

# AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

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# AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

## Section 1: Agency overview and resources

### 1.1 STRATEGIC DIRECTION

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 a supervisory approach and to be focussed on outcomes.

*Australian Prudential Regulation Authority*

In 2010-11, 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 G-20 and overseen by the Financial Stability Board;
- enhance the efficiency and effectiveness of APRA's supervisory tools and systems through better integration of tools, greater analytical support for its risk-rating systems, and 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 2009-10 have been conducted against the background of a gradual recovery in global credit and equity markets and the global economy after the severe disruptions to market confidence and economic activity in late 2008 and early 2009. However, significant uncertainties remain about the global outlook. Though affected by these and earlier disruptions, the Australian financial system has shown its resilience throughout the global financial crisis. Since the crisis began, APRA has stepped up its supervisory intensity, particularly in its dealings with ADIs. APRA has been closely monitoring the liquidity position of the larger ADIs and reviewing their funding plans; it has also been monitoring trends in ADI asset quality and capital adequacy. In addition, APRA has been analysing the impact of equity market developments on the insurance and superannuation industries.

In view of global uncertainties, APRA will maintain its heightened oversight of its regulated institutions in 2010-11, with a particular focus on asset quality as the Australian economy regains momentum. In addition, APRA's resources will be committed to enhancing its prudential requirements as part of a coordinated international regulatory response to the crisis, as agreed by the G-20 in their April 2009 Declaration, *Strengthening the Financial System*.

## 1.2 AGENCY RESOURCE STATEMENT

The total appropriation and other resources for APRA in the 2010-11 Budget is \$108.3 million.

Table 1.1 shows the total resources from all origins. 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 2010-11 as at Budget May 2010**

|   | Estimate<br>of prior<br>year amounts<br>available in<br>2010-11<br>\$'000 | Proposed<br>at Budget<br>2010-11<br>\$'000 | =            | Total<br>estimate<br>2010-11<br>\$'000 | Estimated<br>available<br>appropriation<br>2009-10<br>\$'000 |
|---|---|--|--------------|--|--|
| <b>Ordinary annual services</b>   |   |  |              |  |  |
| <b>Departmental appropriation</b>   |   |  |              |  |  |
| Departmental appropriation  | -   | 12,575                                     | <sup>1</sup> | 12,575                                 | 23,545   |
| Receipts from other sources (s31)   | -   | 5,940                                      | <sup>3</sup> | 5,940                                  | 6,557  |
| <b>Total ordinary annual services</b>   | <b>A</b>  | <b>18,515</b>                              |              | <b>18,515</b>                          | <b>30,102</b>  |
| <b>Other services</b>   |   |  |              |  |  |
| <b>Departmental non-operating</b>   |   |  |              |  |  |
| Equity injections   | -   | 1,457                                      | <sup>2</sup> | 1,457                                  | 1,957  |
| Previous years' outputs   | -   | -  |              | -                                      | 773  |
| <b>Total departmental non-operating</b>   | -   | <b>1,457</b>                               |              | <b>1,457</b>                           | <b>2,730</b>   |
| <b>Administered non-operating</b>   |   |  |              |  |  |
| Administered assets and liabilities   | -   | 3,000                                      |              | 3,000                                  | 3,000  |
| <b>Total other services</b>   | <b>B</b>  | <b>4,457</b>                               |              | <b>4,457</b>                           | <b>5,730</b>   |
| <b>Total available annual appropriations (A+B)</b>  | -   | <b>22,972</b>                              |              | <b>22,972</b>                          | <b>35,832</b>  |
| <b>Special accounts</b>   |   |  |              |  |  |
| Opening balance <sup>4</sup>  | 43,758  | -  |              | 43,758                                 | -  |
| Appropriation receipts  | -   | 12,575                                     |              | 12,575                                 | 23,545   |
| Non-appropriation receipts to special accounts  | -   | 89,728                                     |              | 89,728                                 | 99,591   |
| <b>Total special accounts</b>   | <b>C</b>  | <b>102,303</b>                             |              | <b>146,061</b>                         | <b>123,136</b>   |
| <b>Total resourcing (A+B+C)</b>   | <b>43,758</b>   | <b>125,275</b>                             |              | <b>169,033</b>                         | <b>158,968</b>   |
| Less appropriations drawn from annual appropriations above and credited to special accounts | -   | 12,575                                     |              | 12,575                                 | 23,545   |
| <b>Total net resourcing for APRA</b>  | <b>43,758</b>   | <b>112,700</b>                             |              | <b>156,458</b>                         | <b>135,423</b>   |

