

# AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

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# AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

## Section 1: Entity overview and resources

### 1.1 STRATEGIC DIRECTION STATEMENT

The role of the Australian Prudential Regulation Authority (APRA) is to regulate relevant financial institutions in accordance with the laws of the Commonwealth that provide for prudential regulation or retirement income standards. In performing and exercising its functions, APRA is to balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality, and, in balancing these objectives, is to promote financial system stability in Australia.

APRA's core mission is to establish and enforce prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by institutions APRA supervises are met within a stable, efficient and competitive financial system. APRA also administers the Financial Claims Schemes and, as a national statistical agency for the Australian financial sector, collects and publishes data from prudentially regulated and other financial institutions.

In undertaking its core mission, APRA places a strong emphasis on an active programme of prudential supervision. APRA's supervisory approach is based on the fundamental premise that the primary responsibility for financial soundness and prudent risk management within an APRA-regulated institution rests with its board of directors and senior management. APRA's role is to promote prudent behaviour by institutions through a robust prudential framework of legislation, prudential standards and prudential guidance, which aims to ensure that risk-taking is conducted within reasonable bounds and that risks are clearly identified and well-managed.

APRA takes a risk-based approach to supervision that is designed to identify and assess those areas of greatest risk to an APRA-regulated institution (or to the financial system as a whole) and then direct supervisory resources and attention to these risks. APRA seeks to ensure that its supervisory judgments are accurate, timely and robust and that its responses are targeted and proportionate.

In doing so, APRA does not pursue a zero failure objective. Rather, APRA seeks to maintain a low incidence of failure of APRA-regulated institutions while not impeding continued improvement in efficiency or hindering competition. APRA cannot eliminate the risk that any institution might fail and it recognises that attempting to do so would impose an unnecessary burden on institutions and the financial system. APRA's objective is to identify likely failure of an APRA-regulated institution early enough so that corrective action can be promptly initiated or orderly exit achieved.

APRA's integrated structure and risk-based supervisory approach enable it to deal efficiently and effectively with the evolution of the financial sector, and the wide range of financial institutions within it.

The global financial crisis provided a test of Australia's prudential regime and financial stability arrangements, the strength of which have been widely accepted as an important contributing factor to Australia's continued economic and financial stability through the crisis. Strong and safe financial institutions that will meet their financial promises under all reasonable circumstances, and a stable financial system, are fundamental for fostering growth and sustainable competition.

In 2015-16, APRA's main strategic objectives are to:

- identify and understand significant risks at both industry and institution level so timely and proportionate action can be taken to protect beneficiary interests;
- maintain a robust prudential framework that sets requirements for prudent behaviour of regulated institutions and their boards and which is consistent with relevant international standards;
- strengthen failure and crisis preparedness;
- have highly skilled and engaged people, guided and supported by strong leaders within an open, values-aligned culture;
- have more robust and efficient organisational processes and infrastructure which support core functions; and
- enhance transparency in communication, engagement with stakeholders and accountability for performance.

APRA's supervisory activities in 2014-15 have been conducted against a backdrop of a continued improvement in sentiment in global financial markets, reflecting further strengthening of major banking systems and the ongoing recovery in major economies. Nonetheless, fragilities in the Euro area remain and the initial steps taken to normalise US monetary policy have sparked concerns about impacts on, in particular, emerging markets. The Australian financial system remained in a relatively strong position, supported by the continued (albeit slower) momentum of the Australian economy and signs of a renewed appetite for credit by Australian households and business. APRA has maintained its supervisory intensity throughout this period, and implemented key elements of its prudential policy agenda.

APRA's activities will continue at a high tempo in 2015-16. Its supervisory oversight will focus on how regulated institutions respond to emerging risks as the Australian economy adapts to the ending of the mining investment boom. APRA will pay particular attention to housing lending standards in the current context of robust

competition and strong price pressures in some housing markets. On the policy front, APRA will focus on responding to the recommendations of the Financial System Inquiry, finalising a new prudential framework for conglomerate groups, and a simplified framework for securitisation, and on monitoring the impact of the various prudential reforms APRA has introduced since the global financial crisis began.

