

# AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

<b>Section 1: Agency overview and resources</b> .....	<b>133</b>
1.1 Strategic direction statement .....	133
1.2 Agency resource statement .....	135
1.3 Budget measures.....	136
<b>Section 2: Outcomes and planned performance</b> .....	<b>137</b>
2.1 Outcomes and performance information .....	137
<b>Section 3: Explanatory tables and budgeted financial statements</b> .....	<b>140</b>
3.1 Explanatory tables .....	140
3.2 Budgeted financial statements.....	141



# AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

## Section 1: Agency overview and resources

### 1.1 STRATEGIC DIRECTION STATEMENT

The role of the Australian Prudential Regulation Authority (APRA) is developing and enforcing a robust prudential framework of legislation, prudential standards and prudential guidance that promotes prudent behaviour by authorised deposit-taking institutions (ADI), insurance companies, superannuation funds and other financial institutions it supervises, with the key aim of protecting the interests of their depositors, policyholders and superannuation fund members.

Prudential regulation focuses on the quality of an institution's systems for identifying, measuring and managing the various risks in its business.

In carrying out this role, APRA will enhance public confidence in Australia's financial institutions through a prudential framework that balances financial safety and efficiency, competition, contestability and competitive neutrality. This is achieved by:

- the development and implementation of prudential requirements to be observed by regulated institutions;
- a risk-based approach to the supervision of regulated institutions, and remediation or enforcement measures, to ensure that risk-taking is conducted within reasonable bounds and that risks are clearly identified and managed; and
- advice to the Australian Government on the development of regulation and legislation affecting regulated institutions and the financial markets in which they operate.

Prudential regulation cannot and should not seek to guarantee a zero failure rate of prudentially regulated institutions or provide absolute protection for market participants (including consumers). Rather, the objective of the prudential regulation regime is to maintain a low incidence of failure of regulated institutions while not impeding continued improvement in efficiency or hindering competition.

In APRA's *Statement of Intent*, it committed itself to further developing its risk-based supervisory approach and to be focussed on outcomes.

In 2013-14, APRA's main strategic objectives are to:

- conduct effective, ongoing supervision of all APRA-regulated institutions in accordance with a consistent APRA-wide supervisory approach;
- consolidate the prudential framework by enhancing prudential standards where appropriate, in line with the global reform initiatives endorsed by the G20 and overseen by the Financial Stability Board;
- enhance the efficiency and effectiveness of APRA's supervisory tools and systems through better integration of and greater analytical support for its risk-rating systems, including workflow and document management;
- enhance APRA's effectiveness by continuing to ensure it recruits and retains the right people for the job, develops the skills and knowledge of its staff and deploys them where they are most needed in APRA; and
- remain well prepared for a crisis affecting APRA's own operations, a financial crisis in a regulated institution or a systemic crisis.

APRA's supervisory activities in 2012-13 have been conducted against a backdrop of strong swings in sentiment in global financial markets. Bouts of market volatility that have characterised the global financial crisis continued up to the latter part of 2012, as Eurozone tensions, concerns about the US fiscal outlook and faltering growth in the US and Chinese economies weighed heavily on sentiment. Over subsequent months, however, global financial conditions improved significantly. Confidence was buoyed by the assertive stance of monetary policy in major economies, signs of recovery in the US economy and positive policy commitments in Europe to deal with its sovereign debt and banking system problems. Nonetheless, the bailout for Cyprus was a reminder of the scale of the challenge facing European policymakers and the fragility of market sentiment. The Australian financial system remained in a relatively strong position in the face of the unsettled global environment in 2012-13, supported by the underlying momentum of the Australian economy. APRA has maintained a heightened level of supervisory intensity throughout this period and has made considerable progress on its substantial prudential policy agenda.

APRA's activities will continue at this tempo in 2013-14. Its supervisory oversight will focus, in particular, on how regulated institutions adapt to the continued caution of households and much of the business sector, which has reflected in only moderate growth in business volumes that may continue for some time. On the policy front, with substantial reforms to capital adequacy regimes in the ADI and insurance industries now in place, APRA will focus on implementing the new global bank liquidity framework in Australia, on finalising a new prudential framework for conglomerate groups and a revised framework for securitisation, and on bedding-down relevant aspects of the Government's Stronger Super reforms.