1. Appropriation Bill (No. 1) 2010-11.

2. Appropriation Bill (No. 2) 2010-11.

3. Receipts received under s31 of the *Financial Management and Accountability Act 1997*.

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 Australian Prudential Regulation Authority are detailed in Budget Paper No. 2, *Budget Measures 2010-11* and are summarised below.

**Table 1.2: Australian Prudential Regulation Authority 2010-11 Budget measures**

|  | Program | 2009-10<br>\$'000 | 2010-11<br>\$'000 | 2011-12<br>\$'000 | 2012-13<br>\$'000 | 2013-14<br>\$'000 |
|--|---------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Expense measure</b>   |         |                   |                   |                   |                   |                   |
| Standard Business Reporting - ongoing funding                    | 1.1     | -                 | -                 | 575               | 783               | 556               |
| <b>Total expense measures</b>                                    |         | -                 | -                 | 575               | 783               | 556               |
| <b>Related capital</b>   |         |                   |                   |                   |                   |                   |
| Standard Business Reporting - ongoing funding                    | 1.1     | -                 | 1,457             | -                 | 200               | -                 |
| <b>Total related capital</b>                                     |         | -                 | 1,457             | -                 | 200               | -                 |
| <b>Related revenue</b>   |         |                   |                   |                   |                   |                   |
| Sustaining the Superannuation Complaints Tribunal's capabilities | 1.1     | -                 | 1,464             | 1,472             | 1,482             | 1,492             |
| <b>Total related revenue</b>                                     |         | -                 | 1,464             | 1,472             | 1,482             | 1,492             |

Prepared on a Government Financial 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. Agencies deliver programs which are the Government actions taken to deliver the stated outcomes. Agencies are required to identify the programs which contribute to government outcomes over the budget and forward years.

APRA's outcome is described below specifying the strategy, program, objective, deliverables and 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 1 Budgeted expenses and resources

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

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

| <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 | 2009-10<br>Estimated<br>actual<br>expenses<br>\$'000 | 2010-11<br>Estimated<br>expenses<br>\$'000 |
|--|--|--|
| <b>Program 1.1: Australian Prudential Regulation Authority</b>   |  |  |
| Departmental expenses  |  |  |
| Special accounts   | 96,239   | 89,728                                     |
| Ordinary annual services (Appropriation Bill No. 1)  | 23,545   | 12,575                                     |
| Revenues from independent sources (s31)  | 6,557  | 5,940                                      |
| less Revenue to be carried forward   | 11,527   | -  |
| Expenses not requiring appropriation in the Budget year  | -  | 11,500                                     |
| Administered expenses  |  |  |
| Special appropriations - waivers and write off   | 3,000  | 3,000                                      |
| <b>Total expenses for Outcome 1</b>  | <b>117,814</b>                                       | <b>122,743</b>                             |
|  | 2009-10  | 2010-11                                    |
| <b>Average staffing level (number)</b>   | 652  | 648  |

## 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 which balances financial safety and efficiency, competition, contestability and competitive neutrality.

#### Program expenses

Program expenses are currently estimated to peak in 2010-11 as APRA maintains its more intensive supervisory and policy development activities arising from the global financial crisis.

The forward estimates are reducing due to the end of funding associated with the global financial crisis after 2011-12. APRA's baseline activities will continue to be funded by industry levies (via the special account).

Administered expenses in 2010-11 anticipate continued levy waiver and write-off requests, reflecting further financial sector consolidation, particularly in the superannuation industry.