In the 2014-15 Budget, the Government announced the cessation of the Private Health Insurance Administration Council (PHIAC) as part of its measures to reduce duplication and increase efficiency in how public funds are used to deliver services to the community. PHIAC's prudential regulation of private health insurers will be merged into APRA following the passing of relevant enabling legislation which is expected to be passed prior to 30 June 2015. These statements currently exclude the financial impact of this transition.

## 1.2 Entity resource statement

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

**Table 1.1: Australian Prudential Regulation Authority resource statement — Budget estimates for 2015-16 as at Budget May 2015**

	<i>Actual Available Appropriation 2014-15 \$'000</i>	Estimate of prior year amounts available in 2015-16 \$'000	Proposed at 2015-16 Budget \$'000	Total 2015-16 estimate \$'000
<b>Ordinary annual services (a)</b>				
<b>Departmental appropriation</b>				
Departmental appropriation	953	-	1,237	1,237
s74 Retained revenue receipts (b)	4,140		4,930	4,930
<b>Total ordinary annual services [A]</b>	<b>5,093</b>	<b>-</b>	<b>6,167</b>	<b>6,167</b>
<b>Other services (c)</b>				
<b>Departmental non-operating</b>				
Equity injections	108		-	-
<b>Total other services [B]</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total available annual appropriations [A+B]</b>	<b>5,201</b>	<b>-</b>	<b>6,167</b>	<b>6,167</b>

**Table 1.1: Australian Prudential Regulation Authority resource statement — Budget estimates for 2015-16 as at Budget May 2015 (continued)**

	<i>Actual Available Appropriation 2014-15 \$'000</i>	Estimate of prior year amounts available in 2015-16 \$'000	Proposed at 2015-16 Budget \$'000	Total 2015-16 estimate \$'000
<b>Special appropriations</b>				
<i>Public Governance, Performance and Accountability Act 2013 - s77 (d)</i>	-	-	-	
<b>Total special appropriations [C]</b>	-	-	-	-
<b>Total appropriations excluding special accounts</b>	5,201	-	6,167	6,167
<b>Special accounts</b>				
Opening balance (e)	57,614	59,877		59,877
Appropriation receipts (f)	5,201	-	6,167	6,167
Non-appropriation receipts to Special Accounts	119,543	-	118,951	118,951
<b>Total special accounts [D]</b>	<b>182,358</b>	<b>59,877</b>	<b>125,118</b>	<b>184,995</b>
<b>Total resourcing [A+B+C+D]</b>	<b>187,559</b>	<b>59,877</b>	<b>131,285</b>	<b>191,162</b>
Less appropriations drawn from annual or special appropriations above and credited to special accounts	5,201	-	6,167	6,167
<b>Total net resourcing for APRA</b>	<b>182,358</b>	<b>59,877</b>	<b>125,118</b>	<b>184,995</b>

(a) *Appropriation Bill (No. 1) 2015-16.*

(b) Estimated Retained revenue receipts under section 74 of the PGPA Act.

(c) *Appropriation Bill (No. 2) 2015-16.*

(d) Repayments not provided for under other appropriations. Amounts received on or before 30 June 2014 were repaid under section 28 of the *Financial Management and Accountability Act 1997*.

(e) Estimated opening balance for special accounts (less 'Special Public Money' held in accounts like *Other Trust Monies* accounts (OTM), *Services for other Government and Non-agency Bodies* accounts (SOG), or *Services for Other Entities and Trust Monies* accounts (SOETM)). For further information on special accounts, see Table 3.1.2.

(f) Appropriation receipts from the Private Health Insurance Administration Council, the Reserve Bank of Australia, the Australian Bureau of Statistics, the Australian Competition and Consumer Commission and the Australian Taxation Office, and special appropriations included above.

Reader note: All figures are GST exclusive.

### 1.3 BUDGET MEASURES

Budget measures in Part 1 relating to APRA are detailed in Budget Paper No. 2 and are summarised below.

