

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

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AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

Section 1: Overview

The role of the Australian Prudential Regulation Authority (APRA) is developing and enforcing regulation that promotes prudent behaviour by authorised deposit-taking institutions, insurance companies, superannuation funds and other financial institutions with the key aim of protecting the interests of their depositors, policy holders and 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 framework of prudential regulation, which balances financial safety and efficiency, competition, contestability and competitive neutrality. This is achieved by:

- the formulation and promulgation of prudential policy and practice to be observed by regulated institutions;
- effective surveillance and compliance programmes and, where relevant, remediation or enforcement measures, to give effect to the laws administered by APRA and to standards issued under those laws; and
- advice to government on the development of regulation and legislation affecting regulated institutions and the financial markets in which they operate.

APRA was established by the *Australian Prudential Regulation Authority Act 1998* (APRA Act). The *Commonwealth Authorities and Companies Act 1997* currently applies to APRA. Subject to the agreement of Parliament to the enabling legislation from 1 July 2007, the *Financial Management and Accountability Act 1997* (FMA Act) will apply to APRA. Details of legislative amendments to the APRA Act and other arrangements necessary to conform to the FMA Act will be determined prior to 1 July 2007.

1.1 SUMMARY OF AGENCY CONTRIBUTIONS TO OUTCOMES

The products and services delivered by APRA which contribute to the achievement of its outcome are summarised in Table 1.1 and Figure 2 on page 144.

Table 1.1: Contribution to Outcomes

Outcome	Description	Output groups
Outcome 1		
To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality	The single outcome consists of one output group comprising three outputs; namely policy development, surveillance program and prudential advice	Output Group 1.1 Australian Prudential Regulation Authority

Section 2: Resources for 2007-08

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriation and other resources for the Australian Prudential Regulation Authority (APRA) in the 2007-08 Budget is \$98.5 million.

Table 2.1 shows the total resources from all origins for 2007-08, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

Table 2.1: Appropriations and other resources 2007-08

	Departmental			Administered						Total
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	SPP \$'000	Other \$'000	Special Appropriation \$'000	Other resources \$'000	
Australian Prudential Regulation Authority Outcome 1										
To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality	2,580	-	91,178	4,270	-	-	-	500	-	98,528
Total	2,580	-	91,178	4,270	-	-	-	500	-	98,528

2.2 2007-08 BUDGET MEASURES

The following table summarises Budget measures relating to APRA as explained in Budget Paper No. 2, *Budget Measures 2007-08*.

Table 2.2: Australian Prudential Regulation Authority measures

Measure	Output groups affected	Budget Estimate 2007-08 \$'000			Forward Estimate 2008-09 \$'000			Forward Estimate 2009-10 \$'000			Forward Estimate 2010-11 \$'000		
		Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
Expense measures													
Australian Prudential Regulation Authority - sustaining capabilities in prudential regulation	1.1	-	6,813	6,813	-	6,010	6,010	-	5,749	5,749	-	5,508	5,508
Australian Prudential Regulation Authority - strengthened capabilities and continuation of funding	1.1	-	-	-	-	-	-	-	-	-	-	-	-
Australian Prudential Regulation Authority - revised funding arrangements ¹	1.1	-	2,580	2,580	-	2,500	2,500	-	2,500	2,500	-	2,500	2,500
Total expense measures		-	9,393	9,393	-	8,510	8,510	-	8,249	8,249	-	8,008	8,008
Related revenue													
Australian Prudential Regulation Authority - sustaining capabilities in prudential regulation	1.1	6,813	-	6,813	6,010	-	6,010	5,749	-	5,749	5,508	-	5,508
Australian Prudential Regulation Authority - strengthened capabilities and continuation of funding	1.1	-	-	-	-	-	-	-	-	-	-	-	-
Total related revenue		6,813	-	6,813	6,010	-	6,010	5,749	-	5,749	5,508	-	5,508

¹ This measure was published in the *Mid-Year Economic and Fiscal Outlook 2006-07*.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by APRA for provision of goods or services. These resources are approved for use by APRA and are also included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000
Departmental other resources		
Goods and services	4,816	4,220
Interest	3,245	-
Rents	799	-
Other	415	50
Total departmental other resources available to be used	9,275	4,270

Goods and services of \$4.2 million in the above table represent cost recoveries for activities described more fully in Section 4.2.