## 1.2 Agency resource statement

Table 1.1 shows the total resources for APRA.

**Table 1.1: Australian Prudential Regulation Authority resource statement — Budget estimates for 2013-14 as at Budget May 2013**

	Estimate of prior year amounts available in 2013-14 \$'000	Proposed at Budget 2013-14 \$'000	=	Total estimate 2013-14 \$'000	Actual available appropriation 2012-13 \$'000
<b>Ordinary annual services</b>					
<b>Departmental appropriation</b>					
Departmental appropriation	-	2,493	<sup>1</sup>	2,493	3,078
Receipts from other sources (s31)	-	5,457	<sup>2</sup>	5,457	5,453
<b>Total ordinary annual services</b>	<b>A</b>	<b>7,950</b>		<b>7,950</b>	<b>8,531</b>
<b>Other services</b>					
<b>Departmental non-operating</b>					
Equity injections	-	4,270	<sup>3</sup>	4,270	4,810
<b>Total other services</b>	<b>B</b>	<b>4,270</b>		<b>4,270</b>	<b>4,810</b>
<b>Total available annual appropriations (A+B)</b>		<b>12,220</b>		<b>12,220</b>	<b>13,341</b>
<b>Special appropriations</b>					
<i>Financial Management and Accountability Act 1997</i>	-	-		-	-
<b>Total special appropriations</b>	<b>C</b>	<b>-</b>		<b>-</b>	<b>-</b>
<b>Total appropriations excluding special accounts (A+B+C)</b>		<b>12,220</b>		<b>12,220</b>	<b>13,341</b>
<b>Special accounts</b>					
Opening balance <sup>4</sup>	53,465	-		53,465	-
Appropriation receipts	-	12,220		12,220	13,341
Non-appropriation receipts to special accounts	-	109,922		109,922	113,046
<b>Total special accounts</b>	<b>D</b>	<b>122,142</b>		<b>175,607</b>	<b>126,387</b>
<b>Total resourcing (A+B+C+D)</b>		<b>134,362</b>		<b>187,827</b>	<b>139,728</b>
Less appropriations drawn from annual or special appropriations above and credited to special accounts	-	12,220		12,220	13,341
<b>Total net resourcing for APRA</b>		<b>122,142</b>		<b>175,607</b>	<b>126,387</b>

1. Appropriation Bill (No. 1) 2013-14.

2. Receipts received under section 31 (s31) of the *Financial Management and Accountability Act 1997*.

3. Appropriation Bill (No. 2) 2013-14.

4. Estimated opening balance for special accounts. For further detail on special accounts see Table 3.1.2.

### 1.3 BUDGET MEASURES

Budget measures relating to APRA and are summarised below.

**Table 1.2: Australian Prudential Regulation Authority 2013-14 Budget measures**

		2012-13	2013-14	2014-15	2015-16	2016-17
	Program	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expense measure</b>						
Targeted savings - public service efficiencies <sup>1</sup>	1.1	-	(233)	(213)	(197)	(153)
<b>Total expense measures</b>		-	(233)	(213)	(197)	(153)
<b>Related revenue</b>						
Over-the-counter derivatives market supervision <sup>2</sup>	1.1	-	2,961	1,249	919	785
Superannuation - further financial assistance grants to compensate fund members for the failure of Trio <sup>3</sup>	1.1	-	-	-	-	-
Superannuation Complaints Tribunal - additional funding <sup>2</sup>	1.1	-	1,045	882	305	344
<b>Total related revenue</b>		-	4,006	2,131	1,224	1,129

1 This measure was included as a cross portfolio measure in the *Mid-Year Economic and Fiscal Outlook 2012-13*. The fiscal impact for this measure is in addition to the impact previously reported for this measure in the Treasury *Portfolio Additional Estimates Statements 2012-13*.

2. These measures relate to expense measures for the Australian Securities and Investments Commission.

3. This measure was also included in the Treasury *Portfolio Additional Estimates Statements 2012-13*.

Prepared on a Government Finance Statistics (fiscal) basis.

## Section 2: Outcomes and planned performance

### 2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs that contribute to Government outcomes over the budget and forward years.