**Table 2.2: Program expenses**

|   | 2009-10<br>Revised<br>budget<br>\$'000 | 2010-11<br>Budget<br>\$'000 | 2011-12<br>Forward<br>year 1<br>\$'000 | 2012-13<br>Forward<br>year 2<br>\$'000 | 2013-14<br>Forward<br>year 3<br>\$'000 |
|---|--|-----------------------------|--|--|--|
| Annual departmental expenses                                      |  |                             |  |  |  |
| Departmental items  | 114,814                                | 119,743                     | 110,525                                | 103,268                                | 103,595                                |
| Administered expenses   |  |                             |  |  |  |
| Special appropriations  |  |                             |  |  |  |
| <i>Financial Management &amp; Accountability<br/>    Act 1997</i> | 3,000                                  | 3,000                       | 3,000                                  | 3,000                                  | 3,000                                  |
| <b>Total expenses</b>   | <b>117,814</b>                         | <b>122,743</b>              | <b>113,525</b>                         | <b>106,268</b>                         | <b>106,595</b>                         |

### Program deliverables

APRA has the following program deliverables:

- the issuance of prudential standards and guidelines to assist regulated industries manage risk;
- active surveillance of regulated industries aimed at mitigating financial loss by depositors, policyholders and superannuation fund members which may result from the failure of regulated institutions 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 of the Government on matters emerging in international forums which may impact on prudential policy.

### Program key performance indicators

APRA has the following key performance indicators:

- timely issuance of prudential standards and guidelines which 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 participation in international fora.

## Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of APRA's finances for the budget year 2010-11. 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<br>balance | Receipts<br>non-<br>appropriated | Receipts<br>appropriated | Payments       | Closing<br>balance |
|--|---------|--------------------|----------------------------------|--------------------------|----------------|--------------------|
|  |         | <b>2010-11</b>     | <b>2010-11</b>                   | <b>2010-11</b>           | <b>2010-11</b> | <b>2010-11</b>     |
|  |         | <i>2009-10</i>     | <i>2009-10</i>                   | <i>2009-10</i>           | <i>2009-10</i> | <i>2009-10</i>     |
|  | Outcome | \$'000             | \$'000                           | \$'000                   | \$'000         | \$'000             |
| Australian Prudential Regulation Authority Special Account | 1       | <b>40,234</b>      | <b>89,728</b>                    | <b>12,575</b>            | <b>112,917</b> | <b>29,620</b>      |
| Lloyd's Deposit Trust Special Account                      | 1       | <b>2,000</b>       | -                                | -                        | -              | <b>2,000</b>       |
| Financial Claims Scheme Special account                    | 1       | <b>1,524</b>       | -                                | -                        | -              | <b>1,524</b>       |
|  |         | -                  | -                                | 1,524                    | -              | 1,524              |
| <b>Total special accounts</b>                              |         |                    |                                  |                          |                | -                  |
| <b>2010-11 Budget estimate</b>                             |         | <b>43,758</b>      | <b>89,728</b>                    | <b>12,575</b>            | <b>112,917</b> | <b>33,144</b>      |
| Total special accounts                                     |         |                    |                                  |                          |                | -                  |
| 2009-10 estimate actual                                    |         | 33,300             | 99,591                           | 27,799                   | 116,932        | 43,758             |

### **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 the resource information presented in the Budget Papers and Portfolio Budget Statements and APRA's financial statements as a result of differences between Australian Accounting Standards and Government Finance Statistics.

In addition, APRA is not a party to related entity transactions that would result in significant differences between the resource information presented in the Budget Papers and Portfolio Budget Statements and APRA's financial statements.

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

The departmental comprehensive income statement (Table 3.2.1) shows a net decrease in appropriation revenue from \$119.8 million forecast for 2009-10 to \$102.3 million in 2010-11. The \$17.5 million decrease mainly reflects:

- a \$9.5 million reduction in the year-on-year funding provided in the 2008-09 Portfolio Additional Estimates Statement to strengthen APRA's capacity to manage issues associated with the global financial crisis;
- the return of \$2.0 million in over-collected 2009-10 levies; and
- a \$6.0 million reduction in funding due to other appropriation adjustments and in funding for the National Claims and Policies Database and Standard Business Reporting (SBR).

Employee expenses of \$82.6 million reflect a largely unchanged average staffing level (ASL) of 648 (redefined to include casual and fixed-term employees) to enable APRA to maintain its more intensive supervisory and policy development activities.

