

# AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

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



# AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

## Section 1: Agency overview and resources

### 1.1 STRATEGIC DIRECTION STATEMENT

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

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

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

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

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

In 2014-15, 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 completing the remaining elements of its prudential policy agenda, including global reform initiatives endorsed by the G20 and overseen by the Financial Stability Board;
- continue to enhance the efficiency and effectiveness of APRA's supervisory tools, systems and infrastructure 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 2013-14 have been conducted against a backdrop of a continued firming in sentiment in global financial markets, reflecting further improvements in the condition of major banking systems and the ongoing recovery in major economies. Nonetheless, fragilities in the euro area remain and the initial steps taken to normalise US monetary policy have sparked concerns about impacts on emerging markets. Geopolitical tensions in Ukraine have also weighed on market sentiment. The Australian financial system remained in a relatively strong position, supported by the continued (albeit slower) momentum of the Australian economy and signs of a renewed appetite for housing debt by Australian households. APRA has maintained its heightened level of supervisory intensity throughout this period and implemented key elements of its prudential policy agenda.

APRA's activities will continue at a high tempo in 2014-15. Its supervisory oversight will focus on how regulated institutions respond to emerging risks as the Australian economy adapts to the ending of the minerals investment boom. APRA will pay particular attention to housing lending standards in the current context of aggressive competition and strong price pressures in some housing markets. On the policy front, APRA will focus on finalising a new prudential framework for conglomerate groups and a simplified framework for securitisation, and on monitoring the impact of the various prudential reforms APRA has introduced since the global financial crisis began.

In the 2014-15 Budget, the Government announced the cessation of the Private Health Insurance Administration Council (PHIAC) as part of its measures to reduce duplication and increase efficiency in how public funds are used to deliver services to the community. The prudential regulation of health funds functions of PHIAC will be merged into APRA. The winding up of the Council will be implemented through 2014 15. Further information can be found in the Budget measure *Smaller Government – additional reductions in the number of Australian Government bodies* in Budget Paper No. 2,

Budget Measures 2014-15 and the press release of 13 May 2014 issued by the Minister for Finance.

## 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 2014-15 as at Budget May 2014**

	Estimate of prior year amounts available in 2014-15 \$'000	Proposed at Budget 2014-15 \$'000	=	Total estimate 2014-15 \$'000	Actual available appropriation 2013-14 \$'000
<b>Ordinary annual services</b>					
<b>Departmental appropriation</b>					
Departmental appropriation	-	953	<sup>1</sup>	953	2,235
Receipts from other sources (s31)	-	5,471	<sup>2</sup>	5,471	5,234
<b>Total ordinary annual services</b>	<b>A</b>	<b>6,424</b>		<b>6,424</b>	<b>7,469</b>
<b>Other services</b>					
<b>Departmental non-operating</b>					
Equity injections	-	108	<sup>3</sup>	108	4,270
<b>Total other services</b>	<b>B</b>	<b>108</b>		<b>108</b>	<b>4,270</b>
<b>Total available annual appropriations (A+B)</b>		<b>6,532</b>		<b>6,532</b>	<b>11,739</b>
<b>Special appropriations</b>					
<i>Financial Management and Accountability Act 1997</i>	-	-		-	-
<b>Total special appropriations</b>	<b>C</b>	<b>-</b>		<b>-</b>	<b>-</b>
<b>Total appropriations excluding special accounts (A+B+C)</b>		<b>6,532</b>		<b>6,532</b>	<b>11,739</b>
<b>Special accounts</b>					
Opening balance <sup>4</sup>	60,139	-		60,139	-
Appropriation receipts	-	6,532		6,532	11,739
Non-appropriation receipts to special accounts	-	116,020		116,020	109,670
<b>Total special accounts</b>	<b>D</b>	<b>122,552</b>		<b>182,691</b>	<b>121,409</b>
<b>Total resourcing (A+B+C+D)</b>		<b>129,084</b>		<b>189,223</b>	<b>133,148</b>
Less appropriations drawn from annual or special appropriations above and credited to special accounts	-	6,532		6,532	11,739
<b>Total net resourcing for APRA</b>	<b>60,139</b>	<b>122,552</b>		<b>182,691</b>	<b>121,409</b>

1. Appropriation Bill (No. 1) 2014-15.

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

3. Appropriation Bill (No. 2) 2014-15.

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 summarised below.