2.4 MOVEMENT OF ADMINISTERED FUNDS

Table 2.4: Movement of administered funds between years

APRA does not have any movement of administered funds.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

	Note	Estimated expenses 2006-07 \$'000	Budget estimate 2007-08 \$'000
Estimated special appropriation expenses			
<i>Australian Prudential Regulation Authority Act 1998</i>			
- section 50	1	80,293	93,570
<i>Financial Management and Accountability Act 1997</i>			
- section 28	2	500	500
Total estimated special appropriation expenses		80,793	94,070

1 Funding of APRA's operations.

2 Refund of overpayment of levies by financial institutions from administered funds (also refer Table 5.7).

2.6 MOVEMENT IN SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each account used by APRA.

Table 2.6: Estimates of special account flows and balances

	Opening balance	Credits	Debits	Adjustments	Closing balance
	2007-08	2007-08	2007-08	2007-08	2007-08
	<i>2006-07</i>	<i>2006-07</i>	<i>2006-07</i>	<i>2006-07</i>	<i>2006-07</i>
	\$'000	\$'000	\$'000	\$'000	\$'000
Superannuation Protection Account	-	-	-	-	-
	-	-	-	-	-
Total special accounts					
2007-08 Budget estimate	-	-	-	-	-
<i>Total special accounts</i>					
<i>2006-07 estimate actual</i>	-	-	-	-	-

The Superannuation Protection Account was established under section 234 of the *Superannuation Industry (Supervision) Act 1993* to facilitate the recovery of financial assistance provided to superannuation fund members suffering adverse outcomes from fraud and misappropriation by fund trustees. There have been no transactions to this account to date. Several rounds of financial assistance have been made to a number of superannuation funds by Treasury directly from the Consolidated Revenue Fund (CRF) in recent financial years. To date, APRA, on behalf of Treasury, has imposed three Financial Assistance Levies on the superannuation industry to recover assistance funds granted up to 2005-06, the proceeds of which were returned directly to the CRF.

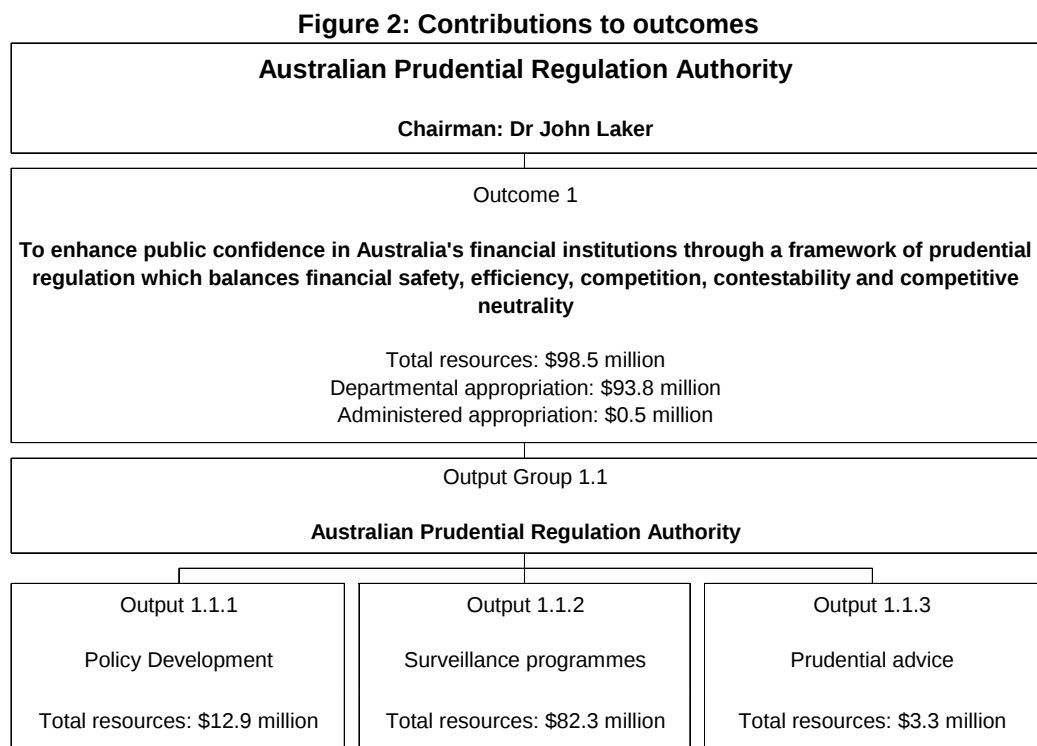
Section 3: Outcomes

General government sector (GGS) agencies are required to plan, budget and report under an outcomes structure. GGS agencies produce outputs (departmental items) and also administer items on behalf of the Government (administered items).

