

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

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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 (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.

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 can not 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 2012-13, 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 2011-12 have been conducted against a backdrop of renewed turbulence in global financial markets as the global financial crisis that had begun in 2007 entered a new phase. In the first half of this period, in particular, markets rapidly lost confidence that policymakers in the United States and a number of European countries had the capacity to restore their public finances and, in the European case, their banking systems to a more sustainable footing within a reasonable timeframe. Global growth forecasts were wound back as a consequence. More recently however, global market sentiment has improved in response to monetary and fiscal initiatives in Europe and more positive growth signals emerging from the United States, although sentiment remains fragile. The Australian financial system has been well placed to deal with the more adverse global environment in 2011-12 and it has continued to display underlying strength. APRA has maintained its heightened level of supervisory intensity throughout this period and has also pursued a substantial prudential policy agenda.

APRA's activities will continue at this tempo in 2012-13. 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 is likely to result in only modest growth in business volumes. This will test the strategic ambitions of regulated institutions accustomed to more buoyant conditions. On the policy front, APRA will be implementing major reforms in ADI capital adequacy and liquidity, as part of the global response to the G20 Declaration *Strengthening the Financial System* (April 2009). In addition, APRA will be implementing relevant aspects of the Government's *Stronger Super* reforms and updating and harmonising capital standards in the general and life insurance industries.

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 2012-13 as at Budget May 2012

	Estimate of prior year amounts available in 2012-13 \$'000	Proposed at Budget 2012-13 \$'000	=	Total estimate 2012-13 \$'000	Actual available appropriation 2011-12 \$'000
Ordinary annual services					
Departmental appropriation					
Departmental appropriation	-	2,356	¹	2,356	13,289
Receipts from other sources (s31)	-	5,210	²	5,210	4,579
Total ordinary annual services	A	7,566		7,566	17,868
Other services					
Departmental non-operating					
Equity injections	-	4,810	³	4,810	-
Total other services	B	4,810		4,810	-
Total available annual appropriations (A+B)		12,376		12,376	17,821
Special appropriations					
<i>Financial Management and Accountability Act 1997</i>	-	-		-	-
Total special appropriations	C	-		-	-
Total appropriations excluding special accounts (A+B+C)		12,376		12,376	17,821
Special accounts					
Opening balance ⁴	47,092	-		47,092	-
Appropriation receipts	-	2,356		2,356	13,289
Non-appropriation receipts to special accounts	-	112,870		112,870	97,921
Total special accounts	D	115,226		162,318	111,210
Total resourcing (A+B+C+D)		127,602		174,694	129,078
Less appropriations drawn from annual or special appropriations above and credited to special accounts	-	2,356		2,356	13,289
Total net resourcing for APRA	47,092	125,246		172,338	115,789

1. Appropriation Bill (No. 1) 2012-13.

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

3. Appropriation Bill (No. 2) 2012-13.

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 are detailed in Budget Paper No. 2, *Budget Measures 2012-13* and are summarised below.

Table 1.2: Australian Prudential Regulation Authority 2012-13 Budget measures

	Program	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	
Expense measure							
Australian Prudential Regulation							
	Authority - sustaining capacity	1.1	-	15,694	16,243	19,715	23,792
Total expense measures			-	15,694	16,243	19,715	23,792
Related capital							
Australian Prudential Regulation							
	Authority - sustaining capacity	1.1	-	3,197	3,735	-	-
Total related capital			-	3,197	3,735	-	-
Related revenue							
Australian Prudential Regulation							
	Authority - sustaining capacity	1.1	-	18,891	19,978	19,715	23,792
	Stronger Super - implementation of SuperStream reforms	1.1	-	121,500	111,100	83,100	69,300
Total related revenue			-	140,391	131,078	102,815	93,092

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 that 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	2011-12 Estimated actual expenses \$'000	2012-13 Estimated expenses \$'000
Program 1.1: Australian Prudential Regulation Authority		
Departmental expenses		
Special accounts	101,480	112,870
Departmental appropriation	17,821	12,376
Expenses not requiring appropriation in budget year	-	-
Administered expenses		
Special appropriations - waivers and write off	-	-
Total expenses for Outcome 1	119,301	125,246
	2011-12	2012-13
Average staffing level (number)	606	613

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

The Government will provide additional funding to enable APRA to sustain its core staffing and capability during a period of intensive supervisory and prudential policy development, and to strengthen its crisis readiness.