APRA's outcome is described below, specifying the strategy, program objective, program deliverables and program key performance indicators used to assess and monitor the performance of APRA.

**Outcome 1: Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety and efficiency, competition, contestability and competitive neutrality**

#### **Outcome 1 strategy**

The role of APRA is developing and enforcing a robust prudential framework that promotes prudent behaviour by ADIs, insurance companies, superannuation funds and other financial institutions it supervises, with the key aim of protecting the interests of their depositors, policyholders and superannuation fund members.

Prudential regulation focuses on the quality of an institution's systems for identifying, measuring and managing the various risks in its business.

## Outcome expense statement

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

**Table 2.1: Budgeted expenses for Outcome 1**

Outcome 1: Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety and efficiency, competition, contestability and competitive neutrality	2012-13	2013-14
	Estimated actual expenses \$'000	Estimated expenses \$'000
<b>Program 1.1: Australian Prudential Regulation Authority</b>		
Departmental expenses		
Special accounts	104,217	112,470
Ordinary Annual Services (Appropriation Bill No. 1)	3,078	2,493
Revenues from Independent Sources (section 31)	5,453	5,457
Other Services (Appropriation Bill No. 2)	4,810	4,270
<b>Total expenses for Outcome 1</b>	<b>117,558</b>	<b>124,690</b>
	2011-12	2012-13
<b>Average staffing level (number)</b>	609	609

## Contributions to Outcome 1

### Program 1.1: Australian Prudential Regulation Authority

#### Program objective

To enhance public confidence in Australia's financial institutions through a framework of prudential regulation that balances financial safety and efficiency, competition, contestability and competitive neutrality.

#### Program expenses

There are no significant changes to estimates across the forward years.

**Table 2.2: Program expenses**

	2012-13	2013-14	2014-15	2015-16	2016-17
	Revised budget \$'000	Budget \$'000	Forward year 1 \$'000	Forward year 2 \$'000	Forward year 3 \$'000
Annual departmental expenses					
Departmental items	117,558	124,690	124,087	128,877	130,022
<b>Total expenses</b>	<b>117,558</b>	<b>124,690</b>	<b>124,087</b>	<b>128,877</b>	<b>130,022</b>

#### Program deliverables

APRA has the following program deliverables:

- the issuance of prudential standards and guidance to assist regulated industries manage risk;



- active oversight of regulated institutions aimed at mitigating financial loss by depositors, policyholders and superannuation fund members that may result from the failure of a regulated institution to adequately manage risk; and
- advice to government on prudential regulation policy development; advice on amendments to legislation and regulations administered by APRA; and briefing to the government on matters emerging from international fora that may impact on prudential policy.

**Program key performance indicators**

APRA has the following key performance indicators:

- timely issuance of prudential standards and guidance that address risk management exposures of regulated institutions;
- identification of emerging prudential risks within regulated institutions through programs of on-site visits and off-site surveillance and the supervision of remedial actions to effectively manage such risks;
- exercise of APRA's formal enforcement powers where necessary to protect the interests of depositors, policyholders, superannuation fund members or the public interest generally; and
- timely briefings to government on financial system developments and on major items of policy interest emerging from APRA's participation in international fora.

## Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements that provide a comprehensive snapshot of APRA's finances for the budget year 2013-14. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, and special accounts.

### 3.1 EXPLANATORY TABLES

#### 3.1.1 Movement of administered funds between years

APRA has not moved any administered funds between years.

#### 3.1.2 Special accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's Determination under the *Financial Management and Accountability Act 1997* or under separate enabling legislation. Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by APRA.

**Table 3.1.2: Estimates of special account cash flows and balances**

	Outcome	Opening	Receipts		Payments	Closing
		balance	non-	Receipts		balance
		2013-14	appropriated	appropriated	2013-14	2013-14
		2012-13	2012-13	2012-13	2012-13	2012-13
		\$'000	\$'000	\$'000	\$'000	\$'000
Australian Prudential Regulation Authority Special Account	1	51,172	109,922	12,220	122,355	50,959
Financial Claims Scheme Special Account	1	293	-	-	-	293
Lloyd's Deposit Trust Special Account	1	2,000	-	-	-	2,000
		2,000	-	-	-	2,000
<b>Total special accounts</b>						
<b>2013-14 Budget estimate</b>		<b>53,465</b>	<b>109,922</b>	<b>12,220</b>	<b>122,355</b>	<b>53,252</b>
Total special accounts						
2012-13 estimate actual		46,845	113,046	13,341	119,767	53,465

### **3.1.3 Australian Government Indigenous Expenditure**

APRA does not have any Australian Government Indigenous Expenditure.

