivalents, not including staff supporting the Commission, General Counsel, Chief Accountant and the Superannuation Complaints Tribunal. Numbers are estimates only.

Consumer protection*	International & regional coordination*	Public and commercial services	Infrastructure and strategic planning
15 staff	11 staff	340 staff	250 staff
Identify and act on consumer issues, approve complaints schemes, review codes of practice.	Coordinate international matters, State and Territory offices.	Maintain company database, assess public complaints, answer phone enquiries, sell imaging services.	IT and knowledge management, HR, finance, management services and strategic planning.
Consumer and industry bodies discussed ASIC's educational role.	ASIC alerted Australians to illegal offshore cold calling.	Slowdown in formation of new companies.	Government changed IT outsourcing plans.
Office of Consumer Protection upgraded to national directorate.	IOSCO surveillance of the internet for illegal investment offers.	Increased demand for ASIC internet services.	New Commission changed ASIC management structure.
Negotiated insurance refunds for Aboriginal communities.	Maintained database of offshore illegal operators to protect investors.	Free internet company searches increased by 44%.	Managed \$143 million in expenditure and \$372 million in revenue.
Completed two year review of EFT Code that boosts consumers' rights	Handled 294 requests for international assistance.	Assessed 6946 public complaints about corporate misconduct, up 26%, and launched online complaints facility.	Designed and implemented new national management structure
Issued draft consumer education strategy.	Maintained service levels in all States and Territories.	More efficient revenue management and banking.	Negotiated new certified agreement for staff.
Raise consumer protection profile of ASIC activities.	Coordinate joint action in Asia-Pacific against illegal cold calling.	Increase new companies incorporating and updating information electronically from 50% to 70%.	Manage increased workloads and improve staff performance.
Focus additional resources on identifying risks to consumers.	Work on international standards of disclosure, audit, clearing and settlement.	Implement new national structure for assessing rising numbers of public complaints.	Contribute to government output pricing review of ASIC services.
Issue and implement consumer education strategy.	Maintain service levels in all States and Territories.	Implement reforms affecting small companies, if enacted.	Develop and implement knowledge management strategies.

Commissioners



David Knott, LLB

ASIC Chairman from November 2000 for a five year term.

David Knott is a lawyer and Fellow of the Australian Institute of Company Directors. He is an ex-officio member of the Companies and Securities Advisory Committee and the Council of Financial Regulators. Previously he was ASIC Deputy Chairman from July 1999.

His career covers 13 years in private legal practice, specialising in company and commercial law, ten years in senior roles in investment banking, and nine years in the public sector. He has been a partner at Arthur Robinson and Co, Senior Executive Director Capel Court, Executive Director of the Australian Financial Institutions Commission, Chief Executive of Commonwealth Funds Management and Chief Operating Officer of APRA.



Jillian Segal, BA, LLB, LLM (Harv.)

ASIC Deputy Chair from November 2000 for a three year term.

Jillian Segal is a lawyer and Fellow of the Australian Institute of Company Directors. She was previously ASIC Commissioner from October 1997.

She has been Special Counsel at Dunhill Madden Butler advising on issues management, a partner and consultant to Allen, Allen and Hemsley, and a company director with particular experience in financial services. She was a Professorial Fellow in the Faculty of Law at the University of Wollongong, a member of the legal sub-committee of the Companies and Securities Advisory Committee and a member of the consultative committee for the Corporate Law Simplification project.



Ian Johnston

Acting Commissioner (January, May – June 2001).

Ian Johnston is a lawyer and is ASIC Executive Director, Financial Services Regulation. He previously served in senior ASIC roles, and has been a company director in the financial services sector and CEO of a major trustee company.

The Treasurer has appointed him to act as Commissioner, pending a permanent appointment.



Alan Cameron AM, BA, LLM (Hons)

ASIC Chairman until November 2000.

Alan Cameron is a lawyer. He served as Chairman from January 1993 until November 2000. Previously he was Commonwealth Ombudsman, and national executive partner of Blake Dawson Waldron, solicitors. He has held a range of other appointments and has been a director of a number of companies.

Supporting a voice for consumers

Consumer advocates usually work for organisations with small budgets and overworked staff. We funded a Consumer Advisory Panel of nine consumer and investor advocates experienced in financial services, under an independent Chair. The Panel gave them a voice to recommend research, alert us to issues and comment on policy. Read the Panel's report on page 41. We also consulted other investor and consumer organisations.

We encouraged consumers to comment on our work through the media, our website, speeches and investment expos. Our new consumer website, www.fido.asic.gov.au, launched an e-newsletter to tell people about financial tips and safety checks.

We supported the 10th anniversary conference of the Society of Consumer Affairs Professionals in Business, the main body for consumer protection professionals.

Building understanding and relationships

In November 2000, we organised a consumer-industry forum about consumer education in financial services. 43 people attended from 36 organisations.

We ran our sixth Summer School on 'Consumer protection in financial services', led by international and Australian experts. The five day School strengthened relationships between 88 local and overseas participants from the consumer movement, financial services organisations, government and our own staff.

Supporting professional standards

To encourage professional education in the financial industry, we sponsored prizes for two Securities Institute courses: Financial Markets Regulation and Compliance, and Assessing Company Performance.

Consulting industry associations and business

We met regularly with about 18 peak industry and professional associations, and consulted other organisations, companies and professionals, and helped thousands of directors and professionals over the phone. We invited comment on 11 proposed policies. More than 2300 people attended ASIC Speaks seminars about the proposed Financial Services Reform Bill.

We convened seven Regional Liaison Committees representing the business community in each State and Territory. They met about four times each year, received information on our performance and service, and offered ideas. A Commissioner usually attended these meetings.

Governance, ethics and audit

Governance

Commissioners directed ASIC's affairs, making formal decisions at monthly Commission meetings. Our operations are organised into seven directorates, managed by Executive Directors reporting to the Commission. Commissioners and Executive Directors together formed an Executive Committee that met fortnightly.

Independent legal and accounting experts advised on specific matters. All Commissioners are legally qualified, but where necessary an individual Commissioner may obtain independent legal advice at ASIC expense.

Commissioners' appointment and remuneration

The Governor-General, on the nomination of the Treasurer, appointed Chairman David Knott and Deputy Chair Jillian Segal in November 2000 on fixed terms that may be terminated only for reasons set out in section 111 of the ASIC Act. The Treasurer appointed an Acting Commissioner in 2001, pending appointment of a third full time Commissioner. The Remuneration Tribunal set Commissioners' remuneration; see also page 89.

Reporting to Parliament

Commissioners reported to Parliament and the responsible Minister on ASIC's performance.

We appeared 15 times before six Commonwealth Parliamentary Committees, before the Parliamentary Joint Committee on Corporations and Securities three times, Senate Estimates

Committee three times, Senate Select Committee on Superannuation and Financial Services five times, Senate Economics References Committee two times, Joint Committee on the National Crime Authority once, and Senate Committee of Privileges once.

We submitted an annual report and responded to inquiries on behalf of constituents.

Role of the responsible Minister

The Treasurer, the Hon Peter Costello MP, and, in matters determined by him, the Minister for Financial Services and Regulation, the Hon Joe Hockey MP, are responsible for ASIC. Under sections 12 and 14 of the ASIC Act, the responsible Minister may direct how we use our powers, perform our functions or direct us to investigate. He gave no directions this year. Only one has ever been given, in September 1992.

Commissioners met regularly with the Minister for Financial Services and Regulation. We also briefed the Treasury about current issues and proposed changes to the law.

Role of State Ministers

Commissioners appointed Regional Commissioners in consultation with the relevant State and Territory Ministers, and submitted half yearly reports on our performance to them. We attended the Ministerial Council for Corporations, comprising Commonwealth, State and Territory Ministers, as an observer to answer questions.

Ethics and confidentiality

Our procedures require disclosure of any real or apparent conflict of interest. Commissioners and staff took no part in decisions where real or apparent conflicts of interest arose. We set up special reporting and decision making procedures to maintain the integrity of our decisions.

The Chairman and Commissioners disclosed to the Minister all direct or indirect pecuniary interests in businesses, companies or superannuation trusts, funds or retirement savings accounts or retirement savings account providers.

Senior executives disclosed their interests to the Chairman. Other staff kept registers of interests at work that supervisors may inspect at any time, and submitted annual returns of interests. Commissioners appointed senior disclosure officers to advise managers and staff on how to handle possible conflicts.

To safeguard confidential information, strict procedures reinforced the criminal law.

Investigating complaints about staff

To maintain public confidence in our staff and how they used their powers, we maintained formal inquiry procedures to investigate serious complaints.

We received seven complaints this year, five fewer than last year. The majority of the complaints alleged professional misconduct. Five complaints were found to be

unsubstantiated, one complaint partially substantiated, and one complaint is still under investigation. The partially substantiated complaint concerned the need for a more professional approach assisting a customer, and the staff member has been counselled. Of three matters under investigation at 30 June last year, one complaint was unsubstantiated, one partially substantiated, and one was substantiated.

In all cases we informed complainants of the outcome and of their right to go to the Commonwealth Ombudsman if not satisfied.

Audit

The Commonwealth Auditor-General audited ASIC's financial statements.

The Commission's Audit Committee examined internal and external audit matters and risk assessment, see its report on page 57. The independent Chair, Ms Merran Kelsall, is a senior chartered accountant and company director in private practice. The Deputy Chair is also independent. The Committee's charter conforms with Australian National Audit Office and Australian Institute of Company Directors guidelines.



Enforcement

Peter Wood
Executive Director, appointed 2001, previously
Victorian Solicitor for Public Prosecutions.

In this section we cover:

- what we did
- criminal offences
- civil action and compensation
- administrative enforcement
- outlook

What we did

Enforcement staff investigated suspected breaches of the law and

- delivered briefs of evidence to the Director of Public Prosecutions in criminal matters
- took civil proceedings to freeze assets, recover money or obtain civil penalties
- brought administrative action to ban or discipline licensees, investment advisers, insurance brokers and company auditors and liquidators.

We aimed to prepare faster, high quality briefs against misconduct and those who conceal it. The new Executive Director was appointed in April 2001, and from 1 July 2001 will lead all enforcement staff throughout Australia.

Our strong focus on major cases saw us bring complex and serious contraventions before the courts. Some statistics below reflect reallocation of resources foreshadowed last year. In particular, the substantial reduction in summary prosecutions and also, to a lesser extent, criminal and civil litigation reflects the diversion of enforcement resources from relatively minor offences to the more complex cases now confronting us.

Main activities	This year	Last year	% change
Major investigations commenced	214	200*	7%
Criminal litigation completed	78	93	-16%
Civil enforcement actions completed	72	80	-10%
Summary prosecutions completed	22	336	-93%
Orders banning people from investment advice	29	50	-42%
Successful misconduct action against auditors and liquidators	16	12	33%
Compensation ordered or arranged	\$54 million	n/a	
Assets frozen	\$77 million	n/a	
Money saved from stopping illegal schemes or inadequate disclosure	\$400 million	n/a	

*excludes discontinued minor investigations

Resources

Staff employed (FTE estimate)

300

Criminal offences

In criminal cases, our staff investigated and obtained evidence for the Commonwealth Director of Public Prosecutions (DPP). The DPP decided and prosecuted all indictable matters, except those referred to a State DPP. We involved DPP officers in considering evidence on potentially serious criminal investigations at an early stage.

25 criminals gaoled

What they did	Names and details of crime	Sentence
Unlicensed people who cheated investors or clients	George Balos defrauded investors, including retirees, of \$2.2 million.	11 years to serve a minimum of 8
	Geoffrey Dexter defrauded 14 investors of \$1.2 million through the Wattle Group investment scheme.	10 years, subject to appeal
	Donald Clarke misappropriated \$552,000 from investors.	9 years, to serve a minimum of 3
	Frank Pugliese defrauded 8 investors of approximately \$625,000.	5 years, with a minimum of 3
	George Cormack defrauded 3 clients of \$195,000.	4 years, 9 months
	John Laurence Skinner defrauded investors of \$259,000.	4 years and 6 months, to be suspended after 6 months
	Denis Joseph Wallace defrauded investors of \$182 000.	4 years, to be suspended after 12 months
	George Adler obtained money by deception.	4 years
	Accountant Ross Patrick Zagari illegally redeemed \$2.5 million in superannuation benefits and defrauded the Tax Office.	3 years and 6 months
	Royce Charlett, an unregistered insurance broker, stole clients' money and made false statements.	3 months; a further 9 months suspended for 2 years
	Noel Andrew Bell illegally raised \$2.8 million from 18 investors.	2 years and 10 months
	Christopher Bruce Smith defrauded a pensioner of \$119,400 in the Wattle investment scheme.	2 years imprisonment suspended after 6 months
	John Murray Murnane, a bankrupt, acted as an unregistered insurance broker and breached a condition of a suspended sentence.	3 months

25 criminals gaoled (continued)

What they did	Names and details of crime	Sentence
Investment advisers who cheated their clients	Robyn Cochrane defrauded investors of more than \$1 million.	4 years, to serve a minimum of 2
	Charles William Swinton misappropriated \$281,088 from 3 clients.	3 years
	Wayne Clifford McNamara cheated clients of more than \$70,000	2 years, with a minimum of 10 months, on bail subject to appeal
	Brian Peter Dodd traded in futures under false names.	18 months gaol, to be released after 6 months on a good behaviour bond
	Christopher Martyn Matson fraudulently induced a fund manager to deal in securities.	1 year, to be released after 6 months on a good behaviour bond
Market manipulation	Steven George Hourmouzis sent 4 million emails and posted messages on internet bulletin boards to manipulate the price of US stock, Rentech.	2 years in gaol, to be released after 3 months on a good behaviour bond
Dishonest company directors and officers	[Text deleted in accordance with ASIC policy - see INFO 152 <i>Public comment on ASIC's regulatory activities.</i>]	
	John Andrew McPhee stole \$250,000 and falsely accounted for company funds of \$643,000.	2 years and 6 months gaol, with a minimum of 1 year and 3 months
	Mark Stuart Crosling dishonestly drew more than \$675,000 in cheques from his company.	2 years, with a minimum of 12 months
	Michael Taylor misappropriated over \$380,000.	2 years gaol, to be released after 3 months on a good behaviour bond.
Managing companies while disqualified	David Douglas Meeson deceived creditors of his companies.	9 months, served as an intensive correction order

Editor's note: This document has been edited in accordance with the spent convictions scheme.

Referrals to the DPP, witness expenses

When we conclude a criminal investigation, the matter is referred to the DPP. The reduction in the number of defendants arose as a result of focusing on major matters.

Months between resourcing investigation and requesting handover

Months	0-3	3-6	6-9	9-12	12+	Total
Number of defendants 2000 – 2001	10	23	11	7	4	55
Number of defendants 1999 – 2000	26	33	21	14	6	100

The DPP accepts handover of a matter for prosecution once it has decided that the evidence is sufficient to support a conviction and the matter otherwise warrants prosecution. In most cases charges are laid within three months of handover being accepted by the DPP.

There were 32 claims for allowances and expenses under section 89 of the ASIC Act by people required to attend our hearings and inquiries. Some 29 were paid in full, one paid in part and two rejected. The total amount paid was \$17,178. The average amount paid was \$592, the highest claim paid was \$3268 and the lowest claim paid was \$14.

Civil action and compensation

Our civil litigation focused on freezing funds to preserve assets for investors and creditors, and in cases of public interest, launching proceedings to recover money. We also commenced proceedings, where appropriate, for civil penalties against directors or others who failed in their duties.

Funds protected, assets frozen, compensation ordered

We recovered funds through criminal compensation orders, civil recoveries, court enforceable undertakings and negotiated settlements. Major matters are listed below.