Supplier costs will increase from \$30.3 million forecast in 2009-10 to \$32.8 million in 2010-11; the increase includes the non employee-related costs associated with APRA's management of issues arising from the global financial crisis.

APRA is budgeting for an operating loss of \$11.5 million in 2010-11, to be funded out of the operating surplus of \$11.5 million in 2009-10.

The budgeted departmental balance sheet (Table 3.2.2) shows that, after funding the budgeted operating loss of \$11.5 million in 2010-11, 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 to \$18.6 million in 2010-11 and are reducing in the forward estimates as APRA completes investments in core supervisory and corporate infrastructure.

Contributed equity will increase over 2010-11, reflecting a further equity injection of \$1.5 million for SBR.

Retained surpluses, after funding the budgeted operating loss of \$11.5 million in 2010-11, are set to maintain general reserves at a level sufficient to accommodate unforeseen business needs which 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 2009-10 to 2010-11. The main items of change across this period will be the use of the 2009-10 operating surplus to partially meet 2010-11 expenditures, and the equity injection related to SBR.

The departmental capital budget statement (Table 3.2.5) indicates APRA's capital needs will be principally met by internally generated resources. The expected movements in non-financial asset values between 2009-10 and 2010-11 are 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*. In addition to 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 expenses are an estimate of levies and penalties that will be waived or written off in the year.

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.

As indicated in the schedule of budgeted administered cash flows (Table 3.2.9), the 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 and ASIC.