## **3.2 BUDGETED FINANCIAL STATEMENTS**

### **3.2.1 Differences in agency resourcing and financial statements**

There are no material differences between agency resourcing and financial statements.

### **3.2.2 Analysis of budgeted financial statements**

The departmental comprehensive income statement (Table 3.2.1) indicates only marginal change, in available appropriation revenue, year on year. APRA has deferred some of its activities from 2012-13 into 2013-14, which will create an operating deficit in 2013-14.

Employee expenses of \$91.3 million support an average staffing level (ASL) of 609 in 2013-14. The estimated staffing will enable APRA to maintain the current intensity of its supervisory and prudential policy activities, improve its crisis readiness, bed down the Stronger Super reforms and implement the new global bank liquidity frameworks in Australia.

Supplier costs in 2013-14 take into account savings on premises leasing costs and reductions in technology, travel and property expenditures in line with whole-of-government requirements.

The budgeted departmental balance sheet (Table 3.2.2) shows that APRA will maintain sufficient financial assets to meet all known employee and supplier commitments as and when they fall due.

Contributed equity will increase by \$4.3 million in 2013-14 in support of APRA's infrastructure investment plans.

Retained surpluses are set to maintain general reserves at a level sufficient to accommodate unforeseen business needs that may arise from supervision of at-risk institutions.

The budgeted departmental statement of cash flows (Table 3.2.3) reflects the source and application of appropriations and other revenue, as detailed in Table 3.2.1.

The departmental capital budget statement (Table 3.2.5) indicates APRA's capital needs will be partly met by equity injections of \$4.4 million over two years, reflecting approved 2013-14 and 2014-15 measures, and partly by internally generated resources. The planned movement of fixed assets and intangibles between 2013-2014 and 2014-15 is shown in Table 3.2.6.

The schedule of budgeted income and expenses administered on behalf of government (Table 3.2.7) shows the amounts APRA collects in supervisory levies from the finance industry on behalf of the Government under the *Financial Institutions Supervisory Levies Collection Act 1998*. Apart from the amount required to fund APRA, the levies also include amounts to fund the activities of the Australian Taxation Office (ATO) for unclaimed monies, lost member functions and for the implementation of the Stronger Super – SuperStream reforms, the Australian Securities and Investments Commission (ASIC) for consumer protection and market integrity functions, and the Department of Human Services (DHS) for the administration of claims for early release of superannuation benefits on compassionate grounds.

The schedule of budgeted assets and liabilities administered on behalf of Government (Table 3.2.8) mainly reflects the unused funds relating to the Financial Claims Scheme.

The schedule of budgeted administered cash flows (Table 3.2.9), indicates that cash collected is swept daily from the APRA account to the Official Public Account (OPA), from which APRA, in turn, draws down the amounts appropriated to it by the Parliament (as per Table 3.2.1). The residual is retained in the OPA to meet Treasurer’s Determinations for the ATO, ASIC and DHS.