**Table 1.2: Australian Prudential Regulation Authority 2014-15 Budget measures**

		2013-14	2014-15	2015-16	2016-17	2017-18
	Programme	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expense measures</b>						
Efficiency Dividend - temporary increase in the rate <sup>1</sup>	1.1	-	(1,198)	(2,783)	(4,342)	(4,342)
Efficiency Dividend - a further temporary increase of 0.25 per cent	1.1	-	(300)	(615)	(918)	(950)
Reforms to APS management and efficient procurement of agency software <sup>1</sup>	1.1	(142)	(142)	(142)	-	-
<b>Total expense measures</b>		(142)	(1,640)	(3,540)	(5,260)	(5,292)
<b>Revenue measures</b>						
MoneySmart teaching and online MoneySmart programme <sup>1</sup>	1.1	-	-	-	-	-
Restoring integrity in the Australian tax system <sup>2</sup>	1.1	-	(3,000)	(348)	(131)	(131)
<b>Total revenue measures</b>		-	(3,000)	(348)	(131)	(131)

1. This measure was included in the *Economic Statement 2013* and has not previously appeared in a portfolio statement.

2. This measure was included in the *Mid-Year Economic and Fiscal Outlook 2013-14* and has not previously appeared in a portfolio statement.

Prepared on a Government Finance Statistics (fiscal) basis.

## Section 2: Outcomes and planned performance

### 2.1 OUTCOMES AND PERFORMANCE INFORMATION

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

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

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

#### **Outcome 1 strategy**

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

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

## Outcome expense statement

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

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

<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	2013-14 Estimated actual expenses \$'000	2014-15 Estimated expenses \$'000
<b>Programme 1.1: Australian Prudential Regulation Authority</b>		
Departmental expenses		
Special accounts	107,904	115,912
Ordinary Annual Services (Appropriation Bill No. 1)	2,235	953
Revenues from Independent Sources (section 31)	5,235	5,471
Other Services (Appropriation Bill No. 2)	4,270	108
<b>Total expenses for Outcome 1</b>	<b>119,644</b>	<b>122,444</b>
	2013-14	2014-15
<b>Average staffing level (number)</b>	600	590

## Contributions to Outcome 1

### Program 1.1: Australian Prudential Regulation Authority

#### Program objective

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

#### Program expenses

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

**Table 2.2: Program expenses**

	2013-14 Revised budget \$'000	2014-15 Budget \$'000	2015-16 Forward year 1 \$'000	2016-17 Forward year 2 \$'000	2017-18 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	119,644	122,444	125,252	124,563	128,637
<b>Total expenses</b>	<b>119,644</b>	<b>122,444</b>	<b>125,252</b>	<b>124,563</b>	<b>128,637</b>



**Program deliverables**

APRA has the following program deliverables:

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

**Program key performance indicators**

APRA has the following key performance indicators:

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

## Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements that provide a comprehensive snapshot of APRA's finances for the budget year 2014-15. 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 <b>2014-15</b> 2013-14	Receipts non- appropriated <b>2014-15</b> 2013-14	Receipts appropriated <b>2014-15</b> 2013-14	Payments <b>2014-15</b> 2013-14	Closing balance <b>2014-15</b> 2013-14
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Australian Prudential Regulation Authority Special Account <sup>1</sup>	1	<b>57,897</b>	<b>116,020</b>	<b>6,532</b>	<b>120,289</b>	<b>60,160</b>
Financial Claims Scheme Special Account	1	<b>242</b>	-	-	-	<b>242</b>
Lloyd's Deposit Trust Special Account	1	<b>2,000</b>	-	-	-	<b>2,000</b>
<b>Total special accounts</b>						
<b>2014-15 Budget estimate</b>		<b>60,139</b>	<b>116,020</b>	<b>6,532</b>	<b>120,289</b>	<b>62,402</b>
Total special accounts 2013-14 estimate actual		56,366	109,670	11,740	117,637	60,139

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

### **3.1.3 Australian Government Indigenous expenditure**

APRA does not have any Australian Government Indigenous expenditure.

