

# *Forecast Financial Statements*

## *Inland Revenue Department*

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## Statement of Forecast Comprehensive Income for the year ending 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Income</b>					
Crown		610,711	646,334	638,419	662,226
Department(s)		7,278	7,434	8,634	4,669
Other revenue	1	22,964	25,018	31,518	25,018
Gains		72	-	-	-
Interest		-	-	-	-
<b>Total Income</b>		<b>641,025</b>	<b>678,786</b>	<b>678,571</b>	<b>691,913</b>
<b>Expenses</b>					
Personnel		405,614	437,412	404,932	433,788
Operating	2	159,386	157,160	175,352	177,275
Depreciation and amortisation	3	60,214	63,017	67,758	59,431
Capital charge		17,926	21,197	20,939	21,328
Finance costs		-	-	-	-
Other		464	-	90	91
<b>Total Expenses</b>	4	<b>643,604</b>	<b>678,786</b>	<b>669,071</b>	<b>691,913</b>
<b>Net Surplus / (Deficit)</b>	5	<b>(2,579)</b>	<b>-</b>	<b>9,500</b>	<b>-</b>
Other comprehensive income		-	-	-	-
<b>Total Comprehensive Income</b>		<b>(2,579)</b>	<b>-</b>	<b>9,500</b>	<b>-</b>

## Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Balance at 1 July</b>					
General funds		241,292	264,963	261,737	266,606
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Taxpayers' Funds Opening Balance</b>		241,292	264,963	261,737	266,606
<b>Changes in Taxpayers' Funds</b>					
Comprehensive income for the period		(2,579)	-	9,500	-
Repayment of surplus		(647)	-	(9,500)	-
Capital contribution		24,391	2,321	4,869	6,476
Capital withdrawal		(720)	-	-	-
Other		-	-	-	-
<b>Total Changes in Taxpayers' Funds</b>		20,445	2,321	4,869	6,476
<b>Balance at 30 June</b>					
General funds		261,737	267,284	266,606	273,082
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Taxpayers' Funds Closing Balance</b>		261,737	267,284	266,606	273,082

## Forecast Statement of Financial Position as at 30 June 2013

		2010/11	2011/12		2012/13
	Note	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents		14,666	12,000	12,000	12,000
Debtors and other receivables	6	152,182	135,708	170,479	116,002
Prepayments		12,874	8,000	13,079	12,500
Inventories		1,118	1,200	1,300	1,200
Other current assets		-	-	-	-
<b>Total Current Assets</b>		<b>180,840</b>	<b>156,908</b>	<b>196,858</b>	<b>141,702</b>
<b>Non-current Assets</b>					
Property, plant and equipment	7	58,562	66,321	59,061	77,046
Intangible assets	8	134,578	153,831	140,964	166,678
Other non-current assets		305	374	230	268
<b>Total Non-current Assets</b>		<b>193,445</b>	<b>220,526</b>	<b>200,255</b>	<b>243,992</b>
<b>Total Assets</b>		<b>374,285</b>	<b>377,434</b>	<b>397,113</b>	<b>385,694</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Creditors and other payables		30,017	23,200	34,829	29,509
Repayment of surplus		647	-	9,500	-
Employee entitlements		41,536	45,944	47,105	43,000
Other current liabilities		181	168	150	168
<b>Total Current Liabilities</b>		<b>72,381</b>	<b>69,312</b>	<b>91,584</b>	<b>72,677</b>
<b>Non-current Liabilities</b>					
Provisions		3,018	2,257	2,827	2,918
Employee entitlements		35,756	37,396	34,853	36,000
Other non-current liabilities		1,393	1,185	1,243	1,017
<b>Total Non-current Liabilities</b>		<b>40,167</b>	<b>40,838</b>	<b>38,923</b>	<b>39,935</b>
<b>Total Liabilities</b>		<b>112,548</b>	<b>110,150</b>	<b>130,507</b>	<b>112,612</b>
<b>Taxpayers' Funds</b>					
General funds		261,737	267,284	266,606	273,082
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Total Taxpayers' Funds</b>		<b>261,737</b>	<b>267,284</b>	<b>266,606</b>	<b>273,082</b>
<b>Total Liabilities and Taxpayers' Funds</b>		<b>374,285</b>	<b>377,434</b>	<b>397,113</b>	<b>385,694</b>