What we alleged	Result of proceedings	Amount recovered
Payment of dividends otherwise than out of profit	We and directors and auditors of the former Adelaide Steamship Company Ltd settled the matter out of court.	\$20 million
Improper advice by representatives	Hillross to compensate investors who received improper advice from their representatives.	\$10.6 million, estimated
Trustees of TWU superannuation fund misled members	The Trustees agreed to compensate more than 500 superannuation members.	\$6-7 million, estimated
Claim concerning the operation of a cash management account	Macquarie Investment Management Ltd settled our claim arising from an account that fraudster George Balos used. Macquarie was not a party to the fraud.	\$3.2 million
Misleading advice by representatives	Garrisons compensated investors whom their representatives advised to invest in solicitors' mortgage schemes.	\$2.5 million
Misleading advice by representatives	Financial Wisdom Pty Ltd and ANZ compensated investors whom their former representative Robyn Cochrane defrauded. The companies played no part in her fraud.	\$1.1 million
58 sellers of Ashton Mining shareholders had been disadvantaged	Malaysia Mining Corporation Berhad (MMC) ordered to compensate sellers of Ashton shares when the market was not properly informed.	\$1 million
Company officer liable to pay back money	Satellite Group officer Jonathan Broster paid over funds to the company.	\$ 1 million

We succeeded in freezing assets worth \$77 million so that they were preserved for possible claims by investors and creditors. The highest amount was \$45 million assets frozen belonging to former One.Tel Ltd directors and officers.

We saved investors from potentially losing another \$400 million by stopping unlawful investment schemes or investment offers that inadequately disclosed material information. The highest amount, \$150 million, was sought under the Adventure Private Capital prospectus.

Administrative enforcement

To protect the public, we banned 30 investment advisers and deregistered four insurance brokers. We revoked seven licences to deal or advise in securities. We obtained disciplinary orders against 28 company auditors and liquidators from the Companies Auditors and Liquidators Disciplinary Board. We disqualified 10 people from managing companies.

Dealers licences revoked

Company	Reason
Chapel Road	Failings in supervision, compliance and expertise, subject to AAT review.
Boston Research Ltd	Breached compliance conditions of managed investments laws.
Financial and Rural Management Ltd	Breached compliance conditions of managed investments laws.
Knightsbridge Funds Management Ltd	Breached compliance conditions of managed investments laws.
Soho Lemon Management Ltd	Under external administration
MML Management Ltd	Under external administration
Zenas Sharetrading Ltd	Under external administration

17 people banned for life from advising investors

Name	Period of banning	What they did
Warren John Aitken	Permanently	Financial adviser made unauthorised investments, and transferred about \$300,000 from clients' superannuation funds without authority.
William Richard Berghouse*	Permanently	Financial adviser took company funds and \$2000 from a client's account.
Christopher John Daws	Permanently	Traded on a client's account without authority, created misleading appearance to the market, falsely completed buy orders.
Raymond Michael Dawson*	Permanently	Misled investors about an investment scheme he sold.
Brian Peter Dodd	Permanently	Futures trader imprisoned for fraud.
Bradley Francis Flynn	Permanently	Financial adviser used \$381,000 of clients' funds for himself.
Leon Keith Jamieson	Permanently	Financial adviser misled mortgage investors, or failed to make adequate enquiries.
Luke Stuart McGrath	Permanently	Financial adviser failed to invest money on behalf of clients.
John Geoffrey Margaria	Permanently	Former mortgage broker gave misleading information or failed to make adequate enquiries.
Darryl Bernard Mason	Permanently	Misled investors about an investment scheme he sold.
Richard Masson Moody	Permanently	Former stockbroker's representative fraudulently obtained money, falsely completed orders, traded on client accounts without authority and engaged in misleading conduct.
Kerry Janette Nixon*	Permanently	Financial adviser made unauthorised investments. Clients lost more than \$10 million.
Matthew David Palmer	Permanently	Financial advisers gave clients false information, misused funds.
Graeme John Perry	Permanently	Financial adviser misled clients and failed to make reasonable or adequate inquiries about investments.
Anthony Robinson	Permanently	Financial adviser invested funds in a company of which he was a director and in which he had financial interests. Investors lost \$4 million.
Maxwell Vardanega	Permanently	Financial adviser dishonestly obtained loans.
James Webster	Permanently	Stockbroker's representative misappropriated his company's money.

* Subject to AAT review

To protect the public, another 13 advisers were banned for shorter periods of time.

8 insurance brokers deregistered, suspended or subject to conditions

Name	Period of deregistration	What they did
East Coast Insurance Brokers (NSW)	5 years	Banned by the court as company directors for 5 years. East Coast's liabilities to insurance companies and underwriters exceeded its assets.
Town and Country Insurance Brokers	2 years	Failed to produce satisfactory audited accounts.
Nationwide & TWU Insurance Brokers*	18 months	Failed to lodge audited accounts and had a deficiency of funds in its Insurance Broking Account.
Livingston and Associates	11 July 2000 till 31 December 2001	Failed to produce satisfactory audited accounts, and failed to maintain adequate compliance procedures.
Blundell & Associates	Suspended	Computer system did not properly record its accounting transactions. Must produce satisfactory audited accounts.
Harris Financial Services	Suspended	Company must become a member of an approved disputes resolution scheme.
Oxford Insurance Brokers	Suspended	Company must become a member of an approved disputes resolution scheme, and repay a deficit in its broking account.
Neil Pethers Insurance Brokers	Conditional	Subject to six monthly audits for the next two years.

* Subject to AAT review

Samson Elmazi, formerly of Dandenong Insurance Brokers and VIP Insurance Brokers pleaded guilty to fraud and acting as an insurance broker without registration.

16 company auditors and liquidators disciplined

Name	Penalty	What they did
Roger Michael Amos, auditor	4 month suspension	Failings in 1998 audits of Seven Network Ltd and Seven Network Operations Ltd.
Alan Robert David Walsh, auditor	Severe reprimand	Failings in 1998 audits of Seven Network Ltd and Seven Network Operations Ltd.
Stuart Gooley, auditor*	Reprimand	Failings in audit of Southern Cross Airlines Holdings Ltd , also known as Compass II.
Nicholas Driver, liquidator	Suspended until payment of money made to ASIC	Failed to observe undertaking to ASIC concerning a previous matter.
Grahame St Clair Burton, auditor	Reprimand	Failings in his conduct in audit of a Queensland insurance broker.
Timothy Paul Heesh, liquidator*	2 month suspension	Failed to remedy serious defects in an administration.

16 company auditors and liquidators disciplined (continued)

Name	Penalty	What they did
Michael Philip Gilovitz, auditor	Reprimand and other conditions	Failings in conduct in the 1994 and 1995 audits of Aboriginal Housing Co Ltd.
Brian Norman Treleaven, auditor	Restricted practice	Deficient audits of Cornwall Resource Corporation NL 1993/94 and 1994/95.
Arthur John Forrest, auditor	3 year suspension	Failings in audit of Industrial Banking Corporation Ltd accounts.
Graham John Clark, as liquidator and auditor	Cancelled	Failings in numerous company liquidations and other conduct.
Lionel Hendy, liquidator	18 month suspension	Failings in 47 administrations and long delays before creditors received dividends.
Warren Pantzer, liquidator*	7 day suspension	Breach of undertakings that he would commission peer reviews of his next five administrations.
Andrew Craig Ashton, auditor & liquidator	Cancelled	Not a fit and proper person, gave false evidence in a Federal Court proceeding.
Keith Junius, auditor	Undertaking required	Undertaking to attend additional professional development to improve audit skills.
David Gregory Young, liquidator	6 month suspension	Failings in three voluntary administrations.
Jack Wolstencroft, auditor	Cancelled	Became a bankrupt. Had previously been subject to disciplinary proceedings.

*Subject to AAT review

Another 12 auditors were disciplined for failure to lodge documents or other lesser breaches.

46 court enforceable undertakings

ASIC accepted 46 enforceable undertakings involving lesser alleged breaches. These undertakings enabled us to obtain more wide ranging remedies on behalf of more people than can usually obtained in court proceedings. See, for example, details about the TWU Superannuation Fund on page 30.

Outlook

Enforcement faces a challenging year investigating large, complex matters. Interaction with the Royal Commission into the collapse of HIH Insurance will require careful coordination with our own inquiries and Court proceedings. The convergence of several major corporate collapses such as HIH, Harris Scarfe and One.Tel will stretch our resources.

Our key objectives are to

- significantly increase public confidence in ASIC enforcement
- maintain our target for successful criminal and civil litigation at 70%
- complete all our investigations within 12 months
- upgrade our ability to enforce the law in the field of e-commerce.



Financial services regulation

Ian Johnston

Executive Director, appointed 2000, previously served in senior roles within ASIC and the financial services industry.

In this section we cover:

- what we did
- licensed advisers and insurance brokers
- managed investment schemes
- insurance, superannuation, and deposit taking
- financial services reform
- outlook

What we did

Financial services regulation staff protected retail investors and consumers. They

- licensed investment advisers and insurance brokers
- regulated managed investment schemes
- inspected consumer disclosure in superannuation, insurance and deposit taking

- began a major project to implement financial services reforms, if enacted.

We aimed to sharpen the focus and impact of regulation to uncover and resolve problems earlier, and to prepare to implement the Financial Services Reform Bill, if enacted.

Main activities	This year	Last year	% change
Securities licences issued	268	269	nil
Insurance broker registrations issued	224	210	6%
Managed investment scheme inspections	109	44	148%
Managed investment schemes registered*	787*	1780*	-56%*
Responsible entity licences issued	71	274	-74%

* Last year many existing schemes were registering for the first time under new laws.

Resources

Staff employed (FTE estimate)	130
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Licensed advisers and insurance brokers

Disclosing commissions and conflicts of interest

Most financial advisers get paid through commissions on products they recommend to clients. They must tell clients about all commissions paid.

Five advisers were gaoled for defrauding clients, including Paul John Borella for not disclosing his own financial interests in an investment he recommended to clients. Another adviser was banned permanently for not disclosing his interests. In total, 30 people were banned from the industry, see page 25.

Advisory firms owned by major institutions

Many advisory firms are owned, directly or indirectly, by banks and investment management companies. This means advisers may receive higher commissions or incentives for selling products sponsored by the parent bank or investment company.

For clients, simply finding out the amount of commission earned may not alert them to a possible conflict of interest. Clients are unlikely to know if there are comparable products, possibly with lower commissions or other costs, that may suit them better.

We have alerted institutions to this problem, and are investigating relevant cases. Tighter disclosure guidelines may be required.

Ensuring advisers join an external complaints scheme

We ran a campaign that has significantly improved compliance by investment advisers with a fundamental consumer protection condition of their licence. Some 419 advisers agreed to join a consumer complaints resolution scheme after we checked on those who advise consumers. These advisers must belong to a complaints resolution scheme approved by ASIC.

Insurance brokers

Our staff deregistered, suspended or placed conditions on 8 insurance broking companies for poor accounting or failure to pass premiums on to the insurance companies, see page 26.

Broker accounts hold consumers' insurance premiums before they are passed to the insurer, as well as money from successful insurance claims that the consumer may have made. As a legislative safeguard for consumers, all brokers must use a registered company auditor who is independent. As a result of our surveillance, 21 brokers either appointed, or began appointing, an approved auditor.

Managed investment schemes

The managed investments industry ranges from major funds with tens of thousands of unit holders to small agricultural schemes with a few hundred investors. At 30 June 438 responsible entities operated 2794 schemes.

Solicitors and finance brokers mortgage schemes

In 2001, we began a national inquiry into unlisted solicitors' mortgage investment schemes, focusing on runout mortgage schemes. Runout schemes did not transfer to our tougher managed investments regulatory regime in 1999. We prohibited them from accepting new mortgage investors, and gave them until 31 October 2001 to wind up their affairs, under the supervision of State law societies. A number had serious default rates, and defaults were likely to become worse.

To date we have obtained Court orders to remove Triscott Investments Ltd as responsible entity of a scheme after we revoked the entity's licence for breaching key provisions. In Tasmania, Garrisons Pty Ltd, who advised clients to invest in solicitors mortgage schemes which later failed, agreed to repay investors their capital plus 6% interest, amounting to about \$2.5 to 3 million. Our inquiry is continuing.

Managed investment offer documents

We received 1682 managed investment prospectuses. Of these, 804 were in short form and many included a longer form document by reference. As with equity prospectuses, we have tightened guidelines on forward looking statements to ensure that the prospectus outlines a reasonable basis

for forecasts. Of the 81 stop orders we issued on inadequate documents, 28 related to managed investments.

Surveillance of managed investments

The law creates a single responsible entity that must manage and safeguard investors' funds. To ensure that entities were complying with the law, we monitored their conduct.

Our staff inspected 83 responsible entities, representing almost one fifth of the industry, and remedial action resulted from 83 per cent of these visits. The table shows the most serious actions taken.

Action we took	No.
Licence revoked	4
Licence conditions imposed	13
Enforceable undertaking	1
Amendment to compliance plans	22

Insurance, superannuation and deposit taking

TWU superannuation members compensated

ASIC settled proceedings against the trustee of the TWU Superannuation Fund, responsible for more than 130,000 members. We alleged that the trustee had engaged in misleading conduct over disability insurance cover.

Our intervention ensured additional compensation, which would have been difficult and costly for individual members to pursue. Some 500 or more fund members will receive additional disability compensation through an independent assessment mechanism established for disablement claims between July 1995 and January 1999.

Disability insurance campaign

Policyholders pay \$750 million in premiums each year for disability insurance, and we became concerned about standards of advice. Staff interviewed life insurance companies representing about 40% of this market and 59 of their agents.

At least two companies fell short of meeting standards in the Life Code of Practice for advising, selling and complaints handling in the life insurance industry. We required the companies to review the compliance of about 18 of their agents, and to report action taken. We also asked the companies to change internal compliance to ensure they meet Life Code requirements.

General insurance advertising claims

We received court enforceable undertakings from two companies over alleged misleading and deceptive advertising.

What we alleged	Result
Tower Life Australia Ltd advertisements for a funeral plan claimed guaranteed acceptance and no exceptions. In fact, significant exceptions existed.	Tower paid nearly \$250,000 to 42 families who were previously denied claims.
GIO General Ltd advertisements for business insurance claimed that customers would pay no commissions if they dealt with GIO direct. In fact, GIO representatives did receive commissions on sales performance.	GIO sent corrective letters to customers, offered refunds, and launched a company wide review of their compliance program.

Financial services reform

To implement the Government's Financial Services Reform Bill, if enacted, we established a \$2 million project to develop administrative policies and build information technology systems to issue proposed Australian financial services licences. We expect to license about 2000 organisations for the first time and to re-license another 4000.

We intend that as much as possible of the new licensing system will be automated, and that institutions and companies will be able to update the public registers of their representatives through the internet. We have already issued nine proposals for public comment on key areas to implement the proposed law.

Outlook

The Government presently contemplates that the Financial Services Reform Bill will commence on 11 March 2002. We expect to be ready, although the change will represent a massive regulatory undertaking. We will collaborate with financial services organisations to implement the Government's blueprint.

Our priorities include helping consumers and investors to get honest and competent financial advice, untainted by conflicts of interest. We also expect to shift our inspections to key risk areas for investment scheme managers in dealing honestly and fairly with investors' funds.



Markets regulation and policy

Shane Tregillis

Executive Director, appointed 2000, previously ASIC National Director Regulation, with more than 10 years experience in regulation.

In this section we cover:

- what we did
- market disclosure and financial reporting
- equity fundraising and takeovers
- securities and futures markets
- policy development
- outlook

What we did

Markets and policy staff

- regulated equity fundraising and takeovers
- monitored market disclosure and financial statements
- regulated Australia's securities and futures markets

- developed policies that regulate industry and professionals.

We aimed to sharpen the focus and impact of regulation to uncover and resolve problems earlier. The Executive Director was appointed in November 2000 and on 1 July 2001 will lead all market and policy staff throughout Australia.

Main activities	This year	Last year	% change
Prospectuses lodged	2774	1033	166%
Prospectus stop orders issued	81	n/a	n/a
Equity fundraising relief applications	320	n/a	n/a
Takeovers received	81	81	Nil
Takeover relief applications	638	356	79%
New regulatory policies issued	4	20	-80%

Resources

Staff employed (FTE estimate)	110
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Market disclosure and financial reporting

Continuous disclosure to the market

We stepped up our involvement in making sure directors kept the market informed, especially among newly listed companies or those which raised funds in back door listings. We obtained additional disclosure on 30 occasions from listed companies.