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items to contribute to the outcome for the Australian Prudential Regulation Authority (APRA).

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of APRA and its outcome is summarised in the following figure.



APRA determines the relative contribution of its three outputs to the agency outcome using a time management system. Direct labour costs are captured by the system while costs associated with support and overhead activities are allocated across the three outputs in the ratio of each of the direct output costs to total direct output cost.

3.2 OUTCOME RESOURCES AND PERFORMANCE INFORMATION

3.2.1 Outcome 1 resourcing

The following table shows how the 2007-08 Budget appropriations translate to total resourcing for the Outcome, including departmental appropriations and revenue from other sources.

Table 3.1: Total resources for Outcome 1

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000
Administered appropriation		
Special Appropriation		
<i>Financial Management and Accountability Act 1997</i>	500	500
Total administered appropriation	500	500
Departmental appropriation		
Output Group 1.1 - Australian Prudential Regulation Authority		
Output 1.1.1 - Policy development	12,992	12,297
Output 1.1.2 - Surveillance programmes	82,765	78,338
Output 1.1.3 - Prudential advice	3,300	3,124
Total departmental appropriation	99,057	93,758
Departmental revenue from other sources		
Goods and services	4,816	4,220
Interest	3,245	-
Other	1,214	50
Total departmental revenue from other sources	9,275	4,270
Total resources	108,832	98,528
	2006-07	2007-08
Average staffing level (number)	563	580

3.2.2 Measures affecting Outcome 1

The Budget measures for APRA appear in Table 2.2. Details of these measures are included in Budget Paper No. 2, *Budget Measures 2007-08*.

3.2.3 Contributions to achievement of Outcome 1

The outputs of APRA aim 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.

The outputs involve formulation and promulgation of prudential policy and practice to be observed by regulated institutions; effective surveillance and compliance programmes and, where relevant, remediation and enforcement measures, to give effect to the laws administered by APRA and to standards issued under those laws;

and advice to government on the development of regulation and legislation affecting regulated institutions and the financial markets in which they operate.

Departmental outputs

APRA has three outputs contributing to Outcome 1:

Policy development comprises the issuance of prudential standards and guidelines to assist regulated industries manage risk, industry consultation in development of new prudential policies, cooperation with national and international agencies in the harmonisation of prudential standards and informing the public to enhance understanding of the role of APRA.

Surveillance programmes aim to minimise financial loss by depositors, policy holders and fund members which may result from the failure of regulated institutions to adequately manage risk; facilitate early identification of emerging prudential risks and supervision of necessary remedial actions through inspections and off-site surveillance of regulated entities; and exercise enforcement powers as appropriate to protect the interests of depositors, policy holders, superannuation funds members and the public interest generally.

Prudential advice to Government on prudential regulation policy development; advice to Government comprise advice on amendments to legislation and regulations administered by APRA; liaison with Treasury and appropriate Ministers at regular intervals; and briefing of Government on matters emerging in international forums which may impact on prudential policy.