## **3.2 BUDGETED FINANCIAL STATEMENTS**

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

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

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

The departmental comprehensive income statement (Table 3.2.1) indicates an increase, in available appropriation revenue, year on year. The appropriation revenue for 2013-14 was reduced as a consequence of an over-collection in the prior year that was subsequently returned to industry.

Employee expenses of \$90.8 million support an average staffing level (ASL) of 590 in 2014-15. The estimated staffing will enable APRA to supervise regulated institutions and their response to emerging risks, focus on housing lending standards in the current context, finalise a new prudential framework for conglomerate groups and a simplified framework for securitisation, and monitor the impact of prudential reforms introduced by APRA since the global financial crisis began.

Supplier costs in 2014-15 take into account savings on premises leasing costs, travel and other 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.

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

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

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

Human Services (DHS) for the administration of claims for early release of superannuation benefits on compassionate grounds.

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

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

### 3.2.3 Budgeted financial statements tables

**Table 3.2.1: Comprehensive income statement (showing net cost of services)  
(for the period ended 30 June)**

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
<b>EXPENSES</b>					
Employee benefits	88,867	90,786	93,823	94,843	95,840
Supplier	23,775	23,097	22,038	21,046	24,123
Depreciation and amortisation	7,002	8,561	9,391	8,674	8,674
<b>Total expenses</b>	<b>119,644</b>	<b>122,444</b>	<b>125,252</b>	<b>124,563</b>	<b>128,637</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sale of goods and rendering of services	4,067	3,980	3,980	3,980	3,980
Other revenue	1,168	1,491	1,504	1,518	1,518
<b>Total revenue</b>	<b>5,235</b>	<b>5,471</b>	<b>5,484</b>	<b>5,498</b>	<b>5,498</b>
<b>Total own-source income</b>	<b>5,235</b>	<b>5,471</b>	<b>5,484</b>	<b>5,498</b>	<b>5,498</b>
<b>Net cost of (contribution by) services</b>	<b>114,409</b>	<b>116,973</b>	<b>119,768</b>	<b>119,065</b>	<b>123,139</b>
Appropriation revenue	111,907	116,973	119,768	119,065	123,139
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>(2,503)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	1,360	1,360	1,360	1,360	1,360
Receivables	60,325	62,588	67,855	75,597	79,271
<b>Total financial assets</b>	<b>61,685</b>	<b>63,948</b>	<b>69,215</b>	<b>76,957</b>	<b>80,631</b>
<b>Non-financial assets</b>					
Infrastructure, plant and equipment	5,330	5,330	5,330	5,330	5,330
Intangibles	15,949	17,423	13,289	9,615	5,941
Other	2,102	2,102	2,102	2,102	2,102
<b>Total non-financial assets</b>	<b>23,381</b>	<b>24,855</b>	<b>20,721</b>	<b>17,047</b>	<b>13,373</b>
<b>Total assets</b>	<b>85,066</b>	<b>88,803</b>	<b>89,936</b>	<b>94,004</b>	<b>94,004</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	36,467	39,959	40,954	44,884	44,884
Other	4,157	4,294	4,432	4,570	4,570
<b>Total provisions</b>	<b>40,624</b>	<b>44,253</b>	<b>45,386</b>	<b>49,454</b>	<b>49,454</b>
<b>Payables</b>					
Suppliers	4,012	4,012	4,012	4,012	4,012
<b>Total payables</b>	<b>4,012</b>	<b>4,012</b>	<b>4,012</b>	<b>4,012</b>	<b>4,012</b>
<b>Total liabilities</b>	<b>44,636</b>	<b>48,265</b>	<b>49,398</b>	<b>53,466</b>	<b>53,466</b>
<b>Net assets</b>	<b>40,430</b>	<b>40,538</b>	<b>40,538</b>	<b>40,538</b>	<b>40,538</b>
<b>EQUITY</b>					
Contributed equity	16,549	16,657	16,657	16,657	16,657
Reserves	12,530	12,530	12,530	12,530	12,530
Retained surpluses or accumulated deficits	11,351	11,351	11,351	11,351	11,351
<b>Total equity</b>	<b>40,430</b>	<b>40,538</b>	<b>40,538</b>	<b>40,538</b>	<b>40,538</b>
<b>Current assets</b>	<b>63,787</b>	<b>66,050</b>	<b>71,317</b>	<b>79,059</b>	<b>82,733</b>
<b>Non-current assets</b>	<b>21,279</b>	<b>22,753</b>	<b>18,619</b>	<b>14,945</b>	<b>11,271</b>
<b>Current liabilities</b>	<b>34,480</b>	<b>37,202</b>	<b>38,052</b>	<b>41,103</b>	<b>41,103</b>
<b>Non-current liabilities</b>	<b>10,156</b>	<b>11,063</b>	<b>11,347</b>	<b>12,364</b>	<b>12,364</b>

