AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

Section 1: Agency overview and resources 107
1.1 Strategic direction 107
1.2 Agency resource statement 109
1.3 Budget measures 110
Section 2: Outcomes and planned performance 111
2.1 Outcomes and performance information 111
Section 3: Explanatory tables and budgeted financial statements 115
3.1 Explanatory tables 115
3.2 Budgeted financial statements 116

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, policy holders 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.

The Australian Government confirmed that 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. APRA fully supports the Australian Government's objectives for prudential regulation.

In APRA's *Statement of Intent*, it committed itself to further developing a supervisory approach, focussed on outcomes, that accords fully with the Australian Government's vision for APRA.

In 2008-09, 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, promoting harmonised standards across industries and examining ways of removing unnecessary regulatory burden;
- 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 and a systemic crisis such as a pandemic or terrorism.

APRA's supervisory activities in 2007-08 have been conducted against a background of prolonged turbulence in global credit and equity markets, which is expected to continue into 2008-09. The Australian financial system is well positioned to withstand the impact of these global developments. It has only minimal direct exposures to the US sub-prime mortgage market in which market turbulence had its origins but it has been affected by substantial increases in wholesale funding costs. APRA has stepped up its supervisory intensity, particularly in its dealings with ADIs. It 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 declines on the insurance and superannuation industries.

APRA will maintain its heightened oversight of liquidity, risk management and capital while global market turbulence persists. In addition, APRA's resources will be committed in 2008-09 to reviewing and, where appropriate, enhancing its prudential requirements as part of a coordinated international regulatory response to the turbulence, in line with the recommendations of the Financial Stability Forum.

1.2 AGENCY RESOURCE STATEMENT

The total appropriation and other resources for APRA in the 2008-09 Budget is $101.1 million.

Table 1.1 shows the total resources from all origins. The table summarises how resources will be applied to APRA.

Table 1.1: Australian Prudential Regulation Authority resource statement — Budget estimates for 2008-09 as at Budget May 2008

		Estimate of prior + year amounts available in 2008-09 $'000	Proposed at Budget = 2008-09 $'000	Total estimate 2008-09 $'000	Estimated appropriation available 2007-08 $'000
Ordinary annual services					
Departmental outputs					
Departmental outputs		-	5,036 [1]	5,036	2,840
Total ordinary annual services	**A**	**-**	**5,036**	**5,036**	**2,840**
Other services					
Departmental non-operating					
Equity injections		-	1,865 [2]	1,865	-
Total departmental non-operating		-	1,865	1,865	-
Administered non-operating					
Administered assets and liabilities		-	500	500	500
Total administered non-operating			500	500	500
Total other services	**B**	**-**	**2,365**	**2,365**	**500**
Total available annual appropriations (A + B)		**-**	**7,401**	**7,401**	**3,340**
Total appropriations excluding special accounts		**-**	**7,401**	**7,401**	**3,340**
Special accounts[3]					
Opening balance		34,348	-	34,348	46,626
Non-appropriation receipts to special accounts		-	93,685	93,685	94,448
Total special accounts	**C**	**34,348**	**93,685**	**128,033**	**141,074**
Total net resourcing for APRA (A + B + C)		**34,348**	**101,086**	**135,434**	**144,414**

1. Appropriation Bill (No.1) 2008-09.
2. Appropriation Bill (No.2) 2008-09.
3. Estimated opening balance for special accounts. For further detail on special accounts see Table 3.1.3.

1.3 BUDGET MEASURES

Table 1.2: Australian Prudential Regulation Authority 2008-09 Budget measures

	Output group	2007-08 $'000	2008-09 $'000	2009-10 $'000	2010-11 $'000	2011-12 $'000
Expense measure (related revenue)						
Adminsitered outputs						
Responsible Economic Management - Choice of Superannuation Fund	1.1	-	-	(1,100)	(1,100)	(1,100)
Total expense measures		**-**	**-**	**(1,100)**	**(1,100)**	**(1,100)**

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

This section describes the outcomes for APRA by output groups. The development of meaningful performance indicators and targets for prudential regulation is only at an embryonic stage globally.

2.1.1 Outcome 1: 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

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 resource statement

Table 2.1 provides additional detail of Budget appropriations and the total resourcing for outcome 1.

Table 2.1: Total resources for outcome 1

Outcome 1: 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	2008-09 Total estimate of available resources $'000	2007-08 Estimated actual $'000
Output group 1.1 - Australian Prudential Regulation Authority		
Departmental outputs		
Output 1.1.1 - Policy development	660	372
Output 1.1.2 - Surveillence programs	4,208	2,373
Output 1.1.3 - Prudential advice	168	95
Special appropriations		
Financial Management and Accountability Act 1997	500	500
Special accounts		
APRA Special Account		
Opening balance	34,348	46,626
Non-appropriation receipts to special accounts	93,685	94,448
Total resources for outcome 1	133,569	144,414

	2008-09	2007-08
Average staffing level (number)	570	580

Note: Departmental splits by output, are indicative estimates and may change in the course of the budget year as government priorities change.