## Statement of Forecast Cash Flows for the year ending 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Cash Flows from Operating Activities</b>					
<b>Receipts from:</b>					
Crown		610,648	667,141	619,102	715,515
Department(s)		6,772	6,968	9,769	5,830
Other		23,139	24,974	31,403	25,045
Interest		-	-	-	-
<b>Payments to:</b>					
Suppliers		(162,412)	(156,956)	(171,375)	(181,624)
Employees		(403,035)	(431,248)	(400,266)	(436,746)
Capital charge		(17,926)	(21,197)	(20,939)	(21,328)
Goods and services tax (net)		877	4,500	428	(735)
Other operating activities		-	-	-	-
<b>Net Cash from Operating Activities</b>		<b>58,063</b>	<b>94,182</b>	<b>68,122</b>	<b>105,957</b>
<b>Cash Flow from Investing Activities</b>					
<b>Receipts from:</b>					
Sale of property, plant and equipment		2	-	-	-
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
<b>Purchase of:</b>					
Property, plant and equipment		(18,329)	(22,000)	(24,085)	(37,803)
Intangible assets		(19,249)	(62,503)	(50,925)	(65,130)
Other non-current assets		-	-	-	-
<b>Net Cash from Investing Activities</b>		<b>(37,576)</b>	<b>(84,503)</b>	<b>(75,010)</b>	<b>(102,933)</b>
<b>Cash Flow from Financing Activities</b>					
Capital contribution		24,391	2,321	4,869	6,476
Other financing cash inflows		-	-	-	-
Repayment of surplus		(44,125)	(12,000)	(647)	(9,500)
Capital withdrawal		(720)	-	-	-
Other financing cash outflows		-	-	-	-
<b>Net Cash from Financing Activities</b>		<b>(20,454)</b>	<b>(9,679)</b>	<b>4,222</b>	<b>(3,024)</b>
<b>Net Increase / (Decrease) in Cash</b>		<b>33</b>	<b>-</b>	<b>(2,666)</b>	<b>-</b>
Cash at the beginning of the year		14,633	12,000	14,666	12,000
<b>Cash at the end of the year</b>		<b>14,666</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>

## Statement of Significant Assumptions

These forecast financial statements have been compiled on the basis of existing government policies and Ministerial expectations at the time the statements were finalised:

The main assumptions are as follows:

- The department's main activities will remain substantially the same as for the previous year.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.
- Estimated year end information for 2011/12 is used as the opening position for the 2012/13 forecasts.

These assumptions are adopted as at 23 April 2012.

Factors that could lead to material differences between the forecast financial statements and the 2011/12 actual financial statements include:

- Changes to the baseline budget through new initiatives or technical adjustments.

## Statement of Entity-Specific Accounting Policies

The Inland Revenue Department has applied the accounting policies set out in Statement of Accounting Policies Standard included in this document, except as stated below.

### Reporting Entity

These are the prospective financial statements of Inland Revenue Department, prepared in accordance with section 38 of the Public Finance Act 1989.

Inland Revenue is a Government Department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting Inland Revenue is a public benefit entity.

### Authorisation Statement

These forecast financial statements were authorised for issue by Robert Russell, Chief Executive and Scott Scoullar, Chief Financial Officer on 16 April 2012. The Chief Executive and Chief Financial Officer are responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosure.