### 3.2.3 Budgeted financial statements tables

**Table 3.2.1: Budgeted departmental comprehensive income statement  
(for the period ended 30 June)**

|  | Estimated<br>actual<br>2009-10<br>\$'000 | Budget<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 | Forward<br>estimate<br>2012-13<br>\$'000 | Forward<br>estimate<br>2013-14<br>\$'000 |
|--|--|---|--|--|--|
| <b>EXPENSES</b>  |  |   |  |  |  |
| Employee benefits  | 80,183                                   | 82,596                                  | 79,161                                   | 70,363                                   | 70,167                                   |
| Supplier expenses  | 30,277                                   | 32,761                                  | 27,220                                   | 28,508                                   | 28,919                                   |
| Depreciation and amortisation  | 4,354                                    | 4,386                                   | 4,144                                    | 4,397                                    | 4,509                                    |
| <b>Total expenses</b>  | <b>114,814</b>                           | <b>119,743</b>                          | <b>110,525</b>                           | <b>103,268</b>                           | <b>103,595</b>                           |
| <b>LESS:</b>   |  |   |  |  |  |
| <b>OWN-SOURCE INCOME</b>   |  |   |  |  |  |
| <b>Revenue</b>   |  |   |  |  |  |
| Sale of goods and rendering of<br>services                             | 4,747                                    | 4,130                                   | 4,123                                    | 4,115                                    | 4,115                                    |
| Other revenue  | 1,810                                    | 1,810                                   | 1,810                                    | 1,810                                    | 1,810                                    |
| <b>Total revenue</b>   | <b>6,557</b>                             | <b>5,940</b>                            | <b>5,933</b>                             | <b>5,925</b>                             | <b>5,925</b>                             |
| <b>Total own-source income</b>   | <b>6,557</b>                             | <b>5,940</b>                            | <b>5,933</b>                             | <b>5,925</b>                             | <b>5,925</b>                             |
| <b>Net cost of (contribution by)<br/>services</b>                      | <b>108,257</b>                           | <b>113,803</b>                          | <b>104,592</b>                           | <b>97,343</b>                            | <b>97,670</b>                            |
| Appropriation revenue  | 119,784                                  | 102,303                                 | 104,592                                  | 97,343                                   | 97,670                                   |
| <b>Surplus (deficit) attributable to the<br/>Australian Government</b> | <b>11,527</b>                            | <b>(11,500)</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<br>estimate<br>2009-10<br>\$'000 | Budget<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 | Forward<br>estimate<br>2012-13<br>\$'000 | Forward<br>estimate<br>2013-14<br>\$'000 |
|---|---|---|--|--|--|
| <b>ASSETS</b>                                 |   |   |  |  |  |
| <b>Financial assets</b>                       |   |   |  |  |  |
| Cash  | 41,384                                  | 30,770                                  | 31,509                                   | 32,402                                   | 32,907                                   |
| Receivables                                   | 7,633                                   | 6,864                                   | 6,959                                    | 4,779                                    | 4,779                                    |
| Accrued revenues                              | 450                                     | 450                                     | 450                                      | 450                                      | 450                                      |
| <b>Total financial assets</b>                 | <b>49,467</b>                           | <b>38,084</b>                           | <b>38,918</b>                            | <b>37,631</b>                            | <b>38,136</b>                            |
| <b>Non-financial assets</b>                   |   |   |  |  |  |
| Infrastructure, plant and equipment           | 6,511                                   | 5,425                                   | 3,879                                    | 1,996                                    | 501                                      |
| Intangibles                                   | 9,515                                   | 11,176                                  | 11,983                                   | 13,173                                   | 14,163                                   |
| Other   | 1,990                                   | 2,024                                   | 2,056                                    | 2,090                                    | 2,090                                    |
| <b>Total non-financial assets</b>             | <b>18,016</b>                           | <b>18,625</b>                           | <b>17,918</b>                            | <b>17,259</b>                            | <b>16,754</b>                            |
| <b>Total assets</b>                           | <b>67,483</b>                           | <b>56,709</b>                           | <b>56,836</b>                            | <b>54,890</b>                            | <b>54,890</b>                            |
| <b>LIABILITIES</b>                            |   |   |  |  |  |
| <b>Provisions</b>                             |   |   |  |  |  |
| Employees                                     | 22,750                                  | 21,870                                  | 21,850                                   | 19,555                                   | 19,555                                   |
| Other   | 2,001                                   | 2,043                                   | 2,085                                    | 2,127                                    | 2,127                                    |
| <b>Total provisions</b>                       | <b>24,751</b>                           | <b>23,913</b>                           | <b>23,935</b>                            | <b>21,682</b>                            | <b>21,682</b>                            |
| <b>Payables</b>                               |   |   |  |  |  |
| Suppliers                                     | 3,801                                   | 3,908                                   | 4,013                                    | 4,120                                    | 4,120                                    |
| <b>Total payables</b>                         | <b>3,801</b>                            | <b>3,908</b>                            | <b>4,013</b>                             | <b>4,120</b>                             | <b>4,120</b>                             |
| <b>Total liabilities</b>                      | <b>28,552</b>                           | <b>27,821</b>                           | <b>27,948</b>                            | <b>25,802</b>                            | <b>25,802</b>                            |
| <b>Net assets</b>                             | <b>38,931</b>                           | <b>28,888</b>                           | <b>28,888</b>                            | <b>29,088</b>                            | <b>29,088</b>                            |
| <b>EQUITY</b>                                 |   |   |  |  |  |
| Contributed equity                            | 6,012                                   | 7,469                                   | 7,469                                    | 7,669                                    | 7,669                                    |
| Reserves                                      | 9,809                                   | 9,809                                   | 9,809                                    | 9,809                                    | 9,809                                    |
| Retained surpluses or<br>accumulated deficits | 23,110                                  | 11,610                                  | 11,610                                   | 11,610                                   | 11,610                                   |
| <b>Total equity</b>                           | <b>38,931</b>                           | <b>28,888</b>                           | <b>28,888</b>                            | <b>29,088</b>                            | <b>29,088</b>                            |
| <b>Current assets</b>                         | <b>51,457</b>                           | <b>40,108</b>                           | <b>40,974</b>                            | <b>39,721</b>                            | <b>40,226</b>                            |
| <b>Non-current assets</b>                     | <b>16,026</b>                           | <b>16,601</b>                           | <b>15,862</b>                            | <b>15,169</b>                            | <b>14,664</b>                            |
| <b>Current liabilities</b>                    | <b>22,364</b>                           | <b>21,843</b>                           | <b>21,964</b>                            | <b>20,382</b>                            | <b>20,382</b>                            |
| <b>Non-current liabilities</b>                | <b>6,188</b>                            | <b>5,978</b>                            | <b>5,984</b>                             | <b>5,421</b>                             | <b>5,421</b>                             |

Prepared on Australian Accounting Standards basis.