### 3.2.3 Budgeted financial statements tables

**Table 3.2.1: Comprehensive income statement (Showing Net Cost of Services) (for the period ended 30 June)**

	Estimated actual 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
<b>EXPENSES</b>					
Employee benefits	87,794	91,330	90,786	93,823	94,843
Supplier	24,341	24,743	24,740	25,663	26,505
Depreciation and amortisation	5,423	8,617	8,561	9,391	8,674
<b>Total expenses</b>	<b>117,558</b>	<b>124,690</b>	<b>124,087</b>	<b>128,877</b>	<b>130,022</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sale of goods and rendering of services	3,792	3,980	3,980	3,980	3,980
Other revenue	1,661	1,477	1,491	1,504	1,518
<b>Total revenue</b>	<b>5,453</b>	<b>5,457</b>	<b>5,471</b>	<b>5,484</b>	<b>5,498</b>
<b>Total own-source income</b>	<b>5,453</b>	<b>5,457</b>	<b>5,471</b>	<b>5,484</b>	<b>5,498</b>
<b>Net cost of (contribution by) services</b>	<b>112,105</b>	<b>119,233</b>	<b>118,616</b>	<b>123,393</b>	<b>124,524</b>
Appropriation revenue	116,124	112,415	118,616	123,393	124,524
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>4,019</b>	<b>(6,818)</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	1,739	1,739	1,739	1,739	1,739
Receivables	53,401	53,188	55,451	60,718	68,460
<b>Total financial assets</b>	<b>55,140</b>	<b>54,927</b>	<b>57,190</b>	<b>62,457</b>	<b>70,199</b>
<b>Non-financial assets</b>					
Infrastructure, plant and equipment	5,823	5,823	5,823	5,823	5,823
Intangibles	17,654	19,142	20,616	16,482	12,808
Other	1,964	1,964	1,964	1,964	1,964
<b>Total non-financial assets</b>	<b>25,441</b>	<b>26,929</b>	<b>28,403</b>	<b>24,269</b>	<b>20,595</b>
<b>Total assets</b>	<b>80,581</b>	<b>81,856</b>	<b>85,593</b>	<b>86,726</b>	<b>90,794</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	36,516	40,203	43,695	44,690	48,620
Other	4,420	4,556	4,693	4,831	4,969
<b>Total provisions</b>	<b>40,936</b>	<b>44,759</b>	<b>48,388</b>	<b>49,521</b>	<b>53,589</b>
<b>Payables</b>					
Suppliers	2,128	2,128	2,128	2,128	2,128
<b>Total payables</b>	<b>2,128</b>	<b>2,128</b>	<b>2,128</b>	<b>2,128</b>	<b>2,128</b>
<b>Total liabilities</b>	<b>43,064</b>	<b>46,887</b>	<b>50,516</b>	<b>51,649</b>	<b>55,717</b>
<b>Net assets</b>	<b>37,517</b>	<b>34,969</b>	<b>35,077</b>	<b>35,077</b>	<b>35,077</b>
<b>EQUITY</b>					
Contributed equity	12,279	16,549	16,657	16,657	16,657
Reserves	12,467	12,467	12,467	12,467	12,467
Retained surpluses or accumulated deficits	12,771	5,953	5,953	5,953	5,953
<b>Total equity</b>	<b>37,517</b>	<b>34,969</b>	<b>35,077</b>	<b>35,077</b>	<b>35,077</b>
<b>Current assets</b>	<b>57,104</b>	<b>56,891</b>	<b>59,154</b>	<b>64,421</b>	<b>72,163</b>
<b>Non-current assets</b>	<b>23,477</b>	<b>24,965</b>	<b>26,439</b>	<b>22,305</b>	<b>18,631</b>
<b>Current liabilities</b>	<b>32,830</b>	<b>35,697</b>	<b>38,419</b>	<b>39,269</b>	<b>42,320</b>
<b>Non-current liabilities</b>	<b>10,234</b>	<b>11,190</b>	<b>12,097</b>	<b>12,380</b>	<b>13,397</b>

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	3,792	3,980	3,980	3,980	3,980
Appropriations	116,124	112,415	118,616	123,393	124,524
Other	1,661	1,477	1,491	1,504	1,518
<b>Total cash received</b>	<b>121,577</b>	<b>117,872</b>	<b>124,087</b>	<b>128,877</b>	<b>130,022</b>
<b>Cash used</b>					
Employees	87,794	91,330	90,787	93,822	94,843
Suppliers	28,233	20,707	23,373	29,798	30,179
<b>Total cash used</b>	<b>116,027</b>	<b>112,037</b>	<b>114,160</b>	<b>123,620</b>	<b>125,022</b>
<b>Net cash from or (used by) operating activities</b>	<b>5,550</b>	<b>5,835</b>	<b>9,927</b>	<b>5,257</b>	<b>5,000</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment/intangibles	10,360	10,105	10,035	5,257	5,000
<b>Total cash used</b>	<b>10,360</b>	<b>10,105</b>	<b>10,035</b>	<b>5,257</b>	<b>5,000</b>
<b>Net cash from or (used by) investing activities</b>	<b>(10,360)</b>	<b>(10,105)</b>	<b>(10,035)</b>	<b>(5,257)</b>	<b>(5,000)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	4,810	4,270	108	-	-
<b>Total cash received</b>	<b>4,810</b>	<b>4,270</b>	<b>108</b>	<b>-</b>	<b>-</b>
<b>Net cash from or (used by) financing activities</b>	<b>4,810</b>	<b>4,270</b>	<b>108</b>	<b>-</b>	<b>-</b>
<b>Net increase (or decrease) in cash held</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash at the beginning of the reporting period	1,739	1,739	1,739	1,739	1,739
<b>Cash at the end of the reporting period</b>	<b>1,739</b>	<b>1,739</b>	<b>1,739</b>	<b>1,739</b>	<b>1,739</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2013-14)**