3.2.4 Performance information for Outcome 1

Performance information for administered items, individual outputs and output groups relating to APRA is summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Performance indicators for individual outputs	
Output group 1.1: Australian Prudential Regulation Authority	
Output group 1.1.1 Policy development	Issuance of prudential standards, guidelines and like instruments which effectively address risk management exposures of regulated industries; Comprehensive consultation with industry bodies, regulated institutions and professional associations on the development and implementation of prudential policy; Effective communication and cooperation with relevant national and international agencies including participation in the international development and harmonisation of prudential regulation policy and practice; and Promotion of public understanding of the role of APRA and informed debate on issues relating to prudential supervision through the publication of discussion papers, statistics and other relevant information. Price \$12.9 million
Output group 1.1.2 Surveillance programmes	Minimise the risk of financial loss by depositors or policy holders resulting from the failure of regulated institutions to observe laws, regulations or prudential standards administered by APRA; The identification of emerging prudential risks within regulated institutions through programmes of inspection and off-site surveillance and the supervision of remedial actions to effectively manage such risks; and The exercise by APRA of formal enforcement powers where necessary to protect the interests of depositors, policy holders, superannuation fund members or the public interest generally (including powers to issue directions, disqualify persons from positions of management or trust, transferring engagements, withdrawing licences, or initiating prosecutions). Price \$82.3 million
Output group 1.1.3 Prudential advice	Regular liaison meetings with the Treasury and with relevant Ministers and Parliamentary Committees; Recommendations to Government on prudential regulation policy development involving legislative implementation (including amendments to all Acts of Parliament administered by APRA and regulations thereunder); Timely briefings to Government on major items of policy interest emerging from APRA participation in international fora; and Maintenance of a memorandum of understanding with the Treasury. Price \$3.3 million

APRA Budget Statement: Outcomes

The primary business outcome of APRA is to protect beneficiaries of regulated financial institutions and to enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances the objectives of financial safety and efficiency, competition, contestability and competitive neutrality. Key strategies have been identified that will achieve this business outcome in a cost effective manner. The three strategies that align with the APRA output are: supervision, enforcement and rehabilitation; policies, standards and guidelines for prudential supervision; and prudential advice covering relations with Government, Parliament and other interested parties.

The estimated percentage distribution of APRA's operating expenditure across these three elements of the APRA outcome in 2007-08 is 84 per cent for supervision, rehabilitation and enforcement, 13 per cent for development of prudential policies and standards and 3 per cent for prudential advice.

APRA has developed measures that provide a general quantitative indicator of its supervisory performance. Two such measures are the Performing Entity Ratio (PER), which is the number of APRA-regulated institutions which meet their commitments to beneficiaries in a given year, divided by the total number of APRA-regulated institutions and the Money Protected Ratio (MPR), which is the dollar value of liabilities to beneficiaries in Australia that remained safe in a given year, divided by the total dollar value of liabilities to beneficiaries in Australia in APRA-regulated institutions.

3.2.5 Evaluations for Outcome 1

Performance will be measured on a quarterly basis through an integrated programme of business planning, measurement and reporting. The business plan is expressed through seven strategic objectives: maintaining and enhancing the quality and intensity of supervision; consolidating the prudential framework; investing in efficiency; building and sustaining staff; improving communications; ensuring APRA's readiness to respond to unexpected external events; and strengthening APRA's management and internal processes.

Feedback will be sought from key stakeholders on a regular basis on the development of policy and prudential advice.

The performance of surveillance programmes is evaluated through the measurement processes, through KPIs reported to and considered by the Executive on a quarterly basis.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The Australian Prudential Regulation Authority (APRA) is not party to any material cross agency purchaser-provider arrangements. Minor amounts are recovered from Australian Bureau of Statistics (ABS) and Reserve Bank of Australia (RBA) for provision of statistical data as recorded in the following section dealing with cost recovery arrangements.

4.2 COST RECOVERY ARRANGEMENTS

Cost recovery arrangements have been negotiated with the large banks to accelerate their preparations for opportunities available to them under the new Basel Capital Accord on capital adequacy. A special levy is imposed on general insurers for use of a National Claims and Policies Database (NCPD) which assists the general insurance industry by collecting data on public liability and professional indemnity policies and claims. Licence fees are also charged to new authorised deposit-taking institutions, insurers and trustees of regulated superannuation entities in a tiered licensing arrangement for those institutions applying to operate in the financial system. Similarly, a small fee is charged to grant consent to foreign authorised deposit-taking institutions wishing to establish and maintain a representative office in Australia. Costs of providing statistical services to the RBA and the ABS, and prudential services to various State Governments are also recovered.

Outside the fee for service regime, APRA recovers costs on behalf of the Australian Securities and Investments Commission (ASIC) and the Australian Taxation Office (ATO) for various consumer protection, enforcement and Superannuation Complaints Tribunal activities and lost member and unclaimed superannuation arrangements as part of annual levies on financial institutions. These latter recoveries are not retained by APRA and are passed directly to the Consolidated Revenue Fund.