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

|  | Actuals<br>estimate<br>2009-10<br>\$'000 | Budget<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 | Forward<br>estimate<br>2012-13<br>\$'000 | Forward<br>estimate<br>2013-14<br>\$'000 |
|--|--|---|--|--|--|
| <b>OPERATING ACTIVITIES</b>                                |  |   |  |  |  |
| <b>Cash received</b>                                       |  |   |  |  |  |
| Goods and services   | 4,747                                    | 4,130                                   | 4,123                                    | 4,115                                    | 4,115                                    |
| Appropriations   | 119,784                                  | 102,303                                 | 104,592                                  | 97,343                                   | 97,670                                   |
| Other  | 1,810                                    | 1,810                                   | 1,810                                    | 1,810                                    | 1,810                                    |
| <b>Total cash received</b>                                 | <b>126,341</b>                           | <b>108,243</b>                          | <b>110,525</b>                           | <b>103,268</b>                           | <b>103,595</b>                           |
| <b>Cash used</b>   |  |   |  |  |  |
| Employees  | 80,183                                   | 82,596                                  | 79,161                                   | 70,363                                   | 70,167                                   |
| Suppliers  | 30,277                                   | 32,761                                  | 27,225                                   | 28,512                                   | 28,923                                   |
| <b>Total cash used</b>                                     | <b>110,460</b>                           | <b>115,357</b>                          | <b>106,386</b>                           | <b>98,875</b>                            | <b>99,090</b>                            |
| <b>Net cash from or (used by)<br/>operating activities</b> | <b>15,881</b>                            | <b>(7,114)</b>                          | <b>4,139</b>                             | <b>4,393</b>                             | <b>4,505</b>                             |
| <b>INVESTING ACTIVITIES</b>                                |  |   |  |  |  |
| <b>Cash used</b>   |  |   |  |  |  |
| Purchase of property, plant<br>and equipment               | 7,757                                    | 4,957                                   | 3,400                                    | 3,700                                    | 4,000                                    |
| <b>Total cash used</b>                                     | <b>7,757</b>                             | <b>4,957</b>                            | <b>3,400</b>                             | <b>3,700</b>                             | <b>4,000</b>                             |
| <b>Net cash from or (used by)<br/>investing activities</b> | <b>(7,757)</b>                           | <b>(4,957)</b>                          | <b>(3,400)</b>                           | <b>(3,700)</b>                           | <b>(4,000)</b>                           |
| <b>FINANCING ACTIVITIES</b>                                |  |   |  |  |  |
| <b>Cash received</b>                                       |  |   |  |  |  |
| Appropriations - contributed equity                        | 1,957                                    | 1,457                                   | -  | 200                                      | -  |
| <b>Total cash received</b>                                 | <b>1,957</b>                             | <b>1,457</b>                            | <b>-</b>                                 | <b>200</b>                               | <b>-</b>                                 |
| <b>Net cash from or (used by)<br/>financing activities</b> | <b>1,957</b>                             | <b>1,457</b>                            | <b>-</b>                                 | <b>200</b>                               | <b>-</b>                                 |
| <b>Net increase (or decrease)<br/>in cash held</b>         | <b>10,081</b>                            | <b>(10,614)</b>                         | <b>739</b>                               | <b>893</b>                               | <b>505</b>                               |
| Cash at the beginning of<br>the reporting period           | 31,303                                   | 41,384                                  | 30,770                                   | 31,509                                   | 32,402                                   |
| <b>Cash at the end of the<br/>reporting period</b>         | <b>41,384</b>                            | <b>30,770</b>                           | <b>31,509</b>                            | <b>32,402</b>                            | <b>32,907</b>                            |