**Table 1.2: Australian Prudential Regulation Authority 2015-16  
Budget measures**

**Part 1: Measures announced since the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO)**

	2014-15	2015-16	2016-17	2017-18	2018-19
Programme	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue measures</b>					
Full Cost Recovery of Superannuation Activities					
Revenue revenue	1.1	-	(11,600)	(11,629)	(11,738)
<b>Total revenue measures</b>		-	<b>(11,600)</b>	<b>(11,629)</b>	<b>(11,738)</b>

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 programmes are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programmes which contribute to Government outcomes over the Budget and forward years.

APRA's outcome is described below together with its related programmes, specifying the performance indicators and targets used to assess and monitor the performance of APRA in achieving Government outcomes.

**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 authorised deposit-taking institutions, 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**

	2014-15 Estimated actual expenses \$'000	2015-16 Estimated expenses \$'000
<b>Outcome 1:</b> 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		
<b>Programme 1.1: Australian Prudential Regulation Authority</b>		
Administered expenses		
Special appropriations - waivers and write off	-	-
Departmental expenses		
Special accounts	119,543	118,951
Ordinary annual services (Appropriation Bill No. 1)	953	1,237
Revenues from Independent Sources (s74)	4,000	4,790
Other services (Appropriation Bill No. 2)	108	-
Expenses not requiring appropriation in the Budget year (a)	140	140
<b>Total for programme 1.1</b>	<b>124,744</b>	<b>125,118</b>
<b>Outcome 1 Totals by appropriation type</b>		
Administered expenses		
Special appropriations - waivers and write off	-	-
Departmental expenses		
Special accounts	119,543	118,951
Departmental appropriation	5,061	6,027
Expenses not requiring appropriation in the Budget year (a)	140	140
<b>Total expenses for Outcome 1</b>	<b>124,744</b>	<b>125,118</b>
	2014-15	2015-16
<b>Average staffing level (number)</b>	589	590

(a) Expenses not requiring appropriation in the Budget year are made up of ANAO audit services that are received free of charge, however the expense is recognised along with an equal and offsetting income stream.

## Contributions to Outcome 1

### Programme 1.1: Australian Prudential Regulation Authority

#### Programme 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.

**Programme expenses**

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

**Table 2.2: Programme expenses**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
Annual departmental expenses:					
Departmental item	121,263	125,118	124,212	127,918	128,639
<b>Total programme expenses</b>	<b>121,263</b>	<b>125,118</b>	<b>124,212</b>	<b>127,918</b>	<b>128,639</b>

**Programme 1.1 deliverables**

APRA has the following programme 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.

**Programme 1.1 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
- transparent engagement with stakeholders including 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 2015-16 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and programme expenses, movements in administered funds, special accounts and government indigenous expenditure.

### **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 section 78 of the PGPA Act or under separate enabling legislation (section 80 of the PGPA Act refers). 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 balance \$'000	Receipts \$'000	Payments \$'000	Adjustments \$'000	Closing balance \$'000
Australian Prudential Regulation Authority Special Account (D) (a) 2015-16	1	59,877	125,118	(121,890)	-	63,105
<i>Australian Prudential Regulation Authority Special Account (D) 2014-15</i>	1	57,614	124,744	(122,481)	-	59,877
Financial Claims Scheme Special Account (A) 2015-16	1	835	-	-	-	835
<i>Financial Claims Scheme Special Account (A) 2014-15</i>	1	835	-	-	-	835
Lloyd's Deposit Trust Special Account (A) 2015-16	1	2,000	-	-	-	2,000
<i>Lloyd's Deposit Trust Special Account (A) 2014-15</i>	1	2,000	-	-	-	2,000
<b>Total special accounts 2015-16 Budget estimate</b>		<b>62,712</b>	<b>125,118</b>	<b>(121,890)</b>	<b>-</b>	<b>65,940</b>
<i>Total special accounts 2014-15 estimated actual</i>		<i>60,449</i>	<i>124,744</i>	<i>(122,481)</i>	<i>-</i>	<i>62,712</i>

(A) = Administered

(D) = Departmental

(a) The opening balance of APRA's special account supports existing liabilities and enforcement activities.