The fees have been set in accordance with the Australian Government's cost recovery policy and guidelines, in consultation with Treasury and those that are required to be, are covered by cost recovery impact statements.

In total the above cost recoveries are budgeted to realise revenues of \$4.3 million in 2007-08, plus NCPD levy of \$1.2 million.

APRA Budget Statement: Other reporting requirements

In all instances, the cost recovery proposals have been discussed with the major stakeholders during annual industry consultations involving industry representative associations and/or the main affected institutions. In some instances, such as the Basel II accreditation work, the fees were set by direct negotiation and agreement with the institutions concerned. Other minor fees were also set by negotiation and mutual agreement with the institutions or organisations directly involved.

APRA's cost recovery arrangements are due to be reviewed again in 2011.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

APRA does not have any specific indigenous expenditure.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The budgeted departmental Income Statement (refer Table 5.1) shows a net decrease in appropriations from \$99.1 million forecast for 2006-07 to \$93.8 million in 2007-08. The decline is due in part to the end of the 2006-07 Budget measure to support the disqualification of persons from the insurance industry. The balance is due to the additional levies collected in 2007-08 offset by the 2007-08 Budget measure — see Table 2.2.

Income from rents is a result of sub-letting an area of surplus leased space in the Canberra office. Subletting arrangements will cease in June 2007.

Revenue from sale of goods and services includes the various cost recovery activities as described in Section 4.2.

Following APRA's transition to an FMA Act agency from 1 July 2007, the direct earning of interest on cash holdings will cease. A new appropriation, recognising interest on APRA reserves, has been approved in lieu — refer Table 2.2.

Employee expenses will increase from \$60.5 million forecast in 2006-07 to \$69.2 million in 2007-08. The increase has two key components: the 2007-08 Budget measure (\$5.4 million of the total \$6.8 million) combined with a 2006-07 underspend (\$3 million) mainly due to higher than anticipated staff turnover. As a result of the latter, APRA has been unable to maintain its target headcount of 580 full time equivalent staffing. The 2007-08 Budget measure is partially aimed at assisting APRA to maintain its staffing capacity and quality.

Supplier costs will decrease from \$25.8 million forecast in 2006-07 to \$25.2 million in 2007-08. The net decrease has three main components: underspent enforcement activity (\$1.2 million) in 2006-07; the cessation of the 2006-07 Budget measure enabling the disqualification of persons from the insurance industry (\$3.7 million); offset by the 2007-08 Budget measure (\$1.4 million of the total \$6.8 million).

APRA is budgeting for an operating surplus of \$0.2 million in 2007-08.

The budgeted departmental Balance Sheet (refer Table 5.2) shows an increase in total financial assets from the prior period consisting mainly of Basel II accreditation receivables.

APRA Budget Statement: Budgeted financial statements

No material change in non-financial assets is expected in 2007-08, however planned reinvestment in APRA's core infrastructure will see non-financial asset balances grow beyond 2007-08. Acquisitions will be funded from APRA's internal reserves.

Provisions for employee entitlements cover accumulated annual and long service leave which, following a one-off increase in 2007-08 reflecting the impacts of the 2007-08 Budget measure, are expected to level off. The other provisions consist of making-good leased premises and equalising lease incentives.

APRA will maintain its sound financial position and continue to have sufficient resources available to cover all its known financial obligations.

Contributed equity will be maintained at the 2006-07 level. Retained surpluses are planned to maintain reserves at a level sufficient to accommodate unforeseen business needs which may arise from supervision of at-risk institutions and enforcement actions. The determination of levies for 2007-08 is subject to the outcomes of industry consultation, including the extent to which retained surpluses can be returned to industry through the levies process.

The budgeted departmental Statement of Cash Flows (refer Table 5.3) reflects the decrease in appropriations as detailed in Table 5.1.

Table 5.4 shows the expected changes in equity from one financial year to the next. The only change expected reflects the small operating surplus of \$0.2 million budgeted for 2007-08.

The departmental Capital Budget Statement (Table 5.5) indicates APRA's capital requirements will be met from internally generated resources. The expected movements in non-financial asset values between 2006-07 and 2007-08 are shown in Table 5.6, the main activity being in infrastructure, plant and equipment to replace retired assets.