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	4,067	3,980	3,980	3,980	3,980
Appropriations	111,907	116,973	119,768	119,065	123,139
Other	1,168	1,491	1,504	1,518	1,518
<b>Total cash received</b>	<b>117,141</b>	<b>122,444</b>	<b>125,252</b>	<b>124,563</b>	<b>128,637</b>
<b>Cash used</b>					
Employees	88,867	90,786	93,823	94,843	95,840
Suppliers	25,859	21,731	26,172	24,720	27,797
<b>Total cash used</b>	<b>114,726</b>	<b>112,517</b>	<b>119,995</b>	<b>119,563</b>	<b>123,637</b>
<b>Net cash from or (used by) operating activities</b>	<b>2,415</b>	<b>9,927</b>	<b>5,257</b>	<b>5,000</b>	<b>5,000</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment/intangibles	6,685	10,035	5,257	5,000	5,000
<b>Total cash used</b>	<b>6,685</b>	<b>10,035</b>	<b>5,257</b>	<b>5,000</b>	<b>5,000</b>
<b>Net cash from or (used by) investing activities</b>	<b>(6,685)</b>	<b>(10,035)</b>	<b>(5,257)</b>	<b>(5,000)</b>	<b>(5,000)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	4,270	108	-	-	-
<b>Total cash received</b>	<b>4,270</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash from or (used by) financing activities</b>	<b>4,270</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (or decrease) in cash held</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash at the beginning of the reporting period	1,360	1,360	1,360	1,360	1,360
<b>Cash at the end of the reporting period</b>	<b>1,360</b>	<b>1,360</b>	<b>1,360</b>	<b>1,360</b>	<b>1,360</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2014-15)**

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2014</b>					
Balance carried forward from previous period	11,351	6,530	6,000	16,549	40,430
<b>Adjusted opening balance</b>	11,351	6,530	6,000	16,549	40,430
<b>Comprehensive income</b>					
Surplus (deficit) for the period	-	-	-	-	-
<b>Total comprehensive income recognised directly in equity</b>	-	-	-	-	-
<b>Transactions with owners</b>					
Equity Injection	-	-	-	108	108
<b>Total Transactions with owners</b>	-	-	-	108	108
<b>Estimated closing balance as at 30 June 2015</b>	11,351	6,530	6,000	16,657	40,538

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
<b>NEW CAPITAL APPROPRIATIONS</b>					
Total equity injections	4,270	108	-	-	-
<b>Total new capital appropriations</b>	4,270	108	-	-	-
<b>Provided for:</b>					
Purchase of non-financial assets	4,270	108	-	-	-
<b>Total Items</b>	4,270	108	-	-	-
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriations	4,270	108	-	-	-
Funded internally from departmental resources	2,415	9,927	5,257	5,000	5,000
<b>TOTAL</b>	6,685	10,035	5,257	5,000	5,000
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	6,685	10,035	5,257	5,000	5,000
<b>Total cash used to acquire assets</b>	6,685	10,035	5,257	5,000	5,000

Prepared on Australian Accounting Standards basis.

