

SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS  
AUSTRALIAN CUSTOMS SERVICE

**Question No. 67**

**Senator Ludwig asked the following question at the hearing on 13 February 2007:**

With regards to the Passenger Movement and Intelligence Output at figure 5 page 26 in the 2005-06 Annual Report:

- a) What was the cause of the \$1.1million underspend on passenger movement and intelligence?
  - i) What happened with this funding? i.e. has it been rephased, reallocated to other areas of Customs, etc.
- b) With regards to Output Group 3 (Cargo Regulation Trade Facilitation and Revenue Collection) in the 2005-06 Annual Report:
  - i) What was the cause of the \$7.372million overspend in this output
  - ii) Where did the additional funding come from? i.e. was it provided by government, re-allocated from other areas of Customs, etc.
  - iii) What percentage (per the statement in the notes) of the variation primarily related to an adjustment to Customs funding associated with the transportation and storage of fire-arms made up the final figure?
  - iv) Why was this variation necessary?
- c) With regards to Revenue from Government for Appropriation for Agency Outputs:
  - i) Provide a breakdown for the \$6.635 million figure that was unspent or under budget;
  - ii) Provide an explanation as to the reason for the variations;
  - iii) Provide a breakdown of the \$6.531 million revenue increase from other sources;
  - iv) Where does this revenue increase come from?

**The answer to the honourable senator's question is as follows:**

- a) The \$1.1 million underspend represents a 0.39% variation to budget. This is a minor variance with no significant underlying causes.
  - i) Customs made a small surplus for the year of \$2.6 million (0.3% of total budget) and the \$1.1 million underspend on this output contributed to this result.
- b)
  - i) The principal variance in this output relates to costs incurred associated with the transportation and storage of firearms. Whilst Customs incurred costs associated with these activities it did not receive funding of \$3.5m during 2005-06. This funding was provided to Customs from 2006-07.
  - ii) As mentioned above, Customs made a small surplus for the 2005-06 financial year and this overspend, offset by underspends in other areas, was one component of the final result for the organisation. Funding was not removed from other activities of the organisation to meet the overspend in output 3.
  - iii) 47.5% of the variance relates to an adjustment to Customs funding associated with the transportation and storage of firearms.
  - iv) See above.

c)

- i) Two items explain this variance. An adjustment of \$7.1m to Customs appropriation in 2005-06 that was related to prior years was offset by the accrual of revenue associated with additional funding of \$0.465m for Passenger Workload Growth.
- ii) From an accounting perspective, revenue must be recognised in the year it is earned. This can sometimes be different to the year in which it is appropriated. This variance results from adjustments to reflect this difference.
- iii) The majority of the revenue (\$4.6m) relates to resources received free of charge (RRFOC) adjustments. The remainder is represented by minor variances in Section 31 revenue receipts.
- iv) RRFOC is a notional accounting entry that provides no actual revenue to the organisation. It simply reflects an assessment of the value of service provided for which the organisation made or received no payment.