The 'Receipts' column in Table 3.1.2 includes \$2.5m appropriated in departmental Appropriation Bill (No. 1) 2015-16 for Interest Equivalency Payments (IEPs), which will be credited to the APRA special account during 2015-16.

### 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 entity resourcing and financial statements.

### 3.2.2 Analysis of budgeted financial statements

The departmental comprehensive income statement (Table 3.2.1) indicates a small decrease in available appropriation revenue, year on year. However the appropriation revenue for 2014-15 was higher than budgeted as a consequence of a small

over-collection from industry. APRA will seek to return these over-collected amounts in 2015-16.

Employee expenses of \$92.9 million support an average staffing level (ASL) of 590 in 2015-16. The estimated staffing will enable APRA to supervise regulated institutions and their response to emerging risks, focus on housing lending standards in the current context, finalise a new prudential framework for conglomerate groups and a simplified framework for securitisation, and monitor the impact of prudential reforms introduced by APRA since the global financial crisis began.

Supplier costs in 2015-16 take into account savings on premises leasing costs, travel and other expenditure 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.

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 3.2.4) reflects the source and application of appropriations and other revenue, as detailed in Table 3.2.1.

The schedule of budgeted income and expenses administered on behalf of the government (Table 3.2.7) shows the amounts APRA collects in supervisory levies from the finance industry on behalf of the Commonwealth under the *Financial Institutions Supervisory Levies Collection Act 1998*. Apart from the amount required to fund APRA, the levies also include amounts to fund activities of the Australian Taxation Office (ATO) for unclaimed superannuation money, 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 the 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**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>EXPENSES</b>					
Employee benefits	88,837	92,917	93,039	94,554	96,205
Suppliers	25,224	24,815	23,673	24,074	23,676
Depreciation and amortisation	7,202	7,386	7,500	9,290	8,758
<b>Total expenses</b>	<b>121,263</b>	<b>125,118</b>	<b>124,212</b>	<b>127,918</b>	<b>128,639</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sale of goods and rendering of services	3,277	3,680	3,680	3,680	3,680
Other revenue	863	1,250	1,250	1,250	1,250
<b>Total revenue</b>	<b>4,140</b>	<b>4,930</b>	<b>4,930</b>	<b>4,930</b>	<b>4,930</b>
<b>Total own-source income</b>	<b>4,140</b>	<b>4,930</b>	<b>4,930</b>	<b>4,930</b>	<b>4,930</b>
<b>Net cost of/(contribution by) services</b>	<b>117,123</b>	<b>120,188</b>	<b>119,282</b>	<b>122,988</b>	<b>123,709</b>
Appropriation revenue	120,496	120,188	119,282	122,988	123,709
<b>Surplus/(deficit) attributable to the Australian Government</b>	<b>3,373</b>	<b>-</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)**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	1,639	1,639	1,639	1,639	1,639
Receivables	60,807	64,035	69,783	73,921	77,927
<b>Total financial assets</b>	<b>62,446</b>	<b>65,674</b>	<b>71,422</b>	<b>75,560</b>	<b>79,566</b>
<b>Non-financial assets</b>					
Property, plant and equipment	9,810	9,810	27,069	27,069	27,069
Intangibles	14,869	13,890	10,390	8,500	6,742
Other	2,804	2,804	2,804	2,804	2,804
<b>Total non-financial assets</b>	<b>27,483</b>	<b>26,504</b>	<b>40,263</b>	<b>38,373</b>	<b>36,615</b>
Assets held for sale					
<b>Total assets</b>	<b>89,929</b>	<b>92,178</b>	<b>111,685</b>	<b>113,933</b>	<b>116,181</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	37,023	39,272	41,520	43,768	46,016
Other	4,078	3,400	20,659	20,659	20,659
<b>Total provisions</b>	<b>41,101</b>	<b>42,672</b>	<b>62,179</b>	<b>64,427</b>	<b>66,675</b>
<b>Payables</b>					
Suppliers	3,102	3,780	3,780	3,780	3,780
<b>Total payables</b>	<b>3,102</b>	<b>3,780</b>	<b>3,780</b>	<b>3,780</b>	<b>3,780</b>
<b>Total liabilities</b>	<b>44,203</b>	<b>46,452</b>	<b>65,959</b>	<b>68,207</b>	<b>70,455</b>
<b>Net assets</b>	<b>45,726</b>	<b>45,726</b>	<b>45,726</b>	<b>45,726</b>	<b>45,726</b>
<b>EQUITY*</b>					
Contributed equity	16,657	16,657	16,657	16,657	16,657
Reserves	13,099	13,099	13,099	13,099	13,099
Retained surplus (accumulated deficit)	<b>15,970</b>	<b>15,970</b>	<b>15,970</b>	<b>15,970</b>	<b>15,970</b>
<b>Total Equity</b>	<b>45,726</b>	<b>45,726</b>	<b>45,726</b>	<b>45,726</b>	<b>45,726</b>