We followed up 18 companies whose ASX filings revealed potential cash flow problems. Nine were required to disclose additional information, and one appointed a voluntary administrator. Below we list the more prominent examples.

Company	Action we took
HIH Insurance Ltd	Trading halted for two weeks before the company informed the market that it had entered provisional liquidation. Shares suspended.
Austrim Nylex Ltd	Trading halted until the company informed the market about expected losses.
realestate.com.au Ltd	Prohibited from raising capital by short form prospectus, until 28 February 2002, after the Corporations and Securities Panel criticised its disclosure.
Swish Group Ltd	Trading halted until the company released details of its performance and its partnership arrangements.
Cardia Technologies Ltd	Prohibited from raising capital by short form prospectus for the next 12 months, for late annual financial statements and poor disclosure.
Pahth Ltd	Subject to enforceable undertaking for review and audit of continuous disclosure and corporate governance, due to poor disclosure.
Phoenix Technology Corporation Ltd	Trading halted until the company corrected its advertised claim of assets worth \$70 million despite their audited value of only \$1 million.

Better disclosure for shareholders

In November 2000, we investigated trading in Brambles Industries Ltd shares. The company had given a private briefing to an analyst a few days before it downgraded its profit forecast. Our investigation revealed no offence, but the company allowed a perception of unequal disclosure to arise. Brambles acknowledged the timing of the briefing was regrettable and decided to review its policy and procedures.

This example showed the relevance of our August 2000 guidelines on how companies can keep investors better informed. The ASX supported our guidelines and proposes to issue an updated guidance note on continuous disclosure.

Financial reporting

We presently have legal proceedings underway over accounting issues.

Company	What we allege
MYOB Ltd	That the accounting treatment of assets acquired in April 1999 led to overstated earnings.
Cable and Wireless Optus Ltd	That the accounting treatment of two capacity agreements led to overstated earnings. The company has asked the court to determine the issue. (Matter settled in August 2001.)

We asked 53 companies to clarify their financial reporting and disclosure following a review of 140 companies in high technology, dot.com or related businesses. Typical issues included accounting for acquisition of businesses, reporting and amortising of intangibles, accuracy of quarterly cash flow statements and recognition of revenue.

Dual listed companies

BHP-Billiton became a dual listed company. After we intervened, the company released extra information for shareholders. We settled proposed accounting policies with the companies and asked the Australian Accounting Standards Board to set standards on how companies must account for such transactions. Brambles Ltd is proposing a dual listed structure.

Equity fundraising and takeovers

Prospectuses

Out of 832 equity prospectuses lodged, we inspected 188 and took action to deal with inadequate disclosure in 114 cases. Overall equity prospectuses grew strongly in the first half of the year, while high technology offers remained buoyant.

We issued stop orders on 81 prospectuses. Since the law changed in March 2000, stop orders have become our principal means of dealing with inadequate disclosure. (Previously the registration process could also filter out some problems.)

We found too many prospectuses contained forward looking statements without showing any reasonable basis, and we tightened our guidelines on projections. Stop orders also increased because we no longer have the power to refuse to register inadequate prospectuses.

An example of a company the subject of an interim stop order was Adventure Private Capital, a \$150 million fundraising to trade shares, options and other financial instruments. Our concerns included inadequate disclosure of the investment strategy, of the results of the trading model, and of directors' interests.

Takeovers

Out of 81 takeovers, we took enforcement action in six matters. The Corporations and Securities Panel became the primary umpire of takeover disputes from March 2000. Below we list examples of some more prominent matters.

Companies involved	Action we took
REA Holdings (No 1) Pty Ltd and REA Holdings (No 2) Pty Ltd (RP Data) bid for realestate.com.au Ltd	Applied to the Panel which found RP Data's subsidiary had acted recklessly. The Panel also found that realestate.com.au had not accurately informed the market and RP Data about its financial position.
St Barbara Mines Ltd bid for Taipan Resources NL	Panel vested in ASIC 2.7 million Taipan shares held by St Barbara that we were ordered to sell.
CXA Communications Ltd (CXA) reverse takeover by Mobiletronics Pty Ltd and the sale of a CXA subsidiary	Issued an official letter to CXA shareholders explaining concerns about the proposal.
Techniche Ltd bid for Bligh Ventures Ltd	Had share parcel representing about 9% of Bligh frozen until the real owners were revealed.

For some companies trading on major foreign stock markets, we granted relief from Australian takeover provisions. Otherwise, they would have to bid for shares in downstream Australian companies whenever they acquired shares in an upstream company also listed on a foreign stock market.

We invited comments on proposals to address anomalies and issues since changes in the takeover law.

Securities and futures markets

Trading behaviour education and surveillance

ASIC and ASX launched a campaign to check if compliance systems, supervision and training, and record keeping of ASX brokers are effective to detect and deter manipulation and other abusive practices.

Australia's changing market structure

The Minister approved the reopening of the Bendigo Stock Exchange (designed to deal in small capitalisation companies). The Sydney Futures Exchange completed its demutualisation and subsequent merger with Austraclear. The ASX continued to explore offshore relationships with other market operators, and set up a special purpose subsidiary to supervise trading and report possible market misconduct.

All Australian markets are now commercial, competitive businesses, and this has increased our workload.

Australian Derivatives Exchange short lived

The Australian Derivatives Exchange Ltd received Ministerial approval to operate a new futures market, subject to licence conditions we recommended. ADX found that it had insufficient funds to run its market, and within three months, appointed a voluntary administrator and ceased operating. The conditions we recommended helped ensure that those who traded in the ADX market suffered no loss as a result of its failure.

ASX share trading and compliance

ASX shares trade on its own market. To avoid conflicts of interest, ASIC directly monitored daily trading and compliance by ASX with its listing rules in much the same way as ASX oversees other listed entities. At the ASX's request, we granted one trading halt.

Policy development

Financial services reform

Policy staff worked under great pressure to analyse and draft proposals on how ASIC might implement the Financial Services Reform Bill. We issued nine policy proposals and an overall framework document.

Cooperative financial institutions

We issued a policy on mutuality to help cooperative financial institutions comply with the Corporations Law, especially during restructures, without compromising their distinctive mutuality principles.

Electronic regulation

We issued interim guidelines on internet discussion sites, known as internet chat sites or bulletin boards, which contain information, advice or opinions about securities. The guidelines covered warnings that must be given to members of the public, warnings to people posting information, and the obligations imposed on site operators.

Internet stockbroking

Our study of internet stockbroking found weaknesses in

- explaining order taking and processing
- identifying the stockbroking firm that executed orders
- explaining service and complaint handling.

We discussed these issues with internet broking firms so that they take these issues into account as they develop their services.

Outlook

Globalisation presents formidable challenges in market regulation. The ASX is exploring relationships with offshore markets, and the Sydney Futures Exchange is a fully demutualised company. Two dual listed entities now rank among Australia's top twenty companies. The demands for harmony in cross border regulation grow louder and complicate legal and regulatory arrangements.

The Financial Services Reform Bill is a major policy project that will carry over into the coming year.



Consumer protection

Peter Kell, Executive Director, and Delia Rickard, Deputy Executive Director appointed 2001, previously co-directors of ASIC's Office of Consumer Protection.

In this section we cover:

- what we did
- consumer enforcement and regulation
- consumer protection projects
- researching consumer issues
- outlook
- Consumer Advisory Panel report

What we did

The Office of Consumer Protection

- advised enforcement and regulation staff
- carried out consumer protection projects
- analysed consumer issues and risks.

From April 2001, the Office was upgraded to a national directorate, and from 1 July will include extra staff with compliance and analytical skills.

Resources

Staff employed (FTE estimate)

15

Consumer enforcement and regulation

Here we highlight matters where the Office of Consumer Protection played a major part, although it contributed to many results described in this report.

Combined Insurance agents and Aboriginal communities

Agents of Combined Insurance Company mis-sold insurance in rural Aboriginal communities. ASIC staff obtained refunds from the company that now exceed \$115,000, a significant amount since most annual

premiums were less than \$100. Court enforceable undertakings from the company will also fund educational material about insurance for indigenous consumers.

HIH insurance

Immediately following the HIH collapse, we helped negotiate alternative cover and let policyholders know where they stood. We have also worked with the provisional liquidator and APRA on issues affecting policyholders.



Ensuring advisers join an external complaints scheme

We advised on and publicly led a campaign to ensure that all retail investment advisers had joined a consumer complaints resolution scheme, as their licence requires. As a result, 419 advisers immediately agreed to join, see also page 29.

Consumer protection projects

Launched new electronic funds transfer code

We launched a new Electronic Funds Transfer Code of Conduct. The Code covers all forms of electronic banking, including telephone and internet banking and stored value products such as smart cards, not just ATM and EFTPOS transactions covered under the old Code.

Improving bank transaction fee disclosure

Our draft Guide for Banks, Building Societies and Credit Unions proposed that they

- summarise fee information on statements
- warn ATM users if a "foreign ATM" fee applies, if they are about to overdraw an account, and, in the longer term, show how much each transaction will cost

- display a prominent link to fees for internet customers.

Educating investors and consumers

We released a discussion paper on consumer education, the first from an Australian financial services regulator. The paper will lead to a formal strategy to address areas of greatest risk and to create and distribute material effectively. We published Australia's first internet directory of consumer financial information, sponsored by the Securities Institute of Australia.

Consumer alerts on risks and pitfalls

We issued alerts about

- share trading software
- high technology companies: questions for investors to ask
- financial tips for young Australians
- unlawful access to superannuation before retirement.

Consumer complaint resolution schemes

We approved the Insurance and Enquiries Complaints Ltd scheme, covering general insurance. We are currently processing five other applications to approve five financial services complaint resolution schemes.

Monitoring industry codes of practice

ASIC reported that compliance remained high with the payments system codes of practice and the EFT Code of Conduct during 1999 – 2000. Complaints about unauthorised EFT transactions increased. We warned consumers about the importance of safeguarding their PINs.

In July 2000, we approved the General Insurance Code that covers insurers selling specific types of insurance.

Researching consumer issues

Consumer Advisory Panel

The Panel sponsored three new research projects

- a directory of financial services case workers across Australia
- a study of successful consumer education strategies
- a study about why investors make poor or risky decisions.

Its bank fees research of last year played a crucial part in our policy work and in encouraging banks to adopt many of our guidelines. See page 41 for the Panel's report, and page 17 for its role.

Account aggregators

We suggested ways forward on the consumer issues raised by these relatively new internet services which aggregate account information from many financial institutions on a single page. We warned consumers that when they provide aggregators with their PINs or passwords, they risk losing protection for unauthorised transactions.

Debit cards and Aboriginal communities

In some Aboriginal communities, stores keep people's debit cards and PINs in the shop, and bill transactions when wages or social security payments are credited. We commissioned a study to assess the risks, including possible fraud, and consider possible reforms.

Outlook

The new national directorate will bring in extra staff experienced in research and risk analysis, strengthening our ability to identify and deal with important issues.

The Financial Services Reform Bill, if enacted, will transfer responsibility for law enforcement against misleading or deceptive conduct relating to loans and credit cards from the Australian Competition and Consumer Commission to ASIC.



Panel Members left to right: Basil La Brooy representing Wayne Byrne, National Information Centre on Retirement Investments, David Jackson, Australian Shareholders' Association, Gordon Renouf, Northern Australian Aboriginal Legal Service, Jenni Mack, Consumers Federation of Australia, Iain Ross, Council on the Ageing, Ingrid Gubbay, Legal Aid Commission NSW, Carolyn Bond, Consumer Credit Legal Service Victoria, Barbara Cail AM (Chair), Louise Petschler, Australian Consumers' Association.

The Consumer Advisory Panel (CAP) met four times. It advised ASIC on consumer protection and commented on ASIC activities. The Office of Consumer Protection acted as our secretariat.

CAP supported research on

- a directory of financial services case workers across Australia
- a study of successful consumer education strategies
- a study about why investors make poor or risky decisions.

Our stocktake of consumer education was used to create a web based consumer information directory, launched in November 2000, with support from the Securities Institute of Australia. Our earlier research on consumer understanding of bank fees laid the foundation for much improved bank fee disclosure guidelines.

CAP's membership changed this year to ensure that a broad range of consumer organisations had an opportunity to participate.

I thank all members for contributing.

Barbara Cail AM

Chairman, Consumer Advisory Panel



International and regional coordination

Greg Tanzer

Executive Director, appointed 2000, also Queensland Regional Commissioner, experienced in corporate law and regulation.

In this section we cover:

- what we did
- international law enforcement
- cold calling
- international regulation
- regional coordination
- outlook

What we did

The Office of International Relations

- managed international requests for assistance in law enforcement
- led ASIC's contribution to international regulation.

Main activities	This year	Last year	% change
ASIC requests overseas assistance	84	82	+ 2%
Other regulators request our assistance	210	138	+ 52%
Visits to ASIC from foreign regulators	53	28	+ 89%

Resources

Staff employed (FTE estimate)	11
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From November 2000, the Office was upgraded to a national directorate and became responsible for coordinating our regional representation and regional activities.

by MARK BAKER
USA EDITOR
SINGAPORE



CRIME

Australian securities regulators are warning of an epidemic of telephone investment scams operating out of South-East Asia after the arrest of a Philippines-based syndicate accused of stealing millions from Australian investors.

from Australians caught in the scams in the past 12 to 18 months, with hundreds of people seeking help.

"It probably runs into tens of millions of dollars being lost when you consider how many complaints we are getting and the numbers of other people who would not have made

few of which were even... He said that since the... began in July last year... had taken more than... dollars (\$A11 million)... 40 per cent of the money... from Australian investors.

"They claimed to be a company of longstanding reputation with international connections and a record for people-to-people service, but it was all fictitious," Mr Syquia said. He said Adam McGlashan, who is in custody in Manila, was believed to have

International law enforcement

We made 84 requests for investigative assistance to overseas authorities and received 210 from them. For example, to obtain evidence to help convict fraudster George Balos, see page 21, we obtained evidence from Swiss, Israeli, UK and New Zealand authorities. In recent years, we have found that authorities are more often able to help each other, although the processes and local court appeals still take time.

We also hosted 53 visits from foreign regulators seeking training or discussions about common problems.

Cold calling

For the past three years, we have warned Australians about overseas organisations who illegally "cold called" people offering get rich quick schemes, most recently operating out of Thailand, the Philippines and Indonesia. Thanks to our publicity, more investors contacted us and took our advice not to send money offshore to such schemes. Unfortunately, some other people had already lost between \$1000 and \$750,000 each.

To warn investors, we published names of cold calling organisations on our consumer website and in the press. Staff contacted the offshore organisations, told them to stop, and reported them to local authorities. In 2001, the Philippines, Indonesian and Thai authorities announced investigations and called for evidence from Australians who lost money.

International regulation

ASIC is a member of the Executive and Technical Committees of the International Organisation of Securities Commissions (IOSCO), which has over 150 member organisations representing securities regulators and self regulatory organisations.

To protect investors in world markets and to strengthen the work of national regulators through cooperation, IOSCO members

- are implementing agreed principles for regulating securities markets
- took coordinated enforcement action, including a sweep of the internet for illegal offerings in April 2001, in which ASIC participated
- produced a seminal report on 'Securities Activity on the Internet' in June 2001 (see www.iosco.org).

Regional coordination

Service levels were maintained in each State and Territory. Regional Liaison Committees representing the business community met about four times each year, received information on our performance and service, and offered ideas.

ASIC's Regional Commissioners all played national roles as part of our new structure. They represented the organisation in their jurisdiction and reported on ASIC activities and performance to State and Territory Ministers.



Regional Commissioners: standing left to right, Ron Ladlay, Simon Dwyer, Karen Axford, Michael Gething, Anthony Beven; **seated,** Jane Diplock, Greg Tanzer, Mark Drysdale.

