

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

Section 1: Agency overview and resources	131
1.1 Strategic direction	131
1.2 Agency resource statement	133
1.3 Budget measures.....	134
Section 2: Outcomes and planned performance	135
2.1 Outcomes and performance information	135
Section 3: Explanatory tables and budgeted financial statements	138
3.1 Explanatory tables	138
3.2 Budgeted financial statements	139

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

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

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	2009-10 Estimated actual expenses \$'000	2010-11 Estimated expenses \$'000
Program 1.1: Australian Prudential Regulation Authority		
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
Total expenses for Outcome 1	117,814	122,743
	2009-10	2010-11
Average staffing level (number)	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 Revised budget \$'000	2010-11 Budget \$'000	2011-12 Forward year 1 \$'000	2012-13 Forward year 2 \$'000	2013-14 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	114,814	119,743	110,525	103,268	103,595
Administered expenses					
Special appropriations					
<i>Financial Management & Accountability Act 1997</i>	3,000	3,000	3,000	3,000	3,000
Total expenses	117,814	122,743	113,525	106,268	106,595

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 balance	Receipts non- appropriated	Receipts appropriated	Payments	Closing balance
		2010-11	2010-11	2010-11	2010-11	2010-11
		<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	40,234	89,728	12,575	112,917	29,620
Lloyd's Deposit Trust Special Account	1	2,000	-	-	-	2,000
Financial Claims Scheme Special account	1	1,524	-	-	-	1,524
		-	-	1,524	-	1,524
Total special accounts						-
2010-11 Budget estimate		43,758	89,728	12,575	112,917	33,144
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 actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
EXPENSES					
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
Total expenses	114,814	119,743	110,525	103,268	103,595
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	4,747	4,130	4,123	4,115	4,115
Other revenue	1,810	1,810	1,810	1,810	1,810
Total revenue	6,557	5,940	5,933	5,925	5,925
Total own-source income	6,557	5,940	5,933	5,925	5,925
Net cost of (contribution by) services	108,257	113,803	104,592	97,343	97,670
Appropriation revenue	119,784	102,303	104,592	97,343	97,670
Surplus (deficit) attributable to the Australian Government	11,527	(11,500)	-	-	-

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
ASSETS					
Financial assets					
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
Total financial assets	49,467	38,084	38,918	37,631	38,136
Non-financial assets					
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
Total non-financial assets	18,016	18,625	17,918	17,259	16,754
Total assets	67,483	56,709	56,836	54,890	54,890
LIABILITIES					
Provisions					
Employees	22,750	21,870	21,850	19,555	19,555
Other	2,001	2,043	2,085	2,127	2,127
Total provisions	24,751	23,913	23,935	21,682	21,682
Payables					
Suppliers	3,801	3,908	4,013	4,120	4,120
Total payables	3,801	3,908	4,013	4,120	4,120
Total liabilities	28,552	27,821	27,948	25,802	25,802
Net assets	38,931	28,888	28,888	29,088	29,088
EQUITY					
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 accumulated deficits	23,110	11,610	11,610	11,610	11,610
Total equity	38,931	28,888	28,888	29,088	29,088
Current assets	51,457	40,108	40,974	39,721	40,226
Non-current assets	16,026	16,601	15,862	15,169	14,664
Current liabilities	22,364	21,843	21,964	20,382	20,382
Non-current liabilities	6,188	5,978	5,984	5,421	5,421

Prepared on Australian Accounting Standards basis.

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

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

Prepared on Australian Accounting Standards basis.

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

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2010					
Balance carried forward from previous period	23,110	3,809	6,000	6,012	38,931
Adjusted opening balance	23,110	3,809	6,000	6,012	38,931
Comprehensive income					
Surplus (deficit) for the period	(11,500)	-	-	-	(11,500)
Total comprehensive income recognised directly in equity	(11,500)	-	-	-	(11,500)
Transactions with owners					
Contribution by owners					
Appropriation (equity injection)	-	-	-	1,457	1,457
Total transactions with owners	-	-	-	1,457	1,457
Estimated closing balance as at 30 June 2011	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 actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	1,957	1,457	-	200	-
Total capital appropriations	1,957	1,457	-	200	-
Represented by:					
Purchase of non-financial assets	1,957	1,457	-	200	-
Total represented by:	1,957	1,457	-	200	-
ACQUISITION OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	1,957	1,457	-	200	-
Funded internally from departmental resources	5,800	3,500	3,400	3,500	4,000
TOTAL	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, infrastructure, plant & equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2010				
Gross book value	-	12,454	22,065	34,519
less Accumulated depreciation/amortisation	-	5,943	12,546	18,489
Opening net book balance	-	6,511	9,519	16,030
Asset movements				
Additions	-	1,555	3,402	4,957
less Depreciation/amortisation expense	-	2,641	1,745	4,386
Total asset movements	-	(1,086)	1,657	571
As at 30 June 2011				
Gross book value	-	14,009	25,467	39,476
less Accumulated depreciation/amortisation	-	8,584	14,291	22,875
Closing net book balance	-	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 estimate 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Other sources of non-taxation revenues	140,845	124,899	126,658	119,514	120,465
Total non-taxation	140,845	124,899	126,658	119,514	120,465
Total income administered on behalf of government	140,845	124,899	126,658	119,514	120,465
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Waivers and write-offs	3,000	3,000	3,000	3,000	3,000
Total expenses administered on behalf of government	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 estimate 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash - Financial Claims Scheme Special Account	1,524	1,524	1,524	1,524	1,524
Receivables	150	150	150	150	150
Total financial assets	1,674	1,674	1,674	1,674	1,674
Total assets administered on behalf of government	1,674	1,674	1,674	1,674	1,674

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
OPERATING ACTIVITIES					
Cash or equivalents received					
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
Total cash or equivalents received	143,845	127,899	129,658	122,514	123,465
Cash or equivalents used					
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
Total cash or equivalents used	143,845	127,899	129,658	122,514	123,465
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 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.