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2012</b>					
Balance carried forward from previous period	12,771	6,467	6,000	12,279	37,517
<b>Adjusted opening balance</b>	12,771	6,467	6,000	12,279	37,517
<b>Comprehensive income</b>					
Surplus (deficit) for the period	(6,818)	-	-	-	(6,818)
<b>Total comprehensive income recognised directly in equity</b>	(6,818)	-	-	-	(6,818)
<b>Transactions with owners</b>					
Equity Injection	-	-	-	4,270	4,270
<b>Total Transactions with owners</b>	-	-	-	4,270	4,270
<b>Estimated closing balance as at 30 June 2013</b>	5,953	6,467	6,000	16,549	34,969

Prepared on Australian Accounting Standards basis.

**Table 3.2.5: Departmental capital budget (DCB) statement**

	Estimated actual 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
<b>NEW CAPITAL APPROPRIATIONS</b>					
Total equity injections	4,810	4,270	108	-	-
<b>Total new capital appropriations</b>	4,810	4,270	108	-	-
<b>Provided for:</b>					
Purchase of non-financial assets	4,810	4,270	108	-	-
<b>Total Items</b>	4,810	4,270	108	-	-
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriations	4,810	4,270	108	-	-
Funded internally from departmental resources	5,550	5,835	9,927	5,257	5,000
<b>TOTAL</b>	10,360	10,105	10,035	5,257	5,000
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	10,360	10,105	10,035	5,257	5,000
<b>Total cash used to acquire assets</b>	10,360	10,105	10,035	5,257	5,000

Prepared on Australian Accounting Standards basis.

**Table 3.2.6: Statement of asset movements — departmental**

	Buildings \$'000	Other, infrastructure, plant & equipment \$'000	Intangibles \$'000	Total \$'000
<b>As at 1 July 2013</b>				
Gross book value	-	10,764	36,647	47,411
Accumulated depreciation/amortisation and impairment	-	4,941	18,993	23,934
<b>Opening net book balance</b>	-	5,823	17,654	23,477
<b>Capital asset additions</b>				
By purchase - other	-	1,665	8,440	10,105
<b>Total additions</b>	-	1,665	8,440	10,105
<b>Other movements</b>				
Depreciation/amortisation expense	-	1,665	6,952	8,617
<b>Total other movements</b>	-	1,665	6,952	8,617
<b>As at 30 June 2014</b>				
Gross book value	-	12,429	45,087	57,516
Accumulated depreciation/amortisation and impairment	-	6,606	25,945	32,551
<b>Closing net book balance</b>	-	5,823	19,142	24,965

Prepared on Australian Accounting Standards basis.



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

	Actual estimate 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Waivers and write-offs	-	-	-	-	-
<b>Total expenses administered on behalf of government</b>	-	-	-	-	-
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source revenue</b>					
<b>Non-taxation revenue</b>					
Other sources of non-taxation					
<i>Financial Institutions Supervisory Levies Collection Act 1998</i>	269,802	258,978	232,159	223,724	194,458
<i>Superannuation (Financial Assisting Funding) Levy Act 1993</i>	16,720	-	-	-	-
<b>Total non-taxation revenue</b>	286,522	258,978	232,159	223,724	194,458
<b>Total own-source revenues administered on behalf of Government</b>	286,522	258,978	232,159	223,724	194,458
<b>Total own-sourced income administered on behalf of Government</b>	286,522	258,978	232,159	223,724	194,458
<b>Net Cost of (contribution by) services</b>	(286,522)	(258,978)	(232,159)	(223,724)	(194,458)
<b>Surplus (Deficit)</b>	286,522	258,978	232,159	223,724	194,458