Regional Commissioner	State or Territory	National role	Term
Karen Axford	South Australia	Insolvency Adviser	February 2004
Anthony Beven	Northern Territory	Enforcement Adviser	September 2002
Simon Dwyer	Tasmania	Enforcement Adviser	October 2003
Jane Diplock	New South Wales	Executive Director	(Left on 31 July 2001 to become Chair of the New Zealand Securities Commission
Mark Drysdale	Victoria	Executive Director	Acting
Michael Gething	Western Australia	Markets and Policy Adviser	June 2004
Ron Ladlay	Australian Capital Territory	Enforcement Adviser	March 2003
Greg Tanzer	Queensland	Executive Director	March 2005

Outlook

The key issues for 2001 – 2002 are to

- coordinate increasing requests for international investigative assistance and legal advice
- consolidate our work on cold calling and take coordinated action, especially within the Asia-Pacific region, against this practice
- contribute to international work on auditing standards, financial disclosure standards, clearing and settlement, risk assessment of managed fund operators, and simplified prospectuses for collective investment schemes
- maintain service levels in all States and Territories.



Public and commercial services

Mark Drysdale

Executive Director, appointed 2000, and acting Victorian Regional Commissioner, with experience in corporate management and regulation.

In this section we cover:

- what we did
- company database
- complaints and reports on misconduct
- telephone enquiry services
- electronic services
- commercial services
- outlook

What we did

Public and commercial services staff

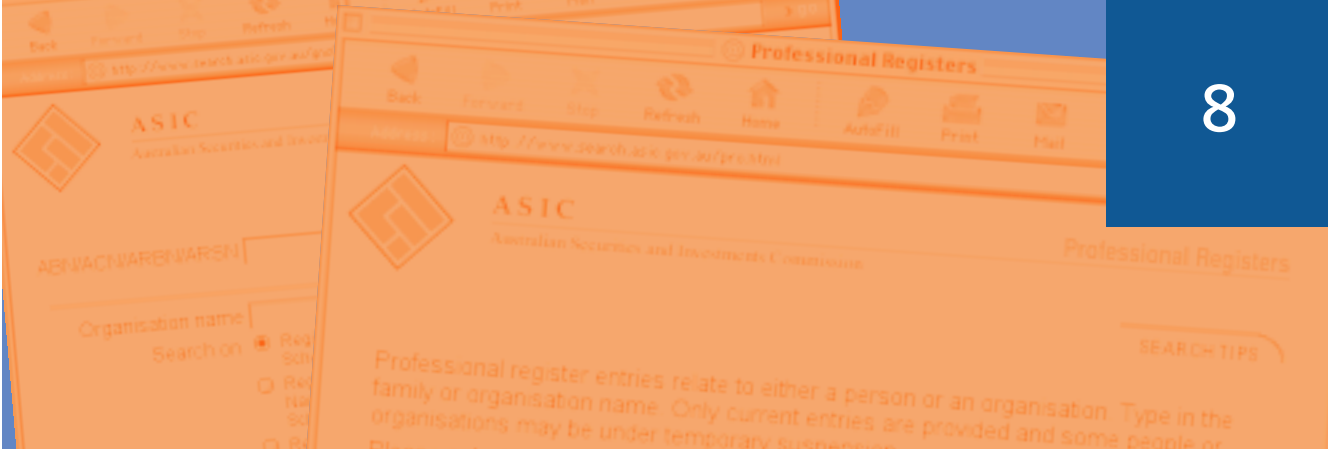
- maintained Australia's public database of 1.2 million companies
- assessed complaints from the public about misconduct
- answered 765,000 telephone enquiries
- developed new electronic services for the public and people we regulate
- sold high volume document imaging services on commercial terms.

The Executive Director was appointed in November 2000 and from 1 July 2001 will lead all public and commercial services staff throughout Australia.

Main activities	This year	Last year	% change
Total companies	1,224,207	1,195,851	2%
New companies incorporated	76,103	105,472	-28%
Revenue collected for the Commonwealth	\$372 million	\$361 million	3%
Online searches	2,780,169	2,667,835	2%
Over the counter searches	102,700	161,609	-36%
Changes to company data processed online	52%	45%	16%
Company data lodged on time	96%	94%	2%
Public complaints about misconduct	6946	5534	26%
Telephone inquiries	765,000	835,000	-8%

Resources

Staff employed (FTE estimate)	340
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Company database

New companies registered

The number of companies registered in Australia increased 2.4 per cent to 1,224,207, the slowest rate of growth since ASIC began in 1991. This reduced fees we collected. Nearly 65% of the 76,103 new companies were registered electronically, up 32%.

Free internet searches

People conducted 4.6 million free internet searches of company names, numbers and document lists, up 44% on last year. Users of Company Alert, our free overnight email service that lets you know of changes to company details, doubled with 23,800 companies being monitored, up from 11,500. People also searched for licensed financial advisers, their representatives, insurance brokers, company auditors and liquidators.

Paid company searches

The total number of paid searches rose 2%. About 96% of full company searches occurred online, the highest number ever, through approved commercial information brokers. Only 4% of searches were conducted over the counter in our Business Centres. Faced with falling over the counter demand, we have relocated and integrated Business Centres within our Regional Offices.

New revenue system installed

Our staff collected fees on behalf of the Commonwealth, see page 12. We successfully installed a new revenue system that managed debts, saved interest costs to the Government of about \$2 million, and better supported accrual accounting.

Processing improvements

For the first time, companies could reprint their annual return form through our website. Faster banking of clients' cheques within 2 – 3 days helped clients confirm that we had received their company documents. These changes reduced incoming phone calls during our peak processing period.

Data lodgement

More companies are updating and lodging data with us electronically, which helps reduce errors on our database. 720,273 or 64% of all annual returns were lodged electronically, up 1%. Companies electronically lodged 348,585 critical change documents or 52% of changes, a 13% increase over last year. The number of small companies dealing directly over the internet to change their data and to lodge and pay for their annual return rose from 3600 to 4400.

Company information on time

About 96% of companies lodged their information with us on time, a record level of compliance in lodging company information.

Complaints and reports of misconduct

Staff analysed and assessed 6946 complaints from the public about breaches of the law, up 26%. We analysed and assessed 3,866 reports from company liquidators, receivers, administrators and auditors, down 3%. The table below shows the action we took on complaints.

	This year	Last year
Public complaints		
Total complaints	6946	5534
Complaints outside ASIC's jurisdiction	604	574
Net complaints	6342	4960
Action taken on public complaints		
Investigation	2.6%	1.7%
Surveillance	9%	19.4%
Resolved by information provided/negotiation	37.2%	20.8%
Analysed, assessed and recorded	51.1%	55.9%
Statutory reports from external administrators		
Total reports	3866	3825
Reports where no offences recorded	1091	975
Net reports	2775	2850
Action taken on statutory reports		
Investigation	1.2%	0.6%
Surveillance	0.6%	2.4%
Resolved by information provided/negotiation	4.5%	1.6%
Analysed, assessed and recorded	93.7%	95.4%

Telephone enquiry services

About 35 staff located in our Information Processing Centre and Business Centres handled more than 642,000 calls from the public about

- routine company housekeeping matters and company searches (80%)
- our regulatory and enforcement activities (20%).

Total calls fell, mostly due to faster banking of cheques received and greater use of online facilities.

Infoline, which handled regulatory and enforcement matters, received 123,000 calls, a 15% increase.

Infoline staff helped 94% of callers on the spot, up 2%. Where another staff member had to ring the caller back, we averaged 81% of call backs within 24 hours, up from 79%.

Electronic services

Electronic complaint processing

From May 2001, consumers, investors and creditors lodged complaints about misconduct through our website and received an automated acknowledgement. The data was automatically registered into our complaints management system and then assessed. If the complaint lay outside our jurisdiction, the online system redirected people to the appropriate regulator.

Enforceable undertakings and gazette

We created an internet register of all ASIC's enforceable undertakings so the public and professionals could get the full text. (We accept these undertakings offered, to remedy suspected breaches of the law.)

We also set up a new internet gazette of ASIC notices such as:

- instruments or class orders that vary or set aside provisions of the law
- changes to company status
- company deregistrations
- company reinstatements.

Government online

We responded to the Government's online strategy by preparing and releasing a plan for extending our online services. We cooperated with the Australian Taxation Office in developing the Australian Business Register, and making sure Australian Business Numbers corresponded with Australian Company Numbers.

Commercial services

To recover some of the cost of our document imaging systems, we sold seasonal surplus capacity to government agencies and the private sector. Our sales complied with competitive neutrality principles.

We specialised in

- high volume scanning services for organisations that wish to "back capture" data
- document management services in litigation and public inquiries.

Customers included the Metropolitan Ambulance Service Royal Commission and the RAAF F111 Board of Inquiry.

Outlook

Electronic data processing and complaints lodgement, supported by telephone staff, analysts and assessors, will continue to grow. Consequently, workloads in counter service and manual processing will gradually decline over the next two to three years.

In the coming year, we also expect to deliver a marked increase in electronic regulatory and enforcement services, both for licensing and external company administration documents.

Government proposals that companies no longer lodge an annual return but still pay an annual fee were delayed while the Commonwealth and States tackled Constitutional uncertainties over the Corporations Law. These proposals may be enacted this financial year.



Infrastructure

Jane Diplock

Executive Director and NSW Regional Commissioner (until 31 July 2001), with extensive public and private sector experience in senior management.

In this section we cover:

- what we do
- information technology
- human resources
- finance
- business management
- outlook

What we did

Our infrastructure staff delivered

- information technology and knowledge management
- human resources
- finance
- business management services.

Our strategy has been to deliver systems and services that enhance our regulatory and enforcement operations and support them efficiently, with a minimum of distraction. The Executive Director was appointed in November 2000 and on 1 July 2001 will lead all infrastructure services staff throughout Australia.

Resources

Staff employed (FTE estimate)

250

Information technology

IT outsourcing

Government agencies may now determine the appropriate model for outsourcing IT, subject to the Government's IT outsourcing policy, following the review of outsourcing conducted by Richard Humphry. ASIC withdrew from the Group 11 tender process early in January 2001 and engaged consultants to make independent recommendations to the Commission on outsourcing.

New applications developed

Using Lotus Notes, we developed new applications that help staff manage regulatory and enforcement transactions.

User group	What the application delivered
Superannuation Complaints Tribunal	Manages the workflow of cases from start to finish.
Commission and senior decision makers	A system for preparing and researching regulatory decisions, and an electronic forum for out of session decisions, agenda and minuting facilities.
Legal staff	National precedents system that automates assembly of court forms and legal documents.
Managed investments staff	Stage 2 of our managed investment system automatically updates back office systems as staff deal with requests and applications.

Revenue management

The new revenue system was implemented on 11 September 2000, but experienced performance and response time problems. After significant efforts to resolve these problems, the system successfully handled the peak annual returns processing period.

Standard operating environment implemented

The national rollout of the standard operating environment concluded ahead of schedule. The project delivered the new Office 2000 desktop applications to all users, audited all software installed across ASIC, standardised the desktop environment and reduced PC support costs and maintenance.

Email, and IT security policies approved

We allowed all staff access to internet email and web browsing, subject to guidelines for the responsible use of these facilities. Our security policy was revised to set new standards for our IT systems.

Human resources

Management review and restructure

As part of setting up our new national structure, we reviewed about 1000 staff positions across the country, affecting roles, job descriptions, remuneration and reporting lines.

New Certified Agreement

ASIC's second Agency Agreement was certified in the Australian Industrial Relations Commission on 20 April 2001 after extensive negotiation with the union. The agreement supports our performance culture and allows ASIC to manage flexibly and responsibly.

Performance management

All staff participated in our performance management process which rewards high performing staff and helps manage underperformance. The first performance appraisal cycle under the new performance management framework for staff below senior executive level was successfully completed in August 2000.

Learning and development

We brought our learning and development activities under the control of a General Manager of Human Resources, and have set up a team that will be able to integrate learning and development into our overall human resources plans.

Finance

Accrual accounting

Accrual accounting and reporting were implemented down to business unit level throughout the organisation. This eliminated the cash/accrual anomalies inherent in the previous reporting processes of business units, using cash, and at the corporate level, using accruals.

GST compliance

GST compliance required co-ordinated adaptation of accounting and internal control processes. We conducted an awareness campaign for staff, and developed and implemented new processes and procedures for recording and reporting information required for ASIC's monthly Business Activity Statement.

Business management

Internet

To offer consumers financial information and safety checks, we created a second website called FIDO (financial information delivered online) at www.fido.asic.gov. This site has grown from 58,000 in 1999 – 2000 to 241,000 visits in 2000 – 2001. Our main website catered to industry and professionals and received 2.3 million visits.

Media relations

To increase the visibility of ASIC's enforcement activities, the new Chairman has played a stronger part as ASIC's chief spokesperson. This strategy has succeeded in lifting our profile. To keep those we regulate and consumers up to date, we issued 502 media releases, of which more than 90% were published in the media.

Corporate communication

We established two electronic newsletters, a Financial Services Reform (FSR) newsletter that keeps about 1,700 people up to date with our work on the FSR Bill, and *FIDO News*, a free consumer newsletter that has attracted 855 subscribers since March 2001. Our hard copy newsletter, *ASIC News* is distributed to about 6000 readers. We contributed regular articles to *Age Pension News*, and professional magazines. For the second year in a row, the ASIC Annual Report received a Gold Award from Annual Reports Australia Inc.

Rationalising accommodation

We completed the final stage of a four year restructure of ASIC's property portfolio, reducing leased property by one third and saving about \$11.5 million for the period September 1996 to January 2003. This project consolidated leases and reduced property financial obligations, releasing funds for core activities.

Business continuity and security

We successfully planned and managed the impact of the Sydney 2000 Olympics, and developed and implemented a national business risk assessment program. To cover insurable risks, we became insured under the Commonwealth's insurance scheme, Comcover.

Environment

To minimise our impact on the environment, we aim to reduce energy use in our offices. To achieve energy savings, internal protocols for monitoring usage are being developed. If successfully implemented, we expect to save up to 7% in energy costs for the year 2001 – 2002, rising to 20% in 2003 – 2004. Our offices recycled waste paper.

Outlook

Together with the Department of Finance and Administration, ASIC will undertake an output Pricing Review that will require costing and performance measures to be thoroughly examined.

The key IT issues we face are

- replacing our IT network operating system and resuming IT asset replacement
- approving a three year IT Strategic Plan to identify key future applications
- considering and implementing final recommendations on outsourcing
- developing systems that will support knowledge management.

We will review and redevelop HR services, and link career and succession planning, performance management and staff development. We aim to implement a one stop shop for HR service, supported by a new national training plan and online staff information about recruitment and induction, careers, development needs and entitlements.

In this section we cover:

- staff and basis of employment
- work environment
- senior management
- outlook

Staff and basis of employment

We employed 1221 full time equivalent staff over the year, comprising

- investigators, lawyers, accountants, and analysts
- information processing and customer service staff
- infrastructure staff, and information technology, human resources, financial, and communication specialists.

Staff remuneration

Most staff received remuneration under a certified agreement, with about 285 senior staff under individual Australian Workplace Agreements. ASIC contributed to superannuation through Commonwealth Government schemes, State Government schemes for staff who transferred to ASIC in 1991, and private sector schemes for consultants or contractors. See also the financial statements on page 82.

Ongoing and fixed term staff

Basis of employment	No. of staff
Public Service Act, ongoing	904
Public Service Act, temporary, most often for peak company annual return processing	256
ASIC Act consultants, for essential specialist services including investigatory, legal, corporate regulatory and accounting functions	12
Contractors, mainly in information technology	49
Total (average FTE over the year)	1221

The percentage of contract and non-ongoing staff remained steady at about 25%. This helped us meet seasonal peak workloads in document processing, but also reflected market based remuneration and employment packages.

Work environment

Management review and restructure

Resulting from the restructure of our operations, all staff now report to Executive Directors of national directorates. The new structure is expected to help staff work together, as a truly national organisation. As part of the restructure, reporting lines were streamlined to improve decision making.

Performance management

We successfully implemented the first full year of performance management for all staff. Staff performance management established clear responsibilities and objectives for each position, including key performance indicators. Twice a year at a minimum, supervisors met one on one with staff and conducted a formal appraisal. This helped ensure that plans, performance and development needs were properly considered. All staff are eligible for performance-based pay.

Learning and development

Our organisation needs skilled managers and skilled technical specialists. To ensure that we can deliver training that balances these needs, we established a new national framework to plan and deliver both types of programs. This will also bring about a closer tie-in with our performance management system.