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

Prepared on Australian Accounting Standards basis.

**Table 3.2.3: Departmental statement of changes in equity — summary of movement (Budget year 2015-16)**

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2015</b>					
Balance carried forward from previous period	15,970	7,099	6,000	16,657	45,726
<b>Adjusted opening balance</b>	<b>15,970</b>	<b>7,099</b>	<b>6,000</b>	<b>16,657</b>	<b>45,726</b>
<b>Comprehensive income</b>					
Surplus/(deficit) for the period	-	-	-	-	-
<b>Total comprehensive income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with owners</b>					
Equity Injection - Appropriation	-	-	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Estimated closing balance as at 30 June 2016</b>	<b>15,970</b>	<b>7,099</b>	<b>6,000</b>	<b>16,657</b>	<b>45,726</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Budgeted departmental statement of cash flows (for the period ended 30 June)**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	3,277	3,680	3,680	3,680	3,680
Appropriations	120,496	120,188	119,282	122,988	123,709
Receipts from Government	4,140	4,930	4,930	4,930	4,930
Other	863	1,250	1,250	1,250	1,250
<b>Total cash received</b>	<b>128,776</b>	<b>130,048</b>	<b>129,142</b>	<b>132,848</b>	<b>133,569</b>
<b>Cash used</b>					
Employees	88,837	92,917	93,039	94,554	96,205
Suppliers	24,968	25,794	22,414	25,964	25,434
s74 Retained revenue receipts transferred to OPA	4,140	4,930	4,930	4,930	4,930
<b>Total cash used</b>	<b>117,945</b>	<b>123,641</b>	<b>120,383</b>	<b>125,448</b>	<b>126,569</b>
<b>Net cash from/(used by) operating activities</b>	<b>10,831</b>	<b>6,407</b>	<b>8,759</b>	<b>7,400</b>	<b>7,000</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Other	-	-	12,500	-	-
<b>Total cash received</b>	<b>-</b>	<b>-</b>	<b>12,500</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>					
Purchase of property, plant and equipment / intangibles	10,939	6,407	21,259	7,400	7,000
<b>Total cash used</b>	<b>10,939</b>	<b>6,407</b>	<b>21,259</b>	<b>7,400</b>	<b>7,000</b>
<b>Net cash from/(used by) investing activities</b>	<b>(10,939)</b>	<b>(6,407)</b>	<b>(8,759)</b>	<b>(7,400)</b>	<b>(7,000)</b>



**Table 3.2.4: Budgeted departmental statement of cash flows (for the period ended 30 June) (continued)**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	108	-	-	-	-
<b>Total cash received</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash from/(used by) financing activities</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash at the beginning of the reporting period	1,639	1,639	1,639	1,639	1,639
<b>Cash at the end of the reporting period</b>	<b>1,639</b>	<b>1,639</b>	<b>1,639</b>	<b>1,639</b>	<b>1,639</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.5: Departmental capital budget statement (for the period ended 30 June)**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>NEW CAPITAL APPROPRIATIONS</b>					
Total equity injections	108	-	-	-	-
<b>Total new capital appropriations</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Provided for:</b>					
Purchase of non-financial assets	108	-	-	-	-
<b>Total Items</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriations	108	-	-	-	-
Funded internally from departmental resources	10,831	6,407	21,259	7,400	7,000
<b>TOTAL</b>	<b>10,939</b>	<b>6,407</b>	<b>21,259</b>	<b>7,400</b>	<b>7,000</b>
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	10,939	6,407	21,259	7,400	7,000
<b>Total cash used to acquire assets</b>	<b>10,939</b>	<b>6,407</b>	<b>21,259</b>	<b>7,400</b>	<b>7,000</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.6: Statement of asset movements (Budget year 2015-16)**