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash - Financial Claims Scheme special account	293	293	-	-	-
Receivables	2,201	-	-	-	-
<b>Total financial assets</b>	<b>2,494</b>	<b>293</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets administered on behalf of government</b>	<b>2,494</b>	<b>293</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash or equivalents received</b>					
Transfer from Official Public Account	-	-	-	-	-
Administered revenue	286,522	261,179	232,159	223,724	194,458
<b>Total cash or equivalents received</b>	<b>286,522</b>	<b>261,179</b>	<b>232,159</b>	<b>223,724</b>	<b>194,458</b>
<b>Cash or equivalents used</b>					
Cash to Official Public Account	286,522	261,179	232,159	223,724	194,458
Administered expenses	-	-	-	-	-
<b>Total cash or equivalents used</b>	<b>286,522</b>	<b>261,179</b>	<b>232,159</b>	<b>223,724</b>	<b>194,458</b>
<b>Net cash or equivalents from or (used by) operating activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prepared on Australian Accounting Standards basis.

### **3.2.4 Notes to the financial statements**

#### **Basis of accounting**

The financial statements have been prepared on an accrual basis in accordance with historical cost convention.

#### **Budgeted departmental statement of financial performance**

##### Revenues from Government

APRA is funded by appropriation to its special account for levies and late payment penalties collected under the *Financial Institutions Supervisory Levies Collection Act 1998*. The revenue reported by APRA is net of the levies retained in the OPA to fund the ATO for administration of unclaimed monies, administration of lost member functions and the implementation of Stronger Super – SuperStream reforms, ASIC for consumer protection and market integrity functions, and DHS for administration of early release of superannuation benefits on compassionate grounds.

##### Other revenue

Revenue from rendering of specific services is recognised by reference to the stage of completion of contracts or other agreements. Revenue from licence fees is recognised on receipt of the application and licence fee.

##### Depreciation and amortisation

APRA's depreciation expense is applied to supporting the capital program that aims to maintain APRA's processes and infrastructure at an appropriate standard.

#### **Budgeted departmental statement of financial position**

##### Financial assets

Receivables include levies invoiced but still outstanding at the financial year-end and accrued revenues, being fees prorated over the periods to which they relate.

All accounts receivable are recorded at their estimated recoverable amount.

##### Non-financial assets

Non-financial assets include leasehold improvements, furniture and fittings, computer hardware and office equipment. All of the foregoing assets are shown at fair value. Intangible assets comprise capitalised software, including works in progress and are shown at cost. APRA does not own any land or buildings.

Other non-financial assets include prepayments.

#### Provisions and payables

Provisions and payables represent liabilities for miscellaneous accruals and employee benefits, including accrued salary and leave entitlements, provisions for making good leased premises and payments to trade creditors.

#### Equity

The opening balance of contributed equity includes the net value of assets and liabilities transferred from the Reserve Bank of Australia and the Insurance and Superannuation Commission on the formation of APRA on 1 July 1998, less an amount of \$2.1 million returned to the Consolidated Revenue Fund as a return of unused appropriation in 2004-05.

#### Budgeted departmental statement of cash flows

Cash received from operating activities includes the appropriation for levies collected from industry less amounts collected on behalf of the ATO, ASIC and DHS and cash from fees and charges.

#### **Schedule of budgeted revenues and expenses administered on behalf of Government**

##### Revenues

Non-taxation revenues are the levies and late payment penalties collected under the *Financial Institutions Supervisory Levies Collection Act 1998*. The revenue reported in this statement is higher than that reported by APRA in the budgeted agency statement of financial position by the amount retained in the OPA to fund ATO, ASIC and DHS activities described above.

#### **Schedule of budgeted assets and liabilities administered on behalf of Government**

##### Financial assets

The financial assets include levy debt invoiced and still outstanding at year-end.

#### **Schedule of budgeted administered cash flows**

All cash collected by APRA for levies, late lodgement and late payment penalties under the *Financial Institutions Supervisory Levies Collection Act 1998* is transferred to the OPA at the close of business each day