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2010-11)**

|   | Retained<br>surpluses<br>\$'000 | Asset<br>revaluation<br>reserve<br>\$'000 | Other<br>reserves<br>\$'000 | Contributed<br>equity/<br>capital<br>\$'000 | Total<br>equity<br>\$'000 |
|---|---------------------------------|---|-----------------------------|---|---------------------------|
| <b>Opening balance as at 1 July 2010</b>                            |                                 |   |                             |   |                           |
| Balance carried forward from<br>previous period                     | 23,110                          | 3,809                                     | 6,000                       | 6,012                                       | 38,931                    |
| <b>Adjusted opening balance</b>                                     | 23,110                          | 3,809                                     | 6,000                       | 6,012                                       | 38,931                    |
| <b>Comprehensive income</b>   |                                 |   |                             |   |                           |
| Surplus (deficit) for the period                                    | (11,500)                        | -   | -                           | -   | (11,500)                  |
| <b>Total comprehensive income<br/>recognised directly in equity</b> | (11,500)                        | -   | -                           | -   | (11,500)                  |
| <b>Transactions with owners</b>                                     |                                 |   |                             |   |                           |
| Contribution by owners  |                                 |   |                             |   |                           |
| Appropriation (equity injection)                                    | -                               | -   | -                           | 1,457                                       | 1,457                     |
| <b>Total transactions with owners</b>                               | -                               | -   | -                           | 1,457                                       | 1,457                     |
| <b>Estimated closing balance<br/>as at 30 June 2011</b>             | 11,610                          | 3,809                                     | 6,000                       | 7,469                                       | 28,888                    |

Prepared on Australian Accounting Standards basis.



**Table 3.2.5: Departmental capital budget statement**

|   | Estimated<br>actual<br>2009-10<br>\$'000 | Budget<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 | Forward<br>estimate<br>2012-13<br>\$'000 | Forward<br>estimate<br>2013-14<br>\$'000 |
|---|--|---|--|--|--|
| <b>CAPITAL APPROPRIATIONS</b>                 |  |   |  |  |  |
| Total equity injections                       | 1,957                                    | 1,457                                   | -  | 200                                      | -  |
| <b>Total capital appropriations</b>           | 1,957                                    | 1,457                                   | -  | 200                                      | -  |
| <b>Represented by:</b>                        |  |   |  |  |  |
| Purchase of non-financial assets              | 1,957                                    | 1,457                                   | -  | 200                                      | -  |
| <b>Total represented by:</b>                  | 1,957                                    | 1,457                                   | -  | 200                                      | -  |
| <b>ACQUISITION OF NON-FINANCIAL ASSETS</b>    |  |   |  |  |  |
| Funded by capital appropriations              | 1,957                                    | 1,457                                   | -  | 200                                      | -  |
| Funded internally from departmental resources | 5,800                                    | 3,500                                   | 3,400                                    | 3,500                                    | 4,000                                    |
| <b>TOTAL</b>                                  | 7,757                                    | 4,957                                   | 3,400                                    | 3,700                                    | 4,000                                    |

Prepared on Australian Accounting Standards basis.

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

|  | Buildings | Other,<br>infrastructure,<br>plant &<br>equipment | Intangibles | Total  |
|--|-----------|---|-------------|--------|
|  | \$'000    | \$'000  | \$'000      | \$'000 |
| <b>As at 1 July 2010</b>                   |           |   |             |        |
| Gross book value                           | -         | 12,454  | 22,065      | 34,519 |
| less Accumulated depreciation/amortisation | -         | 5,943   | 12,546      | 18,489 |
| <b>Opening net book balance</b>            | -         | 6,511   | 9,519       | 16,030 |
| <b>Asset movements</b>                     |           |   |             |        |
| Additions                                  | -         | 1,555   | 3,402       | 4,957  |
| less Depreciation/amortisation expense     | -         | 2,641   | 1,745       | 4,386  |
| <b>Total asset movements</b>               | -         | (1,086)   | 1,657       | 571    |
| <b>As at 30 June 2011</b>                  |           |   |             |        |
| Gross book value                           | -         | 14,009  | 25,467      | 39,476 |
| less Accumulated depreciation/amortisation | -         | 8,584   | 14,291      | 22,875 |
| <b>Closing net book balance</b>            | -         | 5,425   | 11,176      | 16,601 |