	Other property, plant and equipment \$'000	Computer software and intangibles \$'000	Total \$'000
<b>As at 1 July 2015</b>			
Gross book value	17,674	42,543	60,217
Accumulated depreciation/amortisation and impairment	(7,864)	(27,674)	(35,538)
<b>Opening net book balance</b>	<b>9,810</b>	<b>14,869</b>	<b>24,679</b>
<b>Capital asset additions</b>			
By purchase - other	2,015	4,392	6,407
<b>Total additions</b>	<b>2,015</b>	<b>4,392</b>	<b>6,407</b>
<b>Other movements</b>			
Depreciation/amortisation expense	(2,015)	(5,371)	(7,386)
<b>Total other movements</b>	<b>(2,015)</b>	<b>(5,371)</b>	<b>(7,386)</b>
<b>As at 30 June 2016</b>			
Gross book value	19,689	46,935	66,624
Accumulated depreciation/amortisation and impairment	(9,879)	(33,045)	(42,924)
<b>Closing net book balance</b>	<b>9,810</b>	<b>13,890</b>	<b>23,700</b>

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)**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>EXPENSES</b>					
Waivers and write-offs	-	-	-	-	-
<b>Total expenses administered on behalf of Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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>	231,474	231,478	203,863	206,479	171,443
<i>Superannuation ( Financial Assisting Funding) Levy Act 1993</i>	-	-	-	-	-
<b>Total non-taxation revenue</b>	<b>231,474</b>	<b>231,478</b>	<b>203,863</b>	<b>206,479</b>	<b>171,443</b>
<b>Total own-source revenue administered on behalf of Government</b>	<b>231,474</b>	<b>231,478</b>	<b>203,863</b>	<b>206,479</b>	<b>171,443</b>
<b>Total own-sourced income administered on behalf of Government</b>	<b>231,474</b>	<b>231,478</b>	<b>203,863</b>	<b>206,479</b>	<b>171,443</b>
<b>Net cost of/(contribution by) services</b>	<b>(231,474)</b>	<b>(231,478)</b>	<b>(203,863)</b>	<b>(206,479)</b>	<b>(171,443)</b>
<b>Surplus/(deficit)</b>	<b>(231,474)</b>	<b>(231,478)</b>	<b>(203,863)</b>	<b>(206,479)</b>	<b>(171,443)</b>

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)**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash - Financial Claims Scheme special account	835	835	835	835	835
Receivables	525	525	525	525	525
<b>Total financial assets</b>	<b>1,360</b>	<b>1,360</b>	<b>1,360</b>	<b>1,360</b>	<b>1,360</b>
<b>Total assets administered on behalf of Government</b>	<b>1,360</b>	<b>1,360</b>	<b>1,360</b>	<b>1,360</b>	<b>1,360</b>

Prepared on Australian Accounting Standards basis.

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

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash or equivalents received</b>					
Transfer from Official Public Account					
Administered revenue	231,474	231,478	203,863	206,479	171,443
<b>Total cash or equivalents received</b>	<b>231,474</b>	<b>231,478</b>	<b>203,863</b>	<b>206,479</b>	<b>171,443</b>
<b>Cash or equivalents used</b>					
Cash to Official Public Account					
Administered expenses	231,474	231,478	203,863	206,479	171,443
<b>Total cash or equivalents used</b>	<b>231,474</b>	<b>231,478</b>	<b>203,863</b>	<b>206,479</b>	<b>171,443</b>
<b>Net cash from/(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 pro-rated 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.