### Specific Accounting Policies

#### *Property, Plant and Equipment*

Capitalisation thresholds applied are set out below:

- IT equipment - computers and laptops - All.
- IT equipment - other - \$2,000 and over (or \$20,000 for bulk purchases).
- Furniture and office equipment - \$2,000 and over (or \$20,000 for bulk purchases).
- Motor vehicles - \$2,000 and over.

- Leasehold improvements - \$20,000 and over.

### *Depreciation*

The estimated useful lives of property, plant and equipment are set out below:

- IT equipment - 3 to 6 years.
- Furniture and office equipment - 5 to 7 years.
- Motor vehicles - 5 to 7 years.
- Leasehold improvements - up to 10 years.

All fixed assets other than motor vehicles are assumed to have no residual value. Motor vehicles are assumed to have a 20% residual value.

### *Intangible Assets*

Capitalisation thresholds applied are:

- Software - developed - \$50,000 and over.
- Software and licences - purchased - \$5,000 and over.
- Business process design - \$50,000 and over.

### *Amortisation*

The estimated useful lives of intangible assets are set out below:

- Software - developed - 5 to 10 years.
- Software and licences - purchased - 5 to 10 years.
- Business process design - 5 to 10 years.

### *Cost Allocation*

Inland Revenue uses an integrated cost allocation process to derive the cost of its outputs. This process involves the initial costing of business processes followed by the full costing of outputs.

Business processes represent the key functional activities within the department. These business processes are used to capture direct costs.

Direct personnel costs are charged to business processes, based on actual hours and standard activity rates. Other related direct costs, including depreciation, are allocated to business processes, based on planned hours and relevant activity drivers.

Other indirect costs and corporate overheads that cannot be directly attributed to a business process are apportioned to outputs, based on the weighting of relevant planned business process hours and other relevant activity or consumption drivers.

# Notes to the Financial Statements

## Note 1 - Other Revenue

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Accident Compensation Corporation (ACC) - agency fees	20,539	20,500	20,500	20,500
Other	2,425	4,518	11,018	4,518
<b>Total other revenue</b>	<b>22,964</b>	<b>25,018</b>	<b>31,518</b>	<b>25,018</b>

## Note 2 - Operating Expenses

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Consultants' fees	6,650	7,667	16,861	15,000
Overseas travel	1,385	1,489	1,487	1,400
Domestic travel	6,249	6,300	6,339	6,000
Other expenses	145,102	141,704	150,665	154,875
<b>Total</b>	<b>159,386</b>	<b>157,160</b>	<b>175,352</b>	<b>177,275</b>

## Note 3 - Depreciation and Amortisation

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Depreciation and impairment	17,118	15,784	23,586	19,818
Amortisation and impairment	43,096	47,233	44,172	39,613
<b>Total</b>	<b>60,214</b>	<b>63,017</b>	<b>67,758</b>	<b>59,431</b>

## Note 4 - Reconciliation of Departmental Expenses and Appropriations

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Appropriations for output expenses</b>				
Total for Vote: Revenue	643,604	678,786	669,071	691,913
<b>Total Appropriation for output expenses</b>	<b>643,604</b>	<b>678,786</b>	<b>669,071</b>	<b>691,913</b>



	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Adjustments</b>				
Appropriation amounts unused	-	-	-	-
Remeasurements	-	-	-	-
<b>Total adjustments not appropriated</b>	-	-	-	-
<b>Total departmental expenses as per statement of financial performance</b>	643,604	678,786	669,071	691,913