The Schedule of Budgeted Income and Expenses Administered on behalf of Government (refer Table 5.7) 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 for unclaimed moneys and lost member functions and the Australian Securities and Investments Commission for consumer protection and market integrity functions. The expenses shown are an estimate of the amount of levies and penalties that will be waived or written off in the year.

Table 5.8 refers to minor amounts of the administered income (refer Table 7) that may not be collected at the year end.

As indicated in the Schedule of Budgeted Administered Cash Flows (refer Table 5.9), the cash collected is swept daily from the APRA account to the Official Public Account, from which APRA, in turn, draws down the amounts appropriated to it by the Parliament, as shown in Table 5.3.

APRA does not administer any non-financial assets on behalf of the Government.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

**Table 5.1: Budgeted departmental income statement
(for the period ended 30 June)**

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
INCOME					
Revenue					
Revenues from Government	99,057	93,758	94,569	94,217	94,725
Goods and services	4,816	4,220	2,495	2,495	2,495
Interest	3,245	-	-	-	-
Rents	799	-	-	-	-
Other	415	50	50	50	50
Total revenue	108,332	98,028	97,114	96,762	97,270
Total income	108,332	98,028	97,114	96,762	97,270
EXPENSE					
Employees	60,490	69,196	68,533	69,472	69,596
Suppliers	25,754	25,221	25,229	23,505	23,914
Depreciation and amortisation	3,324	3,423	3,246	3,684	3,684
Total expenses	89,568	97,840	97,008	96,662	97,195
Net surplus (or deficit) attributable to the Australian Government	18,765	188	106	100	75

Table 5.2: Budgeted departmental balance sheet (as at 30 June)

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
ASSETS					
Financial assets					
Cash	32,557	32,638	34,198	35,631	36,057
Receivables	1,911	4,327	3,416	3,056	3,377
Investments	13,000	13,000	11,000	10,000	9,000
Accrued revenues	500	500	500	450	450
Total financial assets	47,968	50,465	49,114	49,137	48,883
Non-financial assets					
Infrastructure, plant and equipment	5,596	5,731	7,190	7,739	8,080
Intangibles	3,346	3,284	3,179	3,133	3,283
Other	830	849	865	884	901
Total non-financial assets	9,772	9,864	11,234	11,755	12,264
Total assets	57,740	60,329	60,348	60,893	61,148
LIABILITIES					
Provisions					
Employees	15,476	17,697	17,459	17,733	17,747
Other	2,744	2,807	2,861	2,921	2,979
Total provisions	18,220	20,504	20,319	20,653	20,726
Payables					
Suppliers	5,053	5,169	5,267	5,378	5,485
Total payables	5,053	5,169	5,267	5,378	5,485
Total liabilities	23,273	25,673	25,586	26,031	26,211
Net assets	34,468	34,656	34,762	34,862	34,936
EQUITY					
Contributed equity	3,155	3,155	3,155	3,155	3,155
Reserves	367	367	367	367	367
Retained surpluses	30,946	31,134	31,240	31,340	31,414
Total equity	34,468	34,656	34,762	34,862	34,936
Current assets	48,798	51,314	49,979	50,021	49,785
Non-current assets	8,942	9,015	10,369	10,872	11,363
Current liabilities	14,228	14,651	15,029	15,449	15,614
Non-current liabilities	9,045	11,022	10,557	10,582	10,597

**Table 5.3: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	2,408	2,110	1,248	1,248	250
Appropriations	99,057	93,758	94,569	94,217	94,725
Interest	3,245	-	-	-	-
Other	1,214	50	50	50	50
Total cash received	105,924	95,918	95,866	95,514	95,024
Cash used					
Employees	58,675	67,120	66,477	67,388	67,508
Suppliers	25,754	25,221	25,229	23,505	23,914
Total cash used	84,429	92,341	91,706	90,894	91,423
Net cash from or (used by) operating activities	21,495	3,577	4,160	4,620	3,601
INVESTING ACTIVITIES					
Cash received					
Investments	1,848	-	2,000	1,000	1,000
Total cash received	1,848	-	2,000	1,000	1,000
Cash used					
Purchase of property, plant and equipment	4,218	3,496	4,600	4,187	4,176
Total cash used	4,218	3,496	4,600	4,187	4,176
Net cash from or (used by) investing activities	(2,370)	(3,496)	(2,600)	(3,187)	(3,176)
Net increase or (decrease) in cash held	19,125	81	1,560	1,433	426
Cash at the beginning of the reporting period	13,432	32,557	32,638	34,198	35,631
Cash at the end of the reporting period	32,557	32,638	34,198	35,631	36,057