Workplace diversity and equal opportunity

We are an equal opportunity employer. At 30 June 2001, women made up 56% of our workforce. One Commissioner, one Executive Director and two Regional Commissioners are women, and women make up 37% of our executives and senior executives.

Occupational health and safety

Broadly speaking, our working environment presented no major health and safety risks. Occupational Health and Safety Committees monitored the workplace and helped reduce risks. Rehabilitation case managers helped ensure injured staff returned to work early. We have an OHS policy and an OHS agreement with the union.

Industrial relations

We successfully completed negotiations with union and staff representatives on a new Certified Agreement. We had no significant national industrial issues or disputes.

Location and profile of staff

As full time equivalents averaged over the year, we employed 548 staff in Victoria, 418 in New South Wales, 99 in Queensland, 75 in Western Australia, 43 in South Australia, 20 in the Australian Capital Territory, 11 in Tasmania and 7 in the Northern Territory.

Staff (average full time equivalents)	No*	%
Operational and support (ASIC 1 – 4)	794	65%
Senior operational staff (EL1 and EL2)	378	31%
Senior Executive Service	37	3%
Others (contract staff under the ASIC Act)	12	1%
Total	1221	100%

* Average full time equivalents

Senior management

Commissioners, Executive Directors and Regional Commissioners

Our Commissioners are full time, see pages 16 and 18. Executive Directors lead seven national directorates, see directorate chapters of this report.

Regional Commissioners, reporting to Commissioners, undertook national roles and represented ASIC in each State and Territory. They are qualified in law or accounting or have extensive regulatory experience.

General Counsel and Chief Accountant

General Counsel is Brendan Byrne, previously counsel for our Regulatory Policy Branch. Ian Mackintosh is Chief Accountant, formerly Director of Accounting Standards at the Australian Accounting Research Foundation.

Outlook

We expect the first half of the year will involve settling down and making adjustments to our new national structure. Since this will be the first time that all staff work through national, not regional, structures, we anticipate some fine tuning.

Under our new national structure, we will be able to link recruitment, induction, performance management and exit strategies, and apply them consistently across Australia. We will also establish more consistent policies and procedures to help us recruit and retain the staff we need.

The ASIC Audit Committee assisted Commissioners to discharge their responsibilities for financial reporting and overseeing the effectiveness and integrity of internal controls and audit processes. The Committee examined internal and external audit matters, risk assessment, fraud control planning, and GST compliance program.

The Audit Committee has between five and six members, at least two of whom (including the Chairman and Deputy Chairman) are suitably qualified persons appointed from outside ASIC.

Chairman Merran Kelsall, BCom (Hons), FCA, MBA, is a Chartered Accountant, Consultant and Company Director. Deputy Chairman Robert Savage, BCom, FCA, is a Chartered Accountant and Company Director.

The internal appointments include at least one Commissioner and at least one Regional Commissioner.

The Committee met six times: three times in August 2000; and once in November 2000, April 2001 and May 2001. Details of membership and attendance were:

Members	Meetings attended
Merran Kelsall (Chairman - appointed 29 January 1998)	6
Robert Savage (Deputy Chairman - appointed 1 March 2000)	5
Karen Axford (appointed 13 May 1998)	6
Sue Carter (retired 30 November 2000)	4
Simon Dwyer (appointed 5 April 2001)	2
Jillian Segal (appointed 6 November 1997)	6

Ms Axford is South Australian Regional Commissioner, Ms Carter was Victorian Regional Commissioner, Ms Segal is Deputy Chair of ASIC, and Mr Dwyer is Tasmanian Regional Commissioner.

The Australian National Audit Office provided external audit services, Chartered Accountants Ernst & Young provided internal audit services, and Simon Farrer held the position of National Manager Audit. Both external and internal audit representatives attended Audit Committee meetings.

Internal audits included reviews of Network Security Arrangements; Corporate Card Compliance; Chart of Accounts; Delegations; Accounts Payable; Payroll Processing; and post implementation reviews of ASIC's GST, Corporations Law Revenue Collection and Human Resource Management systems.

Merran Kelsall, Chairman, ASIC Audit Committee, 4 July 2001

In this section we cover:

- publications
- freedom of Information
- Electoral Act disclosure
- financial comparisons

Publications

We publish the following free publications

- external newsletters: *ASIC News* (regulation and enforcement), *InFocus* (company information); internal staff newsletters: *Shortcuts*, (regulation and enforcement), *Pipeline* (company information).
- brochures: *Don't kiss your money goodbye*, *Super decisions*.
- annual report, occasional reports, papers and information sheets on a wide range of topics accessible through our website or Infoline.

We publish for sale *ASIC Digest*, *ASIC Working Guide for Accountants*, *ASIC Working Guide for Company Secretaries*, *ASIC Good Advice Handbook: investment advisory services*, *ASIC Forms on CD*.

Freedom of Information Act 1982

Members of the public may obtain copies of documents in ASIC's possession under the Commonwealth Freedom of Information Act 1982 (FOI Act) by making an application addressed to the Administrative Law Coordinator in the State or Territory in which the applicant resides or to the Manager, Administrative Law, National Office Sydney.

ASIC maintains the following categories of documents which are in its possession as required by section 8 of the FOI Act

- documents relating to meetings of ASIC, meetings between ASIC and government and non-government bodies, business communities and committees
- documents relating to Parliamentary committees and Parliamentary questions
- papers relating to new and amending legislation
- general correspondence with members of the public
- documents relating to applications from businesses, including
 - correspondence, statistics, policy documents and registration materials relating to licensees, receivers, auditors, liquidators and official liquidators
 - internal working papers and statistics relating to examination and assessment of financial and accounting information, securities and futures and other matters
 - applications and submissions made to ASIC
- documents, books and records of companies and individuals obtained pursuant to ASIC's information gathering powers; investigation reports and prosecution briefs
- documents relating to administrative law matters

- registers of instruments of delegation, direction and authorisation
- documents relating to accommodation, estimates, accounts, expenditure, banking arrangements and internal audit; computer systems and purchases, human resources, recruitment and staff management
- handbooks, guidelines, manuals, policy statements, practice notes, media releases, information releases, pamphlets and annual reports and other documents held as public database information (ASCOT) (see note below).

As required by section 9 of the FOI Act, ASIC makes available to the public the following documents for inspection and purchase by subscription from the Centre for Professional Development, telephone 03 92050600.

ASIC Digest - which contains policy statements, practice notes, information brochures, media releases, information releases, public memoranda, summaries of most ASIC instruments, class orders, ministerial orders, pro formas for applications, legal commentary and accounting commentary.

Note: Documents that are made available to the public on ASCOT, in the *ASIC Digest* and by the Centre for Professional Development are not available under the FOI Act.

Disclosure under Commonwealth Electoral Act 1918

Section 311(A) of this Act requires us to report for the financial year ended 30 June 1999, payments made by us or on our behalf to

- advertising agencies: AORTA Advertising \$20,900 for advertising, creative, production and account service
- market research organisations: Chant Link & Associates \$59,268
- polling organisations: nil
- direct mail organisations: CMR Direct \$33,672 and Security Mailing Services \$53,295
- media advertising organisations: Advertising Investment Services \$124,269 and TMP Worldwide for recruitment advertising \$133,962.

Financial comparisons: Corporations Law and new functions

The Ministerial Council for Corporations asked ASIC to disclose a comparison of costs and revenue attributable to the new functions we received on 1 July 1998, compared with our traditional Corporations Law functions.

	National corporations scheme 2000 – 01	National corporations scheme 1999 – 2000	New financial services functions 2000 – 01	New financial services functions 1999 – 2000	Total 2000 – 01	Total 1999 – 2000
Operating revenue	134.2	130.3	9.9	9.9	144.1	140.2
Operating expenses	131.7	132.1	11.6	10.8	143.3	142.9

	2000/2001	1999/2000	1998/1999	1997/1998	1996/1997	1995/1996
Business information						
Number of registered companies	1,224,207	1,195,851	1,149,297	1,088,192	1,026,206	965,461
New companies incorporated	76,103	105,472	98,038	97,031	92,680	79,259
Company searches through online brokers	2,780,169	2,666,835	2,141,783	1,922,408	1,704,433	1,347,155
Over the counter searches at ASIC offices	102,700	161,069	191,831	284,150	382,252	472,502
ASIC website browses	4,626,700	3,214,852				
Securities dealers	2,250	2,081	1833	1547	1608	1508
Authorised representatives	37,610	36,068	31,392	28,968	25,971	26,763
Investment advisers	224	224	231	227	241	232
Futures brokers	121	120	108	99	97	87
Futures advisers	70	65	64	40	51	35
General insurance brokers	975	1,043				
Life insurance brokers	263	225				
Foreign insurance agents	14	12				
Managed investment schemes registered (previously principal trust deeds approved)	787	1,780	502	313	144	109
Prospectuses lodged	2,744	1,033	707	683	602	466
Takeovers (Parts A & C) registered	81	81	73	76	75	96
ASIC performance data						
Investigations commenced	214	200	207	215	186	155
Litigation concluded	150	173	154	199	178	41*
% successful litigation	71%	75%	75%	75%	75%	75%
% company annual returns lodged on time	96%	94%	91%	94%	90%	78%
Financial summary (\$m)						
Operations						
Total operating expenses	143.3	143.0	145.2	134.6	131.7	144.8
Total operating revenue	144.2	140.2	146.7	130.8	133.3	137.0
Revenue transferred to Commonwealth Consolidated Revenue Fund (\$ m)	372	361	332	326	298	275
Financial position						
Current assets	15.1	12.2	12.1	10.4	13.5	9.8
Non-current assets	22.1	24.9	25.6	25.6	25.8	27.9
Current liabilities	18.6	21.7	17.1	15.6	21.3	18.4
Non-current liabilities	16.4	16.6	18.9	19.6	13.7	17.4
Total liabilities	35.0	38.3	36.0	35.2	35.0	35.7
Total equity	2.2	(1.2)	1.7	0.8	4.3	2.0

* These figures include only major criminal matters.

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Independent audit report

To the Treasurer

Scope

I have audited the financial statements of the Australian Securities and Investments Commission for the year ended 30 June 2001. The financial statements comprise:

- Statement by Commissioners;
- Statements of Financial Performance, Financial Position, and Cashflows;
- Schedules of Contingencies and Commitments;
- Schedules of Administered Revenues and Expenses, Assets and Liabilities, Cashflows, Contingencies and Commitments; and
- Notes to and forming part of the Financial Statements.

The members of the Commission are 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 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, other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view of the entity which is consistent with my understanding of its financial position, the results of its operations and its cashflows.

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

Audit Opinion

In my opinion,

- (i) the financial statements of the Australian Securities and Investments Commission have been prepared in accordance with Schedule 1 of the Financial Statements 2000 – 2001 Orders made under the Commonwealth Authorities and Companies Act 1997 and the Financial Management and Accountability Act 1997; and
- (ii) the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 1 of the Financial Statements 2000 – 2001 Orders, of;
 - the financial position of the Commission as at 30 June 2001 and the results of its operations and its cashflows for the year then ended; and
 - the Commonwealth assets and liabilities as at 30 June 2001 and the revenue, expenses and cashflows of the Commonwealth for the year then ended, which have been administered by the Commission.

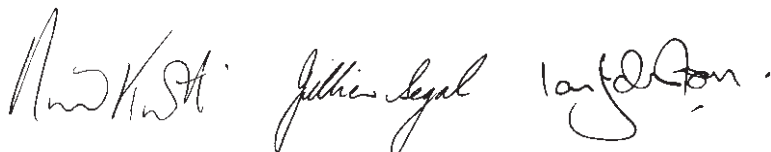
Australian National Audit Office



P Hinchey
Senior Director

Delegate of the Auditor-General
Sydney
29 August 2001

In our opinion, the attached financial statements give a true and fair view of the matters required by Schedule 1 of the Finance Minister's Orders made under the Commonwealth Authorities and Companies Act 1997 and the Financial Management and Accountability Act 1997 for the year ended 30 June 2001.



D.W.Knott
Chairman
August 2001

J. S. Segal
Deputy Chairman
August 2001

I. A. Johnston
Acting Commissioner
August 2001

Statement of financial performance

for the year ended 30 June 2001

	Notes	2001 \$'000	2000 \$'000
Revenues from ordinary activities			
Revenues from government	4	131,621	132,571
Sale of goods and services	5 (a)	1,914	2,050
Interest	5 (b)	1,908	1,889
Proceeds from sale of assets	5 (c)	23	212
Other	5 (d)	8,735	3,691
Total revenues from ordinary activities		144,201	140,413
Expenses from ordinary activities			
Employees	6 (a)	83,051	83,787
Suppliers	6 (b)	50,454	50,471
Depreciation and amortisation	6 (c)	9,479	8,238
Write-down of assets	6 (d)	270	101
Written down value of assets disposed	6 (e)	78	358
Total expenses from ordinary activities		143,332	142,955
Borrowing costs expense	7	–	(230)
Net operating surplus (deficit) from ordinary activities		869	(2,772)
Net surplus (deficit) attributable to the Commonwealth		869	(2,772)
Net credit (debit) to asset revaluation reserve	13	2,434	–
Total revenues, expenses and valuation adjustments recognised directly in equity	13	2,434	–
Total changes in equity other than those resulting from transactions with owners as owners		3,303	(2,772)

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

Statement of financial position

as at 30 June 2001

14

	Notes	2001 \$'000	2000 \$'000
ASSETS			
Financial assets			
Cash	8 (a)	12,277	8,558
Receivables	8 (b)	1,969	2,695
<i>Total financial assets</i>		14,246	11,253
Non-financial assets			
Land and buildings	9 (a)	7,905	5,815
Infrastructure, plant and equipment	9 (b)	8,789	12,704
Intangibles	9 (c)	5,367	6,423
Other	9 (g)	916	980
<i>Total non-financial assets</i>		22,977	25,922
Total assets		37,223	37,175
LIABILITIES			
Interest bearing liabilities			
Loans	10 (a)	–	2,772
<i>Total interest bearing liabilities</i>		–	2,772
Non interest bearing liabilities			
Other	10 (b)	4,693	5,779
<i>Total non interest bearing liabilities</i>		4,693	5,779
Provisions			
Employees	11	26,333	23,633
<i>Total provisions</i>		26,333	23,633
Payables			
Suppliers	12 (a)	3,950	5,863
Other	12 (b, c)	63	247
<i>Total payables</i>		4,013	6,110
Total liabilities		35,039	38,294
EQUITY			
Parent entity interest			
Reserves	13	2,759	325
Accumulated surplus (deficit)	13	(575)	(1,444)
<i>Total parent entity interest</i>		2,184	(1,119)
Total equity		2,184	(1,119)
Current liabilities		18,592	21,728
Non-current liabilities		16,447	16,566
Current assets		15,162	12,233
Non-current assets		22,061	24,942

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

Statement of cash flows

for the year ended 30 June 2001

	Notes	2001 \$'000	2000 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations for outputs		131,465	132,381
Sales of goods and services		4,647	2,611
Interest		1,908	1,876
GST recovered		3,961	–
Other		6,723	1,031
Total cash received		148,704	137,899
Cash used			
Employees		(80,152)	(80,823)
Suppliers		(57,350)	(47,436)
Borrowing costs		(222)	(394)
Total cash used		(137,724)	(128,653)
Net cash from operating activities	14	10,980	9,246
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant & equipment		23	212
Total cash received		23	212
Cash used			
Purchase of property, plant & equipment		(4,512)	(7,652)
Total cash used		(4,512)	(7,652)
Net cash used in investing activities		(4,489)	(7,440)
FINANCING ACTIVITIES			
Cash used			
Capital use paid		–	–
Repayments of debt		(2,772)	(2,050)
Total cash used		(2,772)	(2,050)
Net cash used in financing activities		(2,772)	(2,050)
Net increase (decrease) in cash held		3,719	(244)
Cash at the beginning of the reporting period		8,558	8,802
Cash at the end of the reporting period		12,277	8,558

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

Schedule of commitments

as at 30 June 2001

14

	Notes	2001 \$'000	2000 \$'000
BY TYPE			
Other commitments			
Operating leases (a)		143,293	148,950
Total other commitments		143,293	148,950
Total commitments payable		143,293	148,950
Commitments receivable		(1,323)	(3,173)
Net commitments		141,970	145,777
BY MATURITY			
Operating lease commitments			
One year or less		17,906	20,133
From one to five years		73,234	67,248
Over five years		52,153	61,569
Operating lease commitments		143,293	148,950
All net commitments			
One year or less		16,972	18,666
From one to five years		72,845	65,542
Over five years		52,153	61,569
Net commitments		141,970	145,777

(a) Operating leases are non-cancellable leases for office accommodation

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

Schedule of contingencies

as at 30 June 2001

Contingent losses

There were no contingent losses as at 30 June 2001 (2000 nil)

Contingent gains

There were no contingent gains as at 30 June 2001 (2000 nil)

Schedule of unquantifiable contingent losses/gains

ASIC is party to many civil litigation matters arising out of its statutory duty to administer and enforce laws for which it is responsible. Like any other party to litigation, ASIC is exposed to the risk of being required to pay the other party's costs if unsuccessful.