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<br>estimate<br>2009-10<br>\$'000 | Budget<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 | Forward<br>estimate<br>2012-13<br>\$'000 | Forward<br>estimate<br>2013-14<br>\$'000 |
|--|---|---|--|--|--|
| <b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>         |   |   |  |  |  |
| <b>Revenue</b>   |   |   |  |  |  |
| <b>Non-taxation</b>  |   |   |  |  |  |
| Other sources of non-taxation revenues                     | 140,845                                 | 124,899                                 | 126,658                                  | 119,514                                  | 120,465                                  |
| <b>Total non-taxation</b>                                  | 140,845                                 | 124,899                                 | 126,658                                  | 119,514                                  | 120,465                                  |
| <b>Total income administered on behalf of government</b>   | 140,845                                 | 124,899                                 | 126,658                                  | 119,514                                  | 120,465                                  |
| <b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>       |   |   |  |  |  |
| Waivers and write-offs                                     | 3,000                                   | 3,000                                   | 3,000                                    | 3,000                                    | 3,000                                    |
| <b>Total expenses administered on behalf of government</b> | 3,000                                   | 3,000                                   | 3,000                                    | 3,000                                    | 3,000                                    |

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<br>estimate<br>2009-10<br>\$'000 | Budget<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 | Forward<br>estimate<br>2012-13<br>\$'000 | Forward<br>estimate<br>2013-14<br>\$'000 |
|--|---|---|--|--|--|
| <b>ASSETS ADMINISTERED ON<br/>BEHALF OF GOVERNMENT</b>       |   |   |  |  |  |
| <b>Financial assets</b>                                      |   |   |  |  |  |
| Cash - Financial Claims Scheme<br>Special Account            | 1,524                                   | 1,524                                   | 1,524                                    | 1,524                                    | 1,524                                    |
| Receivables  | 150                                     | 150                                     | 150                                      | 150                                      | 150                                      |
| <b>Total financial assets</b>                                | <b>1,674</b>                            | <b>1,674</b>                            | <b>1,674</b>                             | <b>1,674</b>                             | <b>1,674</b>                             |
| <b>Total assets administered<br/>on behalf of government</b> | <b>1,674</b>                            | <b>1,674</b>                            | <b>1,674</b>                             | <b>1,674</b>                             | <b>1,674</b>                             |

Prepared on Australian Accounting Standards basis.

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

|   | Actual<br>estimate<br>2009-10<br>\$'000 | Budget<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 | Forward<br>estimate<br>2012-13<br>\$'000 | Forward<br>estimate<br>2013-14<br>\$'000 |
|---|---|---|--|--|--|
| <b>OPERATING ACTIVITIES</b>   |   |   |  |  |  |
| <b>Cash or equivalents received</b>                                       |   |   |  |  |  |
| Transfer from Official Public Account                                     | 3,000                                   | 3,000                                   | 3,000                                    | 3,000                                    | 3,000                                    |
| Administered revenue  | 140,845                                 | 124,899                                 | 126,658                                  | 119,514                                  | 120,465                                  |
| <b>Total cash or equivalents received</b>                                 | <b>143,845</b>                          | <b>127,899</b>                          | <b>129,658</b>                           | <b>122,514</b>                           | <b>123,465</b>                           |
| <b>Cash or equivalents used</b>   |   |   |  |  |  |
| Cash to Official Public Account   | 140,845                                 | 124,899                                 | 126,658                                  | 119,514                                  | 120,465                                  |
| Administered expenses   | 3,000                                   | 3,000                                   | 3,000                                    | 3,000                                    | 3,000                                    |
| <b>Total cash or equivalents used</b>                                     | <b>143,845</b>                          | <b>127,899</b>                          | <b>129,658</b>                           | <b>122,514</b>                           | <b>123,465</b>                           |
| <b>Net cash or equivalents from or<br/>(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 a special appropriation 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 Official Public Account to fund ASIC for consumer protection and market integrity functions, and the ATO for unclaimed moneys and lost member functions.

##### **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 remains in balance with the capital program aimed at maintaining APRA's processes and infrastructure to 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 represents 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 and ASIC and cash from fees and charges.

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

### **Revenues**

The other 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 Official Public Account to fund ASIC and ATO 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 Official Public Account at the close of business each day.