Contributions to 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 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 where relevant, to ensure that risk-taking is conducted within reasonable bounds and that risks are clearly identified and managed; and advice to the Government on the development of regulation and legislation affecting regulated institutions and the financial markets in which they operate.

Contributions to outcome 1 (continued)

<table>
<tr><th colspan="2">Output group 1.1 — Australian Prudential Regulation Authority</th></tr>
<tr><td colspan="2">Components of output group 1.1 are:
Output 1.1.1 — Policy development;
Output 1.1.2 — Surveillance programs; and
Output 1.1.3 — Prudential advice.</td></tr>
<tr><th colspan="2">Output 1.1.1 — Policy development</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><th>Key performance indicators</th><th>2008-09 target</th></tr>
<tr><td>Issuance of prudential standards, guidelines and like instruments which effectively address risk management exposures of regulated industries.</td><td>Timely issuance of prudential standards and guidelines which address risk management exposures of regulated entities.</td></tr>
<tr><td>Comprehensive consultation with industry bodies, regulated institutions and professional associations on the development and implementation of prudential policy.</td><td>Compliance with consultation requirements of the Office of Best Practice Regulation.</td></tr>
<tr><td>Effective communication and cooperation with relevant national and international agencies including participation in the international development and harmonisation of prudential regulation policy and practice.</td><td>Timely advice to other members of the Council of Financial Regulators and the Government on significant issues of inter-agency or financial system concern.
Effective communication of Australia’s perspective in international fora involved in developing global prudential standards.</td></tr>
<tr><td>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.</td><td>Maintenance of regular publication of statistical information.
Timely release and provision for adequate consultation where appropriate for documents on prudential supervision issues.</td></tr>
<tr><th colspan="2">Output 1.1.2 — Surveillance programs</th></tr>
<tr><td colspan="2">Surveillance programs aim to minimise financial loss by depositors, policyholders and superannuation 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, policyholders, superannuation funds members and the public interest generally.</td></tr>
</table>

Contributions to outcome 1 (continued)

Output 1.1.2 — Surveillance programs (continued)	
Key performance indicators	2008-09 target
Minimise the risk of financial loss by depositors or policyholders resulting from the failure of regulated institutions to observe laws, regulations or prudential standards administered by APRA.	Surveillance of regulated entities to ensure they maintain a culture of prudent behaviour and commitment to effective risk management practices.
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.	Active surveillance to enable the early identification of prudential risks and timely remedial action that minimises the risk of financial loss by depositors, policyholders and superannuation fund members.
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).	Timely exercise of APRA's powers in the event that action is required.
Output 1.1.3 — Prudential advice	
Prudential advice to government includes advice on prudential regulation policy development; advice on amendments to legislation and regulations administered by APRA; liaison with Treasury and appropriate Ministers at regular intervals; and briefing of the Government on matters emerging in international forums which may impact on prudential policy.	
Key performance indicators	2008-09 target
Regular liaison meetings with the Treasury and with relevant Ministers and Parliamentary Committees.	Continuation of regular liaison meetings with the Treasury. Meetings with relevant ministers and attendance at Parliamentary Committees as required.
Recommendations to government on prudential regulation policy development involving legislative implementation (including amendments to all Acts of Parliament administered by APRA and regulations there under).	Advice to government on the operational effectiveness of legislation, when appropriate. Timely responses to Government to requests for comments on policy and legislation proposals.
Timely briefings to government on major items of policy interest emerging from APRA participation in international fora.	Consultation with government, as appropriate, before and timely briefings following APRA's participation in international fora on policy positions being presented on behalf of Australia.
Maintenance of a memorandum of understanding with the Treasury.	Maintenance of understandings set out in the memorandum.

Section 3: Explanatory tables and budgeted financial statements

3.1 EXPLANATORY TABLES

3.1.1 Reconciliation of total available appropriation and outcomes

The Agency Resource Statement (Table 1.1) details the total available appropriation to APRA from all sources. For departmental operating appropriations (outputs) this includes carry-forward amounts as well as amounts appropriated at budget. As APRA incurs and is funded for future liabilities, generally depreciation and employee entitlements, the total amount of departmental operating appropriation available to APRA is unlikely to be fully utilised in the budget year. The difference between the agency resource statements and the sum of all payments made at the departmental outputs level is the expected carry-forward amount of resources for the 2009-10 budget year, including amounts related to meeting future obligations to maintain APRA's asset base and to meet employee entitlement liabilities.