Table 2.2: Program expenses

	2011-12 Revised budget \$'000	2012-13 Budget \$'000	2013-14 Forward year 1 \$'000	2014-15 Forward year 2 \$'000	2015-16 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	119,538	120,436	122,166	125,396	130,355
Total departmental expenses	119,538	120,436	122,166	125,396	130,355

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 2012-13. 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

		Opening balance	Receipts non- appropriated	Receipts appropriated	Payments	Closing balance
		2012-13	2012-13	2012-13	2012-13	2012-13
		2011-12	2011-12	2011-12	2011-12	2011-12
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Australian Prudential Regulation Authority Special Account	1	44,738	112,870	12,376	126,937	43,047
Financial Claims Scheme Special Account	1	354	-	-	-	354
Lloyd's Deposit Trust Special Account	-	2,000	-	-	-	2,000
		2,000	-	-	-	2,000
Total special accounts						-
2012-13 Budget estimate		47,092	112,870	12,376	126,937	45,401
Total special accounts						-
2011-12 estimate actual		45,207	97,921	18,068	114,104	47,092

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

While the departmental comprehensive income statement (Table 3.2.1) indicates only marginal change, year on year, in available appropriation revenue, the 2011-12 result is inflated by \$3.6 million in over collected levies. Net underlying funding has increased from \$111.2 million in 2011-12 to \$115.2 million in 2012-13, reflecting the Government's measure to sustain the capacity of APRA.

Employee expenses of \$88.2 million support an average staffing level (ASL) of 613 (606 in 2011-12). The additional staffing will enable APRA to maintain the current intensity of its supervisory and prudential policy activities, improve its crisis readiness and implement the *Stronger Super – MySuper* measure.

Supplier costs in 2012-13 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.

Non-financial asset balances will increase by \$6.5 million in 2012-13 mainly reflecting reinvestment in core supervision and information management systems. Further investment in key statistical data collection, analytical capability and corporate infrastructure will see APRA's non-financial assets peak at \$30 million in 2015-16.

Contributed equity will increase by \$4.8 million in 2012-13 and a further \$4.4 million over the forward estimates 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.

Table 3.2.4 shows the expected change in equity from 2011-12 to 2012-13. The only change is the injection of capital to support APRA's infrastructure investment plan.

The departmental capital budget statement (Table 3.2.5) indicates APRA's capital needs will be partly met by equity injections of \$9.2 million over three years, reflecting approved 2012-13 and 2013-14 measures, and partly by internally generated resources. The planned movement of fixed assets and intangibles between 2011-2012 and 2012-13 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 moneys and lost member functions and the Australian Securities and Investments Commission (ASIC) for consumer protection and market integrity functions.

The Government has approved the collection of levies totalling \$467.2 million over six years, starting with \$121.5 million in 2012-13, to support the *Stronger Super – SuperStream* initiative being implemented by the ATO.

Administration of claims for early release of superannuation benefits on compassionate grounds was transferred from APRA to the Department of Human Services (DHS) in late 2011. As a result, costs assessed at \$4.2 million in 2012-13 are included in the 2012-13 financial sector levies collection and will be retained by Government to fund DHS for this function. APRA's funding has been reduced commensurately.

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 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
EXPENSES					
Employee benefits	86,801	88,200	89,414	93,766	99,195
Supplier	27,530	26,971	24,953	24,087	25,360
Depreciation and amortisation	5,207	5,265	7,799	7,543	5,800
Total expenses	119,538	120,436	122,166	125,396	130,355
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	3,763	4,160	4,160	4,160	4,160
Other revenue	769	1,050	1,050	1,050	1,050
Total revenue	4,532	5,210	5,210	5,210	5,210
Total own-source income	4,532	5,210	5,210	5,210	5,210
Net cost of (contribution by) services	115,006	115,226	116,956	120,186	125,145
Appropriation revenue	114,769	115,226	116,956	120,186	125,145
Surplus (deficit) attributable to the Australian Government	(237)	-	-	-	-

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
ASSETS					
Financial assets					
Cash	44,740	43,049	43,798	43,790	43,790
Receivables	3,831	3,831	3,831	3,831	3,831
Total financial assets	48,571	46,880	47,629	47,621	47,621
Non-financial assets					
Infrastructure, plant and equipment	6,411	4,451	3,468	3,091	4,234
Intangibles	11,168	19,629	24,133	24,626	23,483
Other	2,197	2,231	2,231	2,231	2,231
Total non-financial assets	19,776	26,311	29,832	29,948	29,948
Total assets	68,347	73,191	77,461	77,569	77,569
LIABILITIES					
Provisions					
Employees	29,173	29,058	29,058	29,058	29,058
Other	2,125	2,167	2,167	2,167	2,167
Total provisions	31,298	31,225	31,225	31,225	31,225
Payables					
Suppliers	5,958	6,065	6,065	6,065	6,065
Total payables	5,958	6,065	6,065	6,065	6,065
Total liabilities	37,256	37,290	37,290	37,290	37,290
Net assets	31,091	35,901	40,171	40,279	40,279
EQUITY					
Contributed equity	7,469	12,279	16,549	16,657	16,657
Reserves	12,637	12,637	12,637	12,637	12,637
Retained surpluses or accumulated deficits	10,985	10,985	10,985	10,985	10,985
Total equity	31,091	35,901	40,171	40,279	40,279
Current assets	50,768	49,111	49,860	49,852	49,852
Non-current assets	17,579	24,080	27,601	27,717	27,717
Current liabilities	29,432	29,484	29,484	29,484	29,484
Non-current liabilities	7,825	7,806	7,806	7,806	7,806