Similarly, ASIC may be entitled to recover costs arising out of such litigation if it is successful.

There are six such claims against ASIC where proceedings were current as at 30 June 2001. Three of these matters were the subject of reporting last year. Since 30 June 2001, one of the claims against ASIC has been dismissed and another has been settled on confidential terms.

In respect of the four remaining matters, based on legal advice received and save for having to pay legal fees and other out of pocket expenses, ASIC:

- (a) denies liability;
- (b) is confident of successfully defending the action instituted; and
- (c) considers that it will not be required to pay any damages.

Eight claims have been threatened since 1 July 2000. In each case it is not expected that proceedings will be commenced.

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

Schedule of administered revenues and expenses

for the year ended 30 June 2001

14

	Notes	2001 \$'000	2000 \$'000
Revenues from ordinary activities			
Non-taxation			
Revenues from Government	22 (a)	16,322	3,322
Other sources of non-taxation revenues	22 (c)	387,312	359,536
Interest	22 (f)	174	-
<i>Total non-taxation</i>		403,808	362,858
Total revenues from ordinary activities		403,808	362,858
Expenses from ordinary activities			
Write-down and waivers of administered assets	23 (a)	6,969	6,028
Other	23 (b), 1 (f)	11,648	22
<i>Total expenses from ordinary activities</i>		18,617	6,050
Net surplus		385,191	356,808
<i>Transfer to Official Commonwealth Public Account</i>	27	372,349	360,975
Net change in administered net assets		12,842	(4,167)
The above schedule should be read in conjunction with the accompanying notes.			

Schedule of administered assets and liabilities

as at 30 June 2001

	Notes	2001 \$'000	2000 \$'000
ASSETS			
Financial assets			
Cash	24 (a)	4,788	1,134
Receivables	24 (b)	80,133	15,015
Accrued revenues	24 (c)	11,636	7,970
Total assets		96,557	24,119
LIABILITIES			
Provisions			
Refunds	25	365	1,311
Payables			
Other	25	60,620	78
Total provisions and payables		60,985	1,389
Total liabilities		60,985	1,389
EQUITY			
Accumulated results		35,572	22,730
Total equity	26, 1(g)(ii)	35,572	22,730
Current liabilities		11,751	1,389
Non-current liabilities		49,234	–
Current assets		47,323	24,119
Non-current assets		49,234	–

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

Schedule of administered cash flows

for the year ended 30 June 2001

14

	Notes	2001 \$'000	2000 \$'000
OPERATING ACTIVITIES			
Cash received –			
Corporations Law fees & charges		347,739	354,068
Banking Act unclaimed monies		28,264	–
Total cash received		376,003	354,068
Cash used			
Cash to official Commonwealth Public Account	27 (a)		
Corporations Law fees & charges		347,633	360,975
Banking Act unclaimed monies		24,716	–
Total cash used		372,349	360,975
Net cash from (used in) operating activities	27	3,654	(6,907)
Net increase (decrease) in cash held			
		3,654	(6,907)
Cash at the beginning of the reporting period		1,134	8,041
Cash at the end of the reporting period	24 (a)	4,788	1,134

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

Schedule of administered commitments

as at 30 June 2001

There were no administered commitments as at 30 June 2001 (2000 nil)

Schedule of administered contingencies

as at 30 June 2001

There were no administered contingencies as at 30 June 2001 (2000 nil)

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

Note Description

1. Summary of accounting policies
2. Reporting by segments and outcomes
3. Economic dependency
4. Revenues from Government
5. Revenue from independent sources
6. Goods and services expenses
7. Borrowing cost expenses
8. Financial assets
9. Non-financial assets
10. Debt
11. Provisions
12. Payables
13. Equity
14. Cash flow reconciliation
15. Related parties
16. Remuneration of Commissioners and Executive officers
17. Trust monies
18. Expenditure relating to Boards, Panel and Tribunal
19. Auditors remuneration
20. Assets vesting in ASIC
21. Financial instruments
22. Administered revenue
23. Administered expenses
24. Administered financial assets
25. Administered provisions and payables
26. Administered equity
27. Administered cash flow reconciliation
28. Administered - Auditors remuneration
29. Administered financial instruments
30. Appropriations

1. Summary of accounting policies

(a) Objectives of ASIC

The Australian Securities and Investments Commission (ASIC) is an independent Commonwealth government body set up by the *Australian Securities and Investments Commission Act 1989* (ASIC Act) to administer the Corporations Law throughout Australia.

ASIC's objective is to promote the confident and informed participation of investors and consumers in the financial system.

ASIC collects and administers revenue under the *Corporations Law* and prescribed fees set by the *Corporations (Fees) Regulations*.

(b) Basis of accounting

The financial statements and schedules are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements and schedules have been prepared in accordance with:

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

The statements and schedules have been prepared having regard to:

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

The financial statements and schedules for ASIC and Administered items have been incorporated into a combined financial statement and schedule which has been prepared on an accruals basis which is in accordance with the 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 of ASIC or Administered items.

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

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

(c) Administered items

ASIC collects and administers revenue under the *Corporations Law* and prescribed fees set by the *Corporations (Fees) Regulations*. The revenues from these fees are not available to ASIC and are remitted to the Commonwealth's Official Public Account. Transactions and balances relating to these fees are reported as Administered Items.

The Schedules of Administered Revenues and Expenses, Assets and Liabilities, and Cash Flows are prepared on the same basis and using the same policies as for ASIC items, except where otherwise stated at Note 1 (g).

Administered items are distinguished in the Administered schedules and notes by shading.

From 1 July 2001, ASIC will collect all administered revenue under the *Corporations Act 2001*.

(d) Changes in Accounting Policy

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

(e) Reporting by Outcomes

A comparison of Budget and Actual figures by outcome specified in the Appropriation Acts relevant to ASIC is presented in Note 2.

(f) Appropriations

Revenues from Government – Output Appropriations

Parliament appropriates moneys to ASIC as revenue appropriations. Appropriations for outputs are recognised as revenue to the extent they have been received into ASIC's bank account or are entitled to be received by ASIC at year end. Revenues from Government are disclosed in the Statement of Financial Performance.

Resources Received Free of Charge

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

Going Concern

ASIC is a statutory body and prepares its accounts on a going concern basis, which assumes that it is able to extinguish its liabilities as they arise through the normal level of appropriations it receives from

Government and where necessary by seeking an advance from future appropriations or a capital injection.

(g) Other Revenue

Operating revenue from independent sources is mainly comprised of bank interest, business names receipts relating to the administering of the business names register, recoveries of legal costs and prosecution disbursements.

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

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

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

Other revenue is disclosed in the Statement of Financial Performance.

Administered revenue

(i) Definition

Revenues and related assets are considered to arise when the Government, through the application of legislation by ASIC, gains control of the future economic benefits that flow from prescribed fees and other statutory charges.

Administered revenues are disclosed in the Schedule of Administered Revenues and Expenses.

(ii) Recognition

The revenues of the Commonwealth, when administered by ASIC, are recognised on an accruals basis when the following conditions apply:

- the client or the client group can be identified in a reliable manner;
- an amount of prescribed fee or other statutory charge is payable by the client or client group under legislative provisions; and
- the amount of the prescribed fee or other statutory charge payable by the client or the client group can be reliably measured, and it is probable that the amount will be collected.

Statutory Revenue arising from services rendered by ASIC under the *Corporations Law* is collected and deposited in the Commonwealth Public Account (CPA) on behalf of the Commonwealth.

Statutory revenue comprises fees for the lodgement of annual returns and other prescribed fees and voluntary enquiries from clients for microfiche, certificates and document images.

ASIC also determines a reliable estimate of amounts payable by existing clients who have been identified as not having remitted or not lodged an annual return.

(h) Employee entitlements

Leave

The liability for employee entitlements includes a provision for annual leave and long service leave. Accrued employer superannuation contributions in respect of those accrued leave entitlements are also included for the first time in 2000 – 2001. 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 ASIC is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave

entitlements of all employees at 30 June 2001 and is recognised at its nominal amount.

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

Separation and redundancy

Provision is also made for separation and redundancy payments in cases where positions have been formally identified as excess to requirements, the existence of an excess has been publicly communicated, and a reliable estimate of the amount payable can be determined.

Superannuation

The majority of employees contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. There are also a small number of employees covered under state government and private superannuation schemes. The majority of these employees were employed by the various state governments and were transferred to ASIC at its inception in 1989.

Details of Superannuation payments are disclosed in note 6 (a).

(i) Leases

No finance leases existed during the financial year. All leased assets have been classified as operating leases as all the risks and benefits incidental to the ownership of the leased assets substantially remain with the lessor.

Operating lease payments are charged to expense 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 non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

Cash lease incentives are recognised as a liability and are reduced by allocating lease payments between rental expense in the Statement of Financial Performance and the deferred lease incentive liability over the term of the lease.

Lease incentives taking the form of rent free holidays are recognised as a liability. This liability is reduced by allocating lease payments between rental expense and reduction of the liability.

(j) Cash

For the purpose of the Statements of Cash Flows for both ASIC and Administered items, cash includes deposits held at call with a bank.

(k) Taxation

ASIC is exempt from all forms of taxation with the exception of debits tax, fringe benefits tax and the goods and services tax (GST).

Administered items are exempt from all forms of taxation.

(l) 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.

(m) Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition. The \$2,000 threshold was selected because it facilitates efficient asset management and recording without materially affecting asset values recognised. Property, plant and equipment acquired free or for a nominal charge is recognised initially at fair value.

Revaluations

Buildings, plant and equipment are revalued progressively in accordance with the 'deprival' method of valuation in successive 3-year cycles, so that no asset has a value greater than three years old.

Revaluations have been implemented as follows:

- leasehold improvements were revalued progressively during the 2000 – 2001 financial year;
- plant and equipment assets were revalued in full during the 1998-1999 financial year.

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

Any assets which would not be replaced or are surplus to requirements are valued at net realisable value. At 30 June 2001, ASIC had no assets in this situation.

All valuations are independently performed by the Australian Valuation Office.

Recoverable amount test

Schedule 1 requires the application of the recoverable amount test to ASIC's non-current assets in accordance with AAS 10 *Recoverable Amount 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. If an excess exists as at the reporting date, the asset is written down to its recoverable amount immediately. In assessing recoverable amounts, the relevant cash flows, including the expected cash inflows from future appropriations by the Parliament, have been discounted to their present value.

(n) Depreciation and amortisation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to ASIC 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.

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.

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

	2001	2000
Leasehold improvements	Lease term	Lease term
Plant and equipment	2 to 10 years	5 to 10 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 6 (c).

(o) Intangible Assets – computer software

Purchased Software

Purchased software is included in non-financial assets, and is classified under Intangibles. Where substantial installation/implementation costs are incurred and can be reliably measured, these costs are added to the purchase price to arrive at the initial value, otherwise purchase price is used.

Internally developed software

Internally developed business systems and enhancements are measured at cost and these costs are held as software under development until the system or component is released to production, at which time it becomes internally developed software and is recorded as an intangible asset.

The carrying amount of each non-current intangible asset is reviewed to determine whether it is in excess of the asset's recoverable amount. If an excess exists as at the reporting date, the asset is written down to its recoverable amount immediately. In assessing recoverable amounts, the relevant cash flows, including the expected cash inflows from future appropriations by the Parliament, have been discounted to their present value.

No write-down to recoverable amounts has been made in 2000 – 2001.

Intangible assets are amortised on a straight line basis over their anticipated useful lives.

Useful lives are:

	2001	2000
Computer software	3 to 5 years	3 to 5 years

Any enhancements to an existing asset are depreciated over the remaining life of the asset.

(p) Receivables

ASIC receivables comprise amounts expected to be received from operating revenue. A provision for doubtful debts is not considered necessary.

Administered debts deemed uncollectable are written off against a provision for doubtful debts. A provision is raised where some doubt as to its collection exists.

(q) Unclaimed moneys – Administered items

On 1 July 2000 ASIC assumed responsibility for the administration of unclaimed moneys from banking and deposit taking institutions.

Moneys from bank and deposit taking institution accounts inactive for seven years are transferred to the Commonwealth. These unclaimed moneys are deposited in the Consolidated Revenue Fund and are recognised as administered revenue. A provision representing the expected recovery of these moneys less refunds paid, based on an analysis of historical transactions, is recognized in the administered schedules.

(r) Expenditure of Boards, Panel and Tribunal

Pursuant to Sections 171, 202 and 224 of the Australian Securities and Investments Commission Act 1989, and the Superannuation (Resolution of Complaints) Act 1993, ASIC is required to support various boards, panel and tribunal to promote activities which enable ASIC to attain its aims. Employee and administrative expenditure incurred on behalf of these boards, panel and tribunal are included in the Statement of Financial Performance of ASIC (Note 18).

(s) Rounding

Amounts are rounded off to the nearest \$1,000 except in relation to:

- remuneration of Commissioners;
- remuneration of executive officers;
- remuneration of auditors;
- administered fee write off and waivers; and
- administered act of grace payments.

(t) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

(u) Financial instruments

Accounting policies in relation to financial instruments are disclosed in Notes 21 and 29.

(v) Insurance

ASIC has insured for certain risks through the Government's insurable risk managed fund, COMCOVER. Workers compensation is insured through COMCARE Australia.

2. Reporting by segments and outcomes

ASIC's aim is to protect the interests of companies and investors by providing information about companies, helping businesses to interpret the law, and taking action against offenders. ASIC operates in a single industry and has offices in each state and territory in Australia.

ASIC is structured to meet one outcome: A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers.

Outcomes for 2000 – 2001 – net cost to Government

	Outcome	
	Budget	Actual
	\$'000	\$'000
Total administered expenses (a)	23,025	18,617
Add: cost of entity outputs (a)	139,022	143,332
Cost of outcome before extraordinary items (a)	162,047	161,949
Extraordinary items	–	–
Cost to Budget Outcome (a)	162,047	161,949
Outcome specific assets (b)	91,574	133,780
Assets that are not outcome specific	–	–

(a) To comply with Schedule 1 to the Orders made by the Finance Minister for the preparation of Financial Statements, ASIC is required in the above Table to add administered expenses with cost of entity outputs to derive the cost of outcome before extraordinary items. This derived amount is not particularly meaningful in the context of ASIC's accounts as it combines administered and agency monies.

In reality, administered expenses represent revenue foregone to the Commonwealth as a result of refunds and waivers and write offs of fees and charges owing to the Commonwealth (not ASIC) under the *Corporations Law* and are detailed in the Schedule of Administered Revenues and Expenses.

ASIC collects revenue on behalf of the Commonwealth under the Corporations Law.

The cost of entity outputs on the other hand represents the expenses incurred by ASIC less the revenue earned by ASIC from other sources – each of these amounts is detailed in the Statement of Financial Performance.

(b) Total assets and net assets deployed are shown on ASIC's Statement of Financial Position and Schedule of Administered Assets and Liabilities.

3. Economic dependency

ASIC is controlled by the Government of the Commonwealth of Australia.

Accordingly, ASIC is dependent on appropriations from the Commonwealth Parliament for its continued existence and ability to carry out its normal activities and functions under the Corporations Law.