Table 3.1.1: Reconciliation of total available appropriation and outcomes

	$'000
Total available departmental operating appropriation (outputs)	5,036
Less estimated payments in 2008-09	5,036
Estimated departmental outputs carried forward and available for 2009-10	-

3.1.2 Movement of administered funds between years

Table 3.1.2: Movement of administered funds between years

APRA has not moved any administered funds between years.

3.1.3 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 3.1.3 shows the expected additions (receipts) and reductions (payments) for each account used by APRA.

Table 3.1.3: Estimates of special account cash flows and balances

	Outcome	Opening balance **2008-09** *2007-08* $'000	Receipts **2008-09** *2007-08* $'000	Payments **2008-09** *2007-08* $'000	Adjustments **2008-09** *2007-08* $'000	Closing balance **2008-09** *2007-08* $'000
Australian Prudential Regulation Authority Special Account	1	**34,348**	**100,586**	**101,834**	**-**	**33,100**
		46,626	*87,398*	*99,676*	*-*	*34,348*
Services for Other Entites and Trust Moneys - Australian Prudential Regulation Authority Special Account	1	**-**	**-**	**-**	**-**	**-**
		-	-	-	-	-
Superannuation Protection Account	1	**-**	**-**	**-**	**-**	**-**
		-	-	-	-	-
Total special accounts 2008-09 Budget estimate		**34,348**	**100,586**	**101,834**	**-**	**33,100**
Total special accounts 2007-08 estimate actual		*46,626*	*87,898*	*99,676*	*-*	*34,348*

3.1.4 Australian Government Indigenous Expenditure

Table 3.1.4: 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 income statement (Table 3.2.1) shows a net increase in appropriations from $81.3 million forecast for 2007-08 to $96.2 million in 2008-09. The increase mainly reflects the funding of operations from current period industry levies after running down reserves built up from previous levy over-collections to partially meet 2007-08 operating costs. In addition, $1.6 million has been provided as departmental appropriation for Standard Business Reporting (SBR).

Budgeted lower non-government revenue of $2.5 million in 2008-09 reflects the completion of a major part of Basel II accreditation work that was met in 2007-08 by fees charged on those ADIs applying for accreditation.

Employee expenses of $68.5 million (compared to the 2007-08 forecast of $68.7 million) take into account a reduction in APRA's average staffing level (ASL) from 580 to 570 as a consequence of the consolidation of the superannuation industry post licensing.

Supplier costs will decrease from $27.5 million forecast in 2007-08 to $26.8 million in 2008-09. Supplier costs in 2007-08 included one-off expenditure related to completion of major supervisory infrastructure projects and additional staff training initiatives.

APRA is budgeting for an operating surplus of $0.1 million in 2008-09, compared to a forecast operating loss of $12.2 million in 2007-08 (the counterpart to APRA's use of reserves to fund part of its 2007-08 operating costs).

The budgeted departmental balance sheet (Table 3.2.2) shows that APRA will maintain sufficient financial assets to meet all employee and supplier commitments as and when they fall due.

Continued investment in core supervisory and corporate infrastructure, coupled with investment in SBR, will see non-financial asset balances increase in 2008-09 and beyond.

Contributed equity will increase over 2008-09 and 2009-10, reflecting government equity injections for SBR.

Retained surpluses are budgeted to maintain general reserves at a level sufficient to accommodate unforseen 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 changes in equity between 2007-08 and 2008-09. The main item of change across this period will be the equity injection related to SBR.

The schedule of budgeted income and expenses administered on behalf of government (Table 3.2.5) 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 3.2.6 refers to minor amounts of the administered income that may not be collected at the year end.

As indicated in the schedule of budgeted administered cash flows (Table 3.2.7), 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 3.2.3.

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

3.2.3 Budgeted financial statements tables

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

	Estimated actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
INCOME					
Revenue					
Revenues from Government	81,251	96,176	98,080	96,394	96,268
Goods and services	6,097	2,495	2,495	2,495	2,495
Other	50	50	50	50	50
Total income	87,398	98,721	100,625	98,939	98,813
EXPENSE					
Employees	68,680	68,533	69,472	69,596	69,596
Suppliers	27,500	26,836	27,369	25,583	25,300
Depreciation and amortisation	3,390	3,246	3,684	3,684	3,917
Total expenses	99,570	98,615	100,525	98,863	98,813
Surplus or (deficit) attributable to the Australian Government	(12,172)	106	100	76	-

Prepared on an Australian Accounting Standards basis.