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget year 2007-08)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Estimated opening balance as at 1 July 2007					
Balance carried forward from previous period	30,946	367	-	3,155	34,468
Estimated opening balance	30,946	367	-	3,155	34,468
Income and expense					
Surplus (deficit) for the period	188	-	-	-	188
Total income and expenses recognised directly in equity	188	-	-	-	188
Transactions with owners					
Contribution by owners					
Appropriation (equity injection)	-	-	-	-	-
Sub-total transactions with owners	-	-	-	-	-
Estimated closing balance as at 30 June 2008	31,134	367	-	3,155	34,656

Table 5.5: Departmental capital budget statement

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
Represented by:					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
Total represented by	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	4,218	3,496	4,600	4,187	4,176
Total	4,218	3,496	4,600	4,187	4,176

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2007-08)

	Land	Investment property	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2007									
Gross book value	-	-	-	-	9,488	-	11,501	-	20,989
Accumulated depreciation	-	-	-	-	(3,891)	-	(8,156)	-	(12,047)
Estimated opening net book value	-	-	-	-	5,597	-	3,345	-	8,942
Additions:									
by purchase	-	-	-	-	2,561	-	935	-	3,496
Depreciation/amortisation expense	-	-	-	-	(2,426)	-	(997)	-	(3,423)
As at 30 June 2008									
Gross book value	-	-	-	-	12,049	-	12,436	-	24,485
Accumulated depreciation	-	-	-	-	(6,318)	-	(9,153)	-	(15,470)
Estimated closing net book value	-	-	-	-	5,731	-	3,283	-	9,015

Table 5.7: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Other sources of non-taxation revenue	115,957	115,358	116,169	115,817	116,325
Total non-taxation	115,957	115,358	116,169	115,817	116,325
Total revenues administered on behalf of Government	115,957	115,358	116,169	115,817	116,325
Total income administered on behalf of Government	115,957	115,358	116,169	115,817	116,325
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Write down and impairment of assets	500	500	500	500	500
Total expenses administered on behalf of Government	500	500	500	500	500

Table 5.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	150	150	150	150	150
Total financial assets	150	150	150	150	150
Total assets administered on behalf of Government	150	150	150	150	150

**Table 5.9: Schedule of budgeted administered cash flows
(for the period ended 30 June)**

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
OPERATING ACTIVITIES					
Cash received					
Other	115,957	115,358	116,169	115,817	116,325
Total cash received	115,957	115,358	116,169	115,817	116,325
Net cash from or (used by) operating activities	115,957	115,358	116,169	115,817	116,325
FINANCING ACTIVITIES					
Cash used					
Cash to Official Public Account	115,957	115,358	116,169	115,817	116,325
Total cash used	115,957	115,358	116,169	115,817	116,325
Net cash from or (used by) financing activities	(115,957)	(115,358)	(116,169)	(115,817)	(116,325)
Net increase or (decrease) in cash held	-	-	-	-	-
Cash at beginning of reporting period	-	-	-	-	-
Cash at end of reporting period	-	-	-	-	-

Table 5.10: Schedule of administered capital budget

APRA does not have any administered capital items.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2007-08)

APRA does not have any administered property, plant, equipment or intangibles.

5.3 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 the Australian Securities and Investments Commission (ASIC) for consumer

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protection and market integrity functions, and the Australian Taxation Office (ATO), for unclaimed monies 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. Revenue from sub-lease rentals is recognised upon issue of invoice. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Depreciation and amortisation

APRA's depreciation expense remains in balance with the capital programme aimed at maintaining APRA's processes and infrastructure to an appropriate standard.

Budgeted departmental statement of financial position

Financial assets

These include within receivables, levies invoiced but still outstanding at the financial year end and accrued revenues being interest and 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 work 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, cash from fees and charges, and interest earned on cash balances and investments held as government backed securities.

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.