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	3,763	4,160	4,160	4,160	4,160
Appropriations	114,769	115,226	116,956	120,186	125,145
Other	816	1,050	1,050	1,050	1,050
Total cash received	119,348	120,436	122,166	125,396	130,355
Cash used					
Employees	83,763	88,200	89,414	93,766	99,195
Suppliers	27,603	26,971	24,953	24,087	25,360
Total cash used	111,366	115,171	114,367	117,853	124,555
Net cash from or (used by) operating activities	7,982	5,265	7,799	7,543	5,800
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment/intangibles	5,000	11,766	11,320	7,659	5,800
Total cash used	5,000	11,766	11,320	7,659	5,800
Net cash from or (used by) investing activities	(5,000)	(11,766)	(11,320)	(7,659)	(5,800)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	-	4,810	4,270	108	-
Total cash received	-	4,810	4,270	108	-
Net cash from or (used by) financing activities	-	4,810	4,270	108	-
Net increase (or decrease) in cash held	2,982	(1,691)	749	(8)	-
Cash at the beginning of the reporting period	41,758	44,740	43,049	43,798	43,790
Cash at the end of the reporting period	44,740	43,049	43,798	43,790	43,790

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2012-13)

	Retained surpluses	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2012					
Balance carried forward from previous period	10,985	6,637	6,000	7,469	31,091
Adjusted opening balance	10,985	6,637	6,000	7,469	31,091
Comprehensive income					
Surplus (deficit) for the period	-	-	-	-	-
Total comprehensive income recognised directly in equity	-	-	-	-	-
Transactions with owners					
Equity Injection	-	-	-	4,810	4,810
	-	-	-	4,810	4,810
Estimated closing balance as at 30 June 2013	10,985	6,637	6,000	12,279	35,901

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget (DCB) statement

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
NEW CAPITAL APPROPRIATIONS					
Total equity injections	-	4,810	4,270	108	-
Total new capital appropriations	-	4,810	4,270	108	-
Provided for:					
Purchase of non-financial assets	-	4,810	4,270	108	-
Total Items	-	4,810	4,270	108	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	-	4,810	4,270	108	-
Funded internally from departmental resources	5,000	6,956	7,050	7,551	5,800
TOTAL	5,000	11,766	11,320	7,659	5,800
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	5,000	11,766	11,320	7,659	5,800
Total cash used to acquire assets	5,000	11,766	11,320	7,659	5,800

Prepared on Australian Accounting Standards basis.

Table 3.2.6: Statement of asset movements — departmental

	Other, infrastructure, plant & equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2012			
Gross book value	9,935	26,752	36,687
Accumulated depreciation/amortisation and impairment	3,524	15,584	19,108
Opening net book balance	6,411	11,168	17,579
Capital asset additions			
By purchase - other	1,570	10,196	11,766
Total additions	1,570	10,196	11,766
Other movements			
Depreciation/amortisation expense	3,530	1,735	5,265
Total other movements	3,530	1,735	5,265
As at 30 June 2013			
Gross book value	11,505	36,948	48,453
Accumulated depreciation/amortisation and impairment	7,054	17,319	24,373
Closing net book balance	4,451	19,629	24,080

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 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Waivers and write-offs	963	-	-	-	-
Total expenses administered on behalf of government	963	-	-	-	-
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Non-taxation revenue					
Other sources of non-taxation					
<i>Financial Institutions Supervisory</i>					
<i>Levies Collection Act 1998</i>	129,905	269,818	262,207	233,933	225,117
Total non-taxation revenue	129,905	269,818	262,207	233,933	225,117
Total revenues administered on behalf of Government	129,905	269,818	262,207	233,933	225,117
Total own-sourced income administered on behalf of Government	129,905	269,818	262,207	233,933	225,117
Net Cost of (contribution by) services	(128,942)	(269,818)	(262,207)	(233,933)	(225,117)
Surplus (Deficit)	128,942	269,818	262,207	233,933	225,117

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 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash - Financial Claims Scheme special account	354	354			
Receivables	-	-	-	-	-
Total financial assets	354	354	-	-	-
Total assets administered on behalf of government	354	354	-	-	-

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
OPERATING ACTIVITIES					
Cash or equivalents received					
Transfer from Official Public Account	-	-	-	-	-
Administered revenue	129,905	269,818	262,207	233,933	225,117
Total cash or equivalents received	129,905	269,818	262,207	233,933	225,117
Cash or equivalents used					
Cash to Official Public Account	128,942	269,818	262,207	233,933	225,117
Administered expenses	963	-	-	-	-
Total cash or equivalents used	129,905	269,818	262,207	233,933	225,117
Net cash or equivalents from or (used by) operating activities	-	-	-	-	-

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 ASIC for consumer protection and market integrity functions, the ATO for superannuation administration, unclaimed moneys and lost member functions and the 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.

Write down and impairment of assets

Write down and impairment of assets represents waivers and write-offs of levies.

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