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

	Estimated Actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
ASSETS					
Financial assets					
Cash	34,348	33,100	32,697	32,281	28,892
Receivables	1,907	1,937	2,414	2,577	2,729
Accrued revenues	500	500	450	450	450
Total financial assets	36,755	35,537	35,561	35,309	32,071
Non-financial assets					
Infrastructure, plant and equipment	5,235	8,888	10,788	11,609	12,239
Intangibles	3,357	2,924	2,549	2,220	4,979
Other	923	941	960	979	999
Total non-financial assets	9,515	12,753	14,297	14,808	18,217
Total assets	46,270	48,290	49,858	50,117	50,288
LIABILITIES					
Provisions					
Employees	17,565	17,459	17,733	17,747	17,747
Other	2,356	2,401	2,451	2,500	2,550
Total provisions	19,921	19,860	20,184	20,247	20,297
Payables					
Suppliers	5,719	5,828	5,950	6,069	6,190
Total payables	5,719	5,828	5,950	6,069	6,190
Total liabilities	25,640	25,688	26,134	26,316	26,487
EQUITY					
Contributed equity	3,155	5,020	6,042	6,042	6,042
Reserves	6,368	6,368	6,368	6,368	6,368
Retained surpluses or accumulated deficits	11,108	11,214	11,314	11,390	11,390
Total equity	20,631	22,602	23,724	23,800	23,800
Current assets	37,678	36,477	36,522	36,288	33,069
Non-current assets	8,592	11,813	13,336	13,829	17,219
Current liabilities	7,711	7,814	7,968	8,094	8,220
Non-current liabilities	17,929	17,874	18,166	18,222	18,267

Prepared on an Australian Accounting Standards basis.

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

	Estimated actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	6,097	2,495	2,495	2,495	2,495
Appropriations	81,251	96,176	98,080	96,394	96,268
Other	50	50	50	50	50
Total cash received	87,398	98,721	100,625	98,939	98,813
Cash used					
Employees	68,680	68,533	69,472	69,596	69,595
Suppliers	27,500	26,836	27,369	25,583	25,300
Total cash used	96,180	95,369	96,841	95,179	94,895
Net cash from or (used by) operating activities	(8,782)	3,352	3,784	3,760	3,918
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	3,496	6,465	5,209	4,176	7,307
Total cash used	3,496	6,465	5,209	4,176	7,307
Net cash from or (used by) investing activities	(3,496)	(6,465)	(5,209)	(4,176)	(7,307)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	-	1,865	1,022	-	-
Total cash received	-	1,865	1,022	-	-
Net increase or (decrease) in cash held	(12,278)	(1,248)	(403)	(416)	(3,389)
Cash at the beginning of the reporting period	46,626	34,348	33,100	32,697	32,281
Cash at the end of the reporting period	34,348	33,100	32,697	32,281	28,892

Prepared on an Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2008-09)

	Retained earnings $'000	Asset revaluation reserve $'000	Other reserves $'000	Contributed equity/ capital $'000	Total equity $'000
Opening balance as at 1 July 2008					
Balance carried forward from previous period	11,108	368	6,000	3,155	20,631
Adjusted opening balance	11,108	368	6,000	3,155	20,631
Net operating result	106	-	-	-	106
Total income and expenses recognised directly in equity	106	-	-	-	106
Transactions with owners					
Contribution by owners					
Appropriation (equity injection)	-	-	-	1,865	1,865
Sub-total transactions with owners	-	-	-	1,865	1,865
Estimated closing balance as at 30 June 2009	11,214	368	6,000	5,020	22,602

Prepared on an Australian Accounting Standards basis.

Table 3.2.5: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

	Estimated actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Other sources of non-taxation revenues	107,151	121,976	122,780	121,094	120,968
Total income administered on behalf of Government	107,151	121,976	122,780	121,094	120,968
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

Prepared on an Australian Accounting Standards basis.

Table 3.2.6: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)

	Estimated actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'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

Prepared on an Australian Accounting Standards basis.

Table 3.2.7: Schedule of budgeted administered cash flows (for the period ended 30 June)

	Estimated actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
OPERATING ACTIVITIES					
Cash received					
Other	107,151	121,976	122,780	121,094	120,968
Net cash from or (used by) operating activities	107,151	121,976	122,780	121,094	120,968
FINANCING ACTIVITIES					
Cash used					
Cash to Official Public Account	(107,151)	(121,976)	(122,780)	(121,094)	(120,968)
Net cash from or (used by) financing activities	(107,151)	(121,976)	(122,780)	(121,094)	(120,968)

Prepared on an 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 the Australian Securities and Investments Commission (ASIC) for consumer protection and market integrity functions, and the Australian Taxation Office (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.