### Note 5 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Net surplus/(deficit)</b>	(2,579)	-	9,500	-
<b>Add/(less) non-cash items</b>				
Depreciation and amortisation expense	60,214	63,017	67,758	59,431
<b>Total non-cash items</b>	60,214	63,017	67,758	59,431
<b>Add/(less) items classified as investing or financing activities</b>				
(Gains)/losses on disposal property, plant and equipment	368	-	3	3
(Gains)/losses on intangible assets	-	-	-	-
<b>Total items classified as investing or financing activities</b>	368	-	3	3
<b>Add/(less) movements in working capital items</b>				
(Inc)/Dec in debtors and other receivables	(465)	20,297	(18,297)	54,477
(Inc)/Dec in prepayments	(3,409)	491	(130)	541
(Inc)/Dec in inventories	35	-	182	(100)
Inc/(Dec) in creditors and other payables	5,020	6,967	5,637	(5,549)
Inc/(Dec) in current provisions	(584)	-	(825)	229
Inc/(Dec) in employee entitlements	3,663	5,362	5,569	(4,105)
Inc/(Dec) other	39	(13)	(31)	18
<b>Net movements in working capital items</b>	4,299	33,104	(7,895)	45,511
<b>Add/(less) movements in non-current liabilities</b>				
Inc/(Dec) in provisions	(3,496)	(2,572)	(191)	91
Inc/(Dec) in employee entitlements	(1,084)	802	(903)	1,147
Inc/(Dec) other	341	(169)	(150)	(226)
<b>Net movements in non-current liabilities</b>	(4,239)	(1,939)	(1,244)	1,012
<b>Net cash from operating activities</b>	58,063	94,182	68,122	105,957

**Note 6 - Debtors and Other Receivables**

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Debtor Crown	147,069	131,203	166,386	113,097
Debtors other	5,113	4,505	4,093	2,905
<b>Total</b>	<b>152,182</b>	<b>135,708</b>	<b>170,479</b>	<b>116,002</b>

**Note 7 - Property, Plant and Equipment**

	IT equipment \$000	Leasehold Improvements/ Furniture \$000	Office equipment \$000	Motor vehicles \$000	Total \$000
<b>Cost or revaluation</b>					
Balance as at 1 July 2012	50,675	105,272	13,174	5,643	174,764
Additions by purchase	28,382	7,471	950	1,000	37,803
Additions internally developed	-	-	-	-	-
Revaluation increase	-	-	-	-	-
Transfers between classes	-	-	-	-	-
Disposals	-	-	-	-	-
<b>Balance as at 30 June 2013</b>	<b>79,057</b>	<b>112,743</b>	<b>14,124</b>	<b>6,643</b>	<b>212,567</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance as at 1 July 2012	36,306	65,815	10,687	2,895	115,703
Depreciation expense	10,803	7,520	952	543	19,818
Eliminate on disposal	-	-	-	-	-
Eliminate on revaluation	-	-	-	-	-
Transfers between classes	-	-	-	-	-
Impairment losses	-	-	-	-	-
<b>Balance as at 30 June 2013</b>	<b>47,109</b>	<b>73,335</b>	<b>11,639</b>	<b>3,438</b>	<b>135,521</b>
<b>Carrying amount as at 30 June 2013</b>	<b>31,948</b>	<b>39,408</b>	<b>2,485</b>	<b>3,205</b>	<b>77,046</b>

**Note 8 - Intangible Assets**

	Acquired software \$000	Internally generated software \$000	Other \$000	Total \$000
<b>Cost</b>				
Balance as at 1 July 2012	126,535	476,011	-	602,546
Additions by purchase	13,719	-	-	13,719
Additions internally developed	-	51,608	-	51,608
Disposals	-	-	-	-
<b>Balance as at 30 June 2013</b>	<b>140,254</b>	<b>527,619</b>	<b>-</b>	<b>667,873</b>
<b>Accumulated amortisation and impairment losses</b>				
Balance as at 1 July 2012	83,085	378,497	-	461,582
Amortisation expense	7,130	32,483	-	39,613
Disposals	-	-	-	-
Impairment losses	-	-	-	-
<b>Balance as at 30 June 2013</b>	<b>90,215</b>	<b>410,980</b>	<b>-</b>	<b>501,195</b>
<b>Carrying amount as at 30 June 2013</b>	<b>50,039</b>	<b>116,639</b>	<b>-</b>	<b>166,678</b>