4. Revenues from Government

Revenue from Government	2001 \$'000	2000 \$'000
Appropriations	131,465	132,381
Services received free of charge	156	190
Total	131,621	132,571

5. Revenue from independent sources

(a) Sale of goods and services

Services	1,914	2,050
Cost of services sold	1,386	1,424

(b) Bank interest	1,908	1,889
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(c) Proceeds from sale of assets

Non-financial assets		
Plant & equipment	23	212

(d) Other revenue

Cost recoveries (i)	575	796
Other (ii)	3,497	2,895
Major cost recovery upon litigation settlement (iii)	4,663	–
Total other revenue	8,735	3,691

(i) ASIC has been a litigant in courts. The amounts paid by ASIC for court costs, investigations, professional fees, legal costs and prosecution disbursements are recovered where possible.

(ii) This item is comprised of:

Rent	2,010	1,395
Contribution to Superannuation Complaints Tribunal and Corporations and Securities Panel from the interest accumulated in the Companies Unclaimed Monies Account.	–	1,031
Other, including seminars, royalties and witness cost recoveries	1,487	469
Total	3,497	2,895

	2001 \$'000	2000 \$'000
(iii) Major cost recovery upon litigation settlement	4,663	–

This was the result of a once-off settlement of a major piece of litigation upon the basis that ASIC's costs would be paid in full.

6. Operating Expenses – goods and services

(a) Employee expenses

Basic remuneration for services provided	81,870	82,435
Redundancy and retirement expenses	1,181	1,352
Total employee expenses	83,051	83,787

Redundancy expenses are calculated on the basis of two weeks pay for every year of service by employees made redundant, up to a maximum of 48 weeks.

Employer contributions to superannuation amounting to **\$7,667,817** (1999 – 2000: \$8,116,164) have been expensed in these financial statements and are included in basic remuneration for services provided. The reduction in employer contributions resulted from an independent actuarial review of contribution rates performed during the year.

Contributions to superannuation schemes are at rates calculated to cover existing and emerging obligations.

Employer Superannuation Productivity Benefit contributions totalled **\$1,200,198** (1999 – 2000: \$1,165,005).

(b) Suppliers expenses

Supply of goods and services	36,065	35,723
Operating lease rentals	14,389	14,748
Total suppliers expenses	50,454	50,471

(c) Depreciation and amortisation

Depreciation of building on freehold land	–	3
Depreciation of plant & equipment	5,662	4,833
Amortisation of leasehold improvements	1,250	1,519
Amortisation of intangible assets – computer software	2,567	1,883
Total depreciation and amortisation	9,479	8,238

In accordance with the depreciation and amortisation policy stated at Note 1(n), a review of depreciation / amortisation rates (useful lives) and methods was undertaken. Based on this review, the useful lives of desktop computers were reduced from 5 to 3 years and laptop computers from 5 to 2 years.

The cumulative financial effect of this as at 30 June 2001 was an increase of \$1,547,482 in depreciation of plant & equipment.

	2001 \$'000	2000 \$'000
(d) Write down of non-financial assets		
Plant and equipment – write-off	270	101
(e) Disposal of non-financial assets		
Non-financial assets - Plant & equipment:		
Revenue (proceeds) from sale	(23)	(212)
Expense (written down value of items disposed) from sale	78	358
	55	146

Proceeds from the sale of assets are also disclosed in Note 5 (c).

7. Borrowing Cost Expenses

Interest on loan from future parliamentary appropriations.	–	230
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8. Financial assets

(a) Cash

Cash at bank and on hand	3,667	6,423
Deposits at call	8,610	2,135
	12,277	8,558

Balance of cash as at 30 June shown in the Statement of Cash Flows	12,277	8,558
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(b) Receivables

Trade debtors	1,377	2,627
GST receivable	592	68
	1,969	2,695

Receivables (gross) are aged as follows:

– less than 30 days	1,334	2,621
– 30 to 60 days	223	60
– 60 to 90 days	143	14
– more than 90 days	269	–
Total receivables (gross)	1,969	2,695

	2001 \$'000	2000 \$'000
9. Non-financial assets		
(a) Land and buildings		
Leasehold improvements – at cost	975	3,593
Accumulated amortisation	(115)	(417)
	860	3,176
Leasehold improvements – at valuation 2001 (i) (note 9 (e))	16,737	–
Leasehold improvements – at valuation 1998 (note 9 (e))	–	8,942
Accumulated amortisation	(9,692)	(6,303)
	7,045	2,639
Total land and buildings (note 9 (d))	7,905	5,815
(i) The revaluation of the Leasehold Improvements was performed on 30 June 2001 in accordance with the progressive revaluation policy stated at Note 1(m) by an independent valuer from the Australian Valuation Office (Simon B. O'Leary AAPI MSAA).		
(b) Plant and equipment		
Plant and equipment – at cost	15,463	13,605
Less accumulated depreciation	(7,976)	(3,906)
	7,487	9,699
Plant and equipment – at valuation 1999 (note 9 (e))	16,722	19,787
Less accumulated depreciation (note 9 (e))	(15,420)	(16,782)
	1,302	3,005
Total plant and equipment (note 9 (d))	8,789	12,704
(c) Intangible assets – computer software		
Computer software – internally developed – in progress (note 9 (f))	730	1,265
Computer software (note 9 (d))	11,017	8,971
Accumulated amortisation (note 9 (d))	(6,380)	(3,813)
Total intangibles	5,367	6,423

(d) Movement summary 2000 – 2001 for all buildings, plant & equipment and intangible assets irrespective of valuation basis

Item	Buildings	Plant & Equipment	Computer software-intangibles	Total
	\$'000	\$'000	\$'000	\$'000
Gross value as at 1 July 2000	8,221	33,392	10,236	51,849
Additions: – Purchase of assets	990	2,011	1,511	4,512
Revaluations: write-ups/(write-downs)	2,434	–	–	2,434
Write-offs	(148)	(2,141)	–	(2,289)
Disposals	–	(1,077)	–	(1,077)
Other movements (i)	6,215	–	–	6,215
Gross value as at 30 June 2001	17,712	32,185	11,747	61,644
Accumulated depreciation / amortisation as at 1 July 2000	2,406	20,688	3,813	26,907
Disposals	–	(999)	–	(999)
Depreciation / amortisation charge for the year	1,250	5,662	2,567	9,479
Write-offs	(64)	(1,955)	–	(2,019)
Other movements (i)	6,215	–	–	6,215
Accumulated depreciation / amortisation as at 30 June 2001	9,807	23,396	6,380	39,583
Net book value as at 30 June 2001	7,905	8,789	5,367	22,061
Net book value as at 1 July 2000	5,815	12,704	6,423	24,942

(i) The Leasehold Improvements were revalued on 30 June 2001 at current replacement cost. In order to reflect the current replacement cost, adjustments have been made to the gross values and related accumulated depreciation.

(e) Summary of balances of buildings, plant & equipment and intangible assets at valuation as at 30 June 2001

As at 30 June 2001				
Gross value	16,737	16,722	–	33,459
Accumulated Depreciation / Amortisation	9,692	15,420	–	25,112
Net book value	7,045	1,302	–	8,347
As at 30 June 2000				
Gross value	8,942	19,787	–	28,729
Accumulated Depreciation / Amortisation	6,303	16,782	–	23,085
Net book value	2,639	3,005	–	5,644

(f) Summary of intangible assets under construction as at 30 June 2001

Item	Computer software – intangibles	Total
	\$'000	\$'000
As at 30 June 2001		
Gross value	730	730
Accumulated Depreciation / Amortisation	–	–
Net book value	730	730
As at 30 June 2000		
Gross value	1,265	1,265
Accumulated Depreciation / Amortisation	–	–
Net book value	1,265	1,265

(g) Other non-financial assets

	2001 \$'000	2000 \$'000
Other prepayments	916	980
Total other non-financial assets	916	980

10. Debt

(a) Interest bearing liabilities – Loan

Loan from future parliamentary appropriations	–	2,772
Maturity schedule for loan:		
Payable: – within one year	–	2,772
Total loan	–	2,772

(b) Non interest bearing liabilities – Other debt

Property lease incentives (i)	4,235	4,529
The property lease incentive liability is repayable as follows:		
within one year	756	1,060
within one to two years	679	617
within two to five years	2,056	1,379
more than five years	744	1,473
	4,235	4,529
Property sub-lease (surplus space) (ii)	458	1,250
The net liability in respect of future payments for surplus space on non-cancellable leases is as follows:		
within one year	391	802
within one to two years	67	375
within two to five years	–	73
	458	1,250
Total leases	4,693	5,779

(i) Total property lease incentives represent deferred rental expenditure accrued as at 30 June 2001. The payment of these amounts will be made over the life of the leases, commencing after the expiry of the rent deferral periods.

(ii) The surplus space on non-cancellable leases has been recognised as a liability and an expense. The above amounts for operating lease rentals include the total expected outlay relating to surplus space as specified in the leases and are determined net of probable sub-lease revenue.

	2001 \$'000	2000 \$'000
11. Provisions		
Employee Entitlement Provisions		
Salaries and wages	4,421	2,396
Provision for Leave	20,815	19,840
Superannuation	1,097	1,397
Aggregate employee entitlement liability	26,333	23,633

Employer contributions to superannuation for accrued annual leave and accrued long service leave were recognised for the first time in 2000 – 2001. The cumulative financial effect of this as at 30 June 2001 was an increase of \$607,295 in long service leave and annual leave liabilities.

12. Payables

(a) Supplier payables

Trade creditors	3,863	5,860
GST payable	87	3
	3,950	5,863

(b) Interest payable

Interest payable on loan from future parliamentary appropriations	–	222
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(c) Prepayments received

Revenue received in advance	63	25
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13. Equity

Item	Accumulated results		Asset revaluation reserve		TOTAL EQUITY	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Balance 1 July 2000	(1,444)	1,328	325	325	(1,119)	1,653
Operating result	869	(2,772)	–	–	869	(2,772)
Net revaluation increase (a)	–	–	2,434	–	2,434	–
Balance 30 June 2001	(575)	(1,444)	2,759	325	2,184	(1,119)

	2001 \$'000	2000 \$'000
(a) The net revaluation increase in the asset revaluation reserve comprises:		
revaluation increment – leasehold improvements (refer to note 1 (m)).	2,434	–

14. Cash flow reconciliation

Reconciliation of Net operating surplus (deficit) to net cash provided by operating activities

Operating surplus / (deficit)	869	(2,772)
Depreciation and amortisation of property, plant & equipment and intangibles	9,479	8,238
Net loss on disposal of property, plant and equipment	55	146
Write down of property, plant and equipment assets	270	1,252
Internally developed software	–	(1,577)
Changes in assets and liabilities		
Increase/(decrease) in employee provisions	2,700	2,231
Decrease/(increase) in other assets	64	747
Decrease/(increase) in receivables	726	(1,143)
(Decrease)/increase in liability to suppliers	(1,913)	4,604
(Decrease)/increase in other payables	(222)	(164)
(Decrease)/increase in non interest bearing liabilities	(1,086)	(1,911)
Increase / (decrease) in other liabilities	38	(405)
Net cash provided by operating activities	10,980	9,246

15. Related parties

The Commissioners of ASIC during the year were:

D.W. Knott (Chairman from 18 November 2000, Deputy Chairman up to 17 November 2000)

J. S. Segal (Deputy Chairman from 18 November 2000, Commissioner up to 17 November 2000)

I. A. Johnston (Acting Commissioner from 29 April 2001)

A. J. Cameron (Chairman up to 17 November 2000)

The aggregate remuneration of Commissioners is disclosed in note 16(a).

There were no loans made to Commissioners or Commissioner related entities during the reporting period.

There were no other transactions with Commissioners or Commissioner related entities during the reporting period.

There were no transactions with other related parties during the reporting period.

16. Remuneration of Commissioners and Executive Officers

	2001 \$	2000 \$
(a) Remuneration of Commissioners		
Aggregate amount of superannuation payments in connection with the retirement of Commissioners	53,559	66,250
Other remuneration received or due and receivable by Commissioners	939,654	765,662
Total remuneration received or due and receivable by Commissioners	993,213	831,912

The basis for the calculation of Commissioners' remuneration has changed this year from cash to accruals, in line with Urgent Issues Group (UIG) Abstract 14 'Directors' Remuneration'. For the first time, remuneration is determined on the basis of the cost to the entity. The effect is to increase the reported figures relative to the previous year by leave credits accrued, but not used, in the financial year.

The number of Commissioners included in these figures is shown below in the relevant remuneration bands.

	2001 Commissioners	2000 Commissioners
\$170,001 – \$180,000	1*	–
\$210,001 – \$220,000	1	–
\$250,001 – \$260,000	–	1
\$270,001 – \$280,000	–	1
\$280,001 – \$290,000	1	–
\$290,001 – \$300,000	–	1
\$310,001 – \$320,000	1	–
* includes redundancy / retirement payment	4	3

As a consequence of adopting Urgent Issues Group (UIG) Abstract 14 'Directors' Remuneration', apparent increases in remuneration contained in the above bands may result from the inclusion of leave accrued but not taken and should not be assumed to reflect an increase in the agreed remuneration package of the Commissioners.

(b) Remuneration of Executive Officers

	2001 \$	2000 \$
The aggregate amount of total remuneration of officers shown below is:	5,645,429	5,166,683
The number of officers who received or were due to receive total remuneration of \$100,000 or more in the relevant income bands is shown below:	Executives	Executives
\$100,001 – \$110,000	–	3
\$110,001 – \$120,000	1	–
\$120,001 – \$130,000	5*	2*
\$130,001 – \$140,000	3	10
\$140,001 – \$150,000	6*	7*
\$150,001 – \$160,000	2	2
\$160,001 – \$170,000	3	2
\$170,001 – \$180,000	5	3
\$180,001 – \$190,000	4	3*
\$200,001 – \$210,000	1	1
\$210,001 – \$220,000	2*	–
\$270,001 – \$280,000	1*	–
\$280,001 – \$290,000	1*	–
\$310,001 – \$320,000	–	1
* includes redundancy / retirement payment	34	34

As a consequence of adopting Urgent Issues Group (UIG) Abstract 14 'Directors' Remuneration', apparent increases in remuneration contained in the above bands may result from the inclusion of leave accrued but not taken and should not be assumed to reflect an increase in the agreed remuneration package of the executive officers.

The executive remuneration includes all Executive Officers concerned with or taking part in the management of ASIC during 2000 – 2001 except for the Commissioners. Details in relation to Commissioners have been incorporated into Note 16 (a) – Remuneration of Commissioners.

17. Trust monies

ASIC has established a number of trust accounts. Monies received are placed in special bank accounts and expended in accordance with the *Corporations Law* and the *Life Insurance Act 1995*. These monies are generally not available for other purposes of ASIC and are not recognised in the financial statements or schedules.

	2001 \$'000	2000 \$'000
Section 462 Companies Code receipts (represented by cash at bank)		
Opening balance	98	194
Receipts	91	160
Interest received	2	3
Disbursements	(37)	(259)
Closing balance	154	98
Security Deposits under s786(2)(d) (Dealers & investment advisers)		
Cash (at bank)	140	160
Interest bearing deposits (at bank)	940	1,180
Inscribed stock	120	120
Insurance bonds	20	40
Bank guarantees	40,472	38,900
Total	41,692	40,400
Security Deposits under s1284(1) (Liquidators)		
Insurance bonds	5,650	8,400
Bank guarantees	500	250
Total	6,150	8,650
Life Insurance Unclaimed Monies Account s216 Life Insurance Act 1995		
Opening balance	419	414
Appropriation	1,500	1,500
Interest	17	28
Disbursements	(1,878)	(1,521)
Bank Charges	(2)	(2)
Closing balance	56	419
Total Funds transferred to Consolidated Revenue in accordance with s216(3)	5,006	4,112

	2001 \$'000	2000 \$'000
Trust monies held under s1323 of the Corporations Law		
Opening balance	–	6,644
Receipts	–	–
Interest received	–	191
Disbursements	–	(6,835)
Closing balance	–	–
Settlements monies held pending the outcome of legal proceedings (represented by cash at bank)		
Opening balance	3,986	3,058
Receipts	10,859	11,615
Interest received	238	145
Disbursements	(8,802)	(10,832)
Closing balance	6,281	3,986
Companies Unclaimed Monies Account (Part 9.7) (represented by cash at bank)		
Opening balance	24,769	25,328
Receipts	3,171	3,054
Interest received	1,333	1,254
Disbursements	(657)	(1,152)
Bank Charges	(3)	(4)
Special Purpose	–	(2,556)
Management costs recovered by ASIC	(341)	(385)
Consolidated revenue transfer	(2,342)	(770)
Closing balance	25,930	24,769

18. Expenditure relating to Statutory Boards, Panel and Tribunal

Pursuant to Sections 171, 202 and 224 of the *Australian Securities and Investments Commission (ASIC) Act 1989*, ASIC is required to support statutory boards and a panel to promote activities which assist ASIC to attain its aims.