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

	Buildings \$'000	Other, infrastructure, plant & equipment \$'000	Intangibles \$'000	Total \$'000
<b>As at 1 July 2014</b>				
Gross book value	-	12,004	40,361	52,365
Accumulated depreciation/amortisation and impairment	-	6,674	24,412	31,086
<b>Opening net book balance</b>	-	5,330	15,949	21,279
<b>Capital asset additions</b>				
By purchase - other	-	1,665	8,370	10,035
<b>Total additions</b>	-	1,665	8,370	10,035
<b>Other movements</b>				
Depreciation/amortisation expense	-	1,665	6,896	8,561
<b>Total other movements</b>	-	1,665	6,896	8,561
<b>As at 30 June 2015</b>				
Gross book value	-	13,669	48,731	62,400
Accumulated depreciation/amortisation and impairment	-	8,339	31,308	39,647
<b>Closing net book balance</b>	-	5,330	17,423	22,753

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 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Waivers and write-offs	-	-	-	-	-
<b>Total expenses administered on behalf of government</b>	-	-	-	-	-
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source revenue</b>					
<b>Non-taxation revenue</b>					
Other sources of non-taxation					
<i>Financial Institutions Supervisory Levies Collection Act 1998</i>	257,240	229,159	220,593	189,985	192,648
<i>Superannuation (Financial Assisting Funding) Levy Act 1993</i>	-	-	-	-	-
<b>Total non-taxation revenue</b>	257,240	229,159	220,593	189,985	192,648
<b>Total own-source revenues administered on behalf of Government</b>	257,240	229,159	220,593	189,985	192,648
<b>Total own-sourced income administered on behalf of Government</b>	257,240	229,159	220,593	189,985	192,648
<b>Net Cost of (contribution by) services</b>	(257,240)	(229,159)	(220,593)	(189,985)	(192,648)
<b>Surplus (Deficit)</b>	257,240	229,159	220,593	189,985	192,648

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 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash - Financial Claims Scheme special account	242	242	-	-	-
Receivables	250	250	250	250	250
<b>Total financial assets</b>	<b>492</b>	<b>492</b>	<b>250</b>	<b>250</b>	<b>250</b>
<b>Total assets administered on behalf of government</b>	<b>492</b>	<b>492</b>	<b>250</b>	<b>250</b>	<b>250</b>

Prepared on Australian Accounting Standards basis.

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

	Actual estimate 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash or equivalents received</b>					
Transfer from Official Public Account	-	-	-	-	-
Administered revenue	257,765	229,159	220,593	189,985	192,648
<b>Total cash or equivalents received</b>	<b>257,765</b>	<b>229,159</b>	<b>220,593</b>	<b>189,985</b>	<b>192,648</b>
<b>Cash or equivalents used</b>					
Cash to Official Public Account	257,765	229,159	220,593	189,985	192,648
Administered expenses	-	-	-	-	-
<b>Total cash or equivalents used</b>	<b>257,765</b>	<b>229,159</b>	<b>220,593</b>	<b>189,985</b>	<b>192,648</b>
<b>Net cash or equivalents from or (used by) operating activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prepared on Australian Accounting Standards basis.

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

#### **Basis of accounting**

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

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

##### Revenues from Government

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

##### Other revenue

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

##### Depreciation and amortisation

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

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

##### Financial assets

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

All accounts receivable are recorded at their estimated recoverable amount.

##### Non-financial assets

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

Other non-financial assets include prepayments.

#### Provisions and payables

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

#### Equity

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

#### Budgeted departmental statement of cash flows

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

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

##### Revenues

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

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

##### Financial assets

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

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

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