Corporations and Securities Panel (CSP) – budgetary control over the CSP was transferred to the Treasury from 2 February 2000.	–	538
Companies Auditors and Liquidators Disciplinary Board (CALDB)	439	493
Australian Accounting Standards Board (AASB)	1,500	1,414
Superannuation Complaints Tribunal	2,691	2,007

The Superannuation Complaints Tribunal (SCT) is an independent body with distinct responsibilities as set out under the Superannuation (Resolution of Complaints) Act 1993 but operates under the budgetary umbrella of ASIC as from 1 July 1998.

Employee and administrative expenditure incurred on behalf of these boards, panel and tribunal are included in the Statement of Financial Performance of ASIC.

19. Auditors remuneration

	2001 \$	2000 \$
Remuneration to the Auditor-General for auditing the financial statements of ASIC in respect of the reporting period.	115,000	113,000

20. Assets of deregistered companies vesting in ASIC

During the financial year section 601AD of the Corporations Law provided that, on deregistration of a company, all of the company's property vested in ASIC. ASIC adopts a passive approach to administering vested property and accounts for those assets as if it were a trustee.

ASIC generally only deals with vested property once an application is made by a third party for ASIC to exercise its powers under section 601AE of the Corporations Act 2001 (previously, and during the financial year, section 601AE of the Corporations Law). ASIC therefore does not consider it to be appropriate that the value of any identified property vesting be recorded, or disclosed, in these financial statements.

Assets vesting in ASIC include the following categories: Land & Buildings, Property Plant & Equipment, Intangibles, Investments and Shares.

21. 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)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Deposits at call	8 (a)	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Temporarily surplus funds, mainly from monthly drawdowns of appropriation, are placed on deposit at call with ASIC's banker. Interest is earned on the daily balance at the prevailing daily rate for money on call and is paid at month end.
Receivables (goods and services)	8 (b)	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 14 days (1999 – 2000: 14 days).
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Lease incentives	10 (b)	The lease incentive is recognised as a liability on receipt of the incentive. The amount of the liability is reduced on a straight-line basis over the life of the lease by allocating lease payments between rental expense and reduction of the liability.	
Trade creditors	12 (a)	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.	Settlement is usually made net 30 days.

21. Financial instruments (cont.)

(b) Interest rate risk

Financial instrument	Notes	Floating interest rate		Fixed interest rate						Non-interest bearing		Total		Weighted Average Effective Interest Rate	
		2001 \$'000	2000 \$'000	1 year or less		1 to 2 years		> 2 years		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 %	2000 %
				2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000						
Financial assets (recognised)															
Cash at bank	8 (a)	3,598	6,354	-	-	-	-	-	-	-	-	3,598	6,354	4.9	4.4
Cash on hand	8 (a)	-	-	-	-	-	-	-	-	69	69	69	69	n/a	n/a
Deposits at call	8 (a)	8,610	2,135	-	-	-	-	-	-	-	-	8,610	2,135	6.0	5.7
Receivables for goods and services	8 (b)	-	-	-	-	-	-	-	-	1,969	2,695	1,969	2,695	n/a	n/a
Total financial assets (recognised)		12,208	8,489	-	-	-	-	-	-	2,038	2,764	14,246	11,253		
Total assets												37,223	37,175		
Financial liabilities (recognised)															
Non-bank loans	10 (a)	-	-	-	2,772	-	-	-	-	-	-	-	2,772	n/a	8.0
Leases	10 (b)	-	-	-	-	-	-	-	-	4,693	5,779	4,693	5,779	n/a	n/a
Trade creditors	12 (a)	-	-	-	-	-	-	-	-	3,950	5,863	3,950	5,863	n/a	n/a
Other creditors	12 (b),(c)	-	-	-	-	-	-	-	-	63	247	63	247	n/a	n/a
Total financial liabilities (recognised)		-	-	-	2,772	-	-	-	-	8,706	11,889	8,706	14,661		
Total liabilities												35,039	38,294		

21. Financial instruments (cont.)

(c) Net fair values of financial assets and liabilities

Financial assets	2001		2000	
	Total carrying amount	Aggregate net fair value	Total carrying amount	Aggregate net fair value
	\$'000	\$'000	\$'000	\$'000
Cash at bank	3,598	3,598	6,354	6,354
Cash on hand	69	69	69	69
Deposits at call	8,610	8,610	2,135	2,135
Receivables for goods and services	1,969	1,969	2,695	2,695
	14,246	14,246	11,253	11,253
Financial liabilities				
Non-bank loans	–	–	2,772	2,772
Leases	4,693	4,693	5,779	5,779
Trade creditors	3,950	3,950	5,863	5,863
Other creditors	63	63	247	247
	8,706	8,706	14,661	14,661

Financial assets

The net fair values of cash and deposits on call approximate their carrying amounts.

Financial liabilities

The net fair values of non-bank loans are approximated by their carrying amounts.

The net fair value of surplus space on non-cancellable leases has been recognised as a liability and stated at net present value of future net outlays.

The net fair values for trade and other creditors, all of which are short-term in nature, are approximated by their carrying amounts.

(d) Credit risk exposures

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

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

	2001 \$'000	2000 \$'000
22. Administered revenue		
(a) Revenue from the Government		
Transfers from Official Public Account	1,300	3,300
Administered services received free of charge (b)	22	22
Special Appropriation draw down – Banking Act Unclaimed money	15,000	–
	16,322	3,322

(b) Services received free of charge

Financial statement audit services by the Auditor-General are provided free of charge to ASIC in relation to the audit of Corporations Law revenue items. The fair value of audit services provided is **\$22,000** (1999 – 2000: \$22,000).

(c) Other sources of non-taxation revenues

Corporations Law fees and charges (d)	362,596	359,536
Monies received from Banks and Deposit taking institutions (e)	24,716	–
	387,312	359,536

(d)	Note	2001 \$'000	2001 \$'000	2001 \$'000	2000 \$'000	2000 \$'000	2000 \$'000
Corporations Law fees and charges		Fines	Fees	Total	Fines	Fees	Total
Mandatory collections	(i)	29,627	303,023	332,650	23,455	306,821	330,276
Information broker fees	(ii)	–	26,437	26,437	–	26,310	26,310
Court recoveries	(ii)	1,843	–	1,843	718	–	718
Voluntary enquiries	(iii)	–	1,666	1,666	–	2,232	2,232
Total Corporations Law fees and charges		31,470	331,126	362,596	24,173	335,363	359,536

(i) Fees and charges arising from acts which are mandatory under the *Corporations Law*. Examples include lodgement of Annual Returns and other fees prescribed in Fees Regulations.

(ii) Fees and charges arising from other acts under the *Corporations Law*. Examples include Information Brokers Fees and Court recoveries relating to the Summary Prosecutions program.

(iii) Fees and charges arising from voluntary enquiries from clients. Examples include requests for Extracts, Microfiche records, Certificates and Document Images.

		2001 \$'000	2000 \$'000
(e) Other – Monies received from Banks and Deposit taking institutions.			
Monies received from banks and deposit taking institution accounts inactive for seven years, (note 1 (q)).			
		24,716	–
(f) Bank interest			
Bank interest from Banking Act Unclaimed Money account			
		174	–
23. Administered expenses			
(a) Write Down of Administered Assets – Corporations Law			
	Note		
Write off of fees and charges	(i)	2,335	2,726
Increase in provision for doubtful debts	(ii)	1,666	532
Total		4,001	3,258
Waiver of fees and charges owing	(iii)	2,968	2,770
Total write down of assets		6,969	6,028
(b) Other expenses			
Refunds paid to bank and deposit taking institution account holders (note 1 (q))			
		11,626	–
Audit fees			
		22	22
		11,648	22

(i) The number, and aggregate amount, of Commonwealth monies, written off during the financial year pursuant to section 47 of the *FMA Act 1997* is 13,088 items totalling **\$2,334,695** (1999 – 2000: 10,442 items totalling \$2,725,143).

(ii) An increase in the provision for doubtful debts over last year of **\$1,665,500** provides a calculated equivalent to 28% of debts over 90 days (1999 – 2000: 19%), totalling **\$3,399,800** (1999 – 2000: \$1,734,298). The level of the provision was re-appraised at 30 June 2001 following the introduction of a new revenue system and new debt management practices, and is considered soundly based.

(iii) The number, and aggregate amount, of amounts owing to the Commonwealth, the recovery of which was waived during the financial year pursuant to subsection 34(1) of the *FMA Act 1997* is 17,277 items totalling **\$2,967,946**. (1999 – 2000: 18,958 items totalling \$2,770,050).

	2001 \$'000	2000 \$'000
24. Administered financial assets		
(a) Cash		
Cash at bank and on hand – Corporations Law	1,241	1,134
Cash at bank – Banking Act	3,547	–
	4,788	1,134
Balance of cash as at 30 June shown in the Schedule of Administered Cash Flows	4,788	1,134
(b) Receivables		
Corporations Law		
Corporations Law fees and charges	17,898	11,931
Information brokers fees	5,130	4,818
Gross receivables	23,028	16,749
Less: provision for doubtful debts	(3,400)	(1,734)
	19,628	15,015
Banking Act		
Appropriation receivable – <i>Banking Act</i> unclaimed moneys.	60,505	–
	80,133	15,015
The total of uncollected <i>Corporations Law</i> Commonwealth revenue classified by age analysis is as follows:		
less than 30 days	7,706	6,385
30 to 60 days	845	691
61 to 90 days	2,562	698
More than 90 days	11,915	8,975
Total owing	23,028	16,749
(c) Accrued revenues		
Corporations Law		
Annual returns not yet lodged	8,727	5,977
Late fees attributable to annual returns	2,909	1,993
	11,636	7,970

	2001 \$'000	2000 \$'000
25. Administered provisions and payables		
Provisions		
<i>Corporations Law Refunds</i>	365	1,311
Payables		
Other trust monies – <i>Corporations Law</i>	115	78
Provision for unclaimed moneys repayments – <i>Banking Act</i>	60,505	–
	60,620	78
Total	60,985	1,389

26. Administered equity

Item	Accumulated results		Total Equity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Balance 1 July	22,730	26,897	22,730	26,897
Surplus/(Deficit)	12,842	(4,167)	12,842	(4,167)
Balance 30 June	35,572	22,730	35,572	22,730

Administered equity is held on behalf of the Commonwealth (see also Note 1(g)(ii)).

	2001 \$'000	2000 \$'000
27. Administered Cash Flow Reconciliation		
Reconciliation of net contribution to budget outcome to net cash provided by operating activities		
Net contribution to budget outcome	385,191	356,808
Cash to Commonwealth Public Account (a)	(372,349)	(360,975)
Net increase in administered assets from operations	12,842	(4,167)
Increase/(decrease) in provision for doubtful debts	1,666	532
Increase/(decrease) in other payables	59,596	(3,413)
(Increase) in receivables	(66,784)	(31)
(Increase)/decrease in accrued revenue	(3,666)	172
Net cash provided by / (used in) operating activities	3,654	(6,907)
(a)		
Cash to Commonwealth Public Account – Corporations Law	347,633	360,975
Cash to Commonwealth Public Account – Banking Act Unclaimed Monies	24,716	–
	372,349	360,975
28. Auditors remuneration – Administered items		
	2001 \$	2000 \$
Financial statement audit services by the Auditor-General are provided free of charge to ASIC in relation to the audit of Corporations Law revenue (administered) items.	22,000	22,000

29. Administered 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 and conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Deposits at call	24 (a)	Deposits are recognised at their nominal amounts.	Monies awaiting payment to the CPA are held at call with ASIC's banker.
Receivables – Corporations Law fees outstanding.	24 (b)	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 30 days (1999 – 2000: 30 days).
Accrued revenues	24 (c)	As for Receivables – Corporations Law fees outstanding.	As for Receivables – Corporations Law fees outstanding.
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Refunds	25	These amounts are payable to companies that have either paid in excess of what has been assessed or as a result of waiving a late fee. Refunds are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	Refunds awaiting payment to companies are held at call with ASIC's banker.
Payable to the CPA	25	Monies held awaiting payment to the CPA for Corporations Law fees and charges. Payables to the CPA are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	Monies awaiting payment to the CPA are held at call with ASIC's banker.
Provision for unclaimed moneys repayments	25	A provision is recognised at a nominal value representing the expected recovery of these moneys less refunds already made, based on an analysis of historical transactions.	This comprises moneys which have been paid to the Commonwealth government as unclaimed moneys in accordance with section 69 of the Banking Act 1959. These moneys may be claimed by depositors or their legal representatives by applying to the deposit taking institution concerned. Interest is not paid by the Commonwealth in relation to these moneys.

(b) Interest Rate Risk : Administered

Financial instrument	Notes	Floating interest rate	Floating interest rate	Fixed interest rate		Non-interest bearing		Total	Total	Weighted Average Effective Interest Rate	Weighted Average Effective Interest Rate
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 %	2000 %
Financial assets (recognised)											
Deposits at call	24(a)	3,547	-	-	-	1,241	1,134	4,788	1,134	4.8	n/a
Receivables	24(b)	-	-	-	-	80,133	15,015	80,133	15,015	n/a	n/a
Accrued revenue	24(c)	-	-	-	-	11,636	7,970	11,636	7,970	n/a	n/a
Total financial assets (recognised)		3,547	-	-	-	93,010	24,119	96,557	24,119	-	-
Total assets								96,557	24,119	-	-
Financial liabilities (recognised)											
Refunds	25	-	-	-	-	365	1,311	365	1,311	n/a	n/a
Other Trust monies	25	-	-	-	-	115	78	115	78	n/a	n/a
Provision for Banking Act unclaimed											
Moneys repayments	25	-	-	-	-	60,505	-	60,505	-	n/a	n/a
Total financial liabilities (recognised)		-	-	-	-	60,985	1,389	60,985	1,389	-	-
Total liabilities								60,985	1,389	-	-

(c) Net fair values of administered financial assets and liabilities

Administered financial assets	2001 Total carrying amount \$'000	2001 Aggregate net fair value \$'000	2000 Total carrying amount \$'000	2000 Aggregate net fair value \$'000
Cash at bank and on hand	4,788	4,788	1,134	1,134
Fees receivable	80,133	80,133	15,015	15,015
Accrued revenue	11,636	11,636	7,970	7,970
Total financial assets	96,557	96,557	24,119	24,119
Financial liabilities (recognised)				
Refunds	365	365	1,311	1,311
Other	115	115	78	78
Provision for unclaimed moneys repayments	60,505	60,505	-	-
Total financial liabilities (recognised)	60,985	60,985	1,389	1,389

Financial assets

The net fair values of cash and deposits on call approximate their carrying amounts. Receivables are carried at assessed value, which is equal to their net fair value.

Financial liabilities

Refunds are carried at their nominal value.

(d) Administered Credit Risk Exposures

The 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 Schedule of Administered Assets and Liabilities, for the Administered accounts.

There are no significant exposures to any concentrations of credit risk in regard to the Administered accounts.

30. Appropriations

ASIC received the following appropriations during the year out of the Consolidated Revenue Fund:

	2001 \$'000	2000 \$'000
Annual Appropriation Acts Nos 1,3 – basic appropriation	131,465	132,381
Other Appropriations		
Life Insurance Unclaimed Monies Account		
s216 Life Insurance Act 1995	1,500	1,500
Appropriation – Banking Act unclaimed moneys	15,000	-

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