

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

Section 1: Agency overview	147
Section 2: Agency resources for 2005-06	148
2.1: Appropriations and other resources.....	148
2.2: 2005-06 Budget measures.....	150
2.3: Other receipts available to be used.....	152
2.4: Movement of administered funds from 2004-05 to 2005-06.....	152
2.5: Special appropriations.....	153
2.6: Special accounts.....	153
2.7: Administered capital and departmental equity injections and loans.....	154
Section 3: Agency outcomes	155
3.1: Summary of outcomes, outputs and administered items.....	155
3.2: Outcomes — departmental and administered.....	156
3.3: Outcomes resourcing.....	157
3.4: Measures affecting outcomes.....	158
Section 4: Other reporting requirements	162
4.1: Purchaser-provider arrangements.....	162
4.2: Cost recovery arrangements.....	162
4.3: Australian Government Indigenous Expenditure.....	163
Section 5: Budgeted financial statements	164
5.1: Analysis of budgeted financial statements.....	164
5.2: Budgeted financial statements tables.....	166
5.3: Notes to the financial statements.....	175

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

Section 1: Agency 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*. The *Commonwealth Authorities and Companies Act 1997* applies to APRA.

Table 1.1: Agency outcomes and output groups

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: Agency resources for 2005-06

2.1: APPROPRIATIONS AND OTHER RESOURCES

The total appropriation for the Australian Prudential Regulation Authority (APRA) in the 2005-06 Budget is \$84.0 million.

Table 2.1 shows the total resources from all origins for 2005-06, including appropriations. The table summarises how revenue will be applied by outcome and departmental classification.

Table 2.1: Appropriations and other revenue 2005-06¹ ('000)

Outcome	Appropriations					Revenue from other sources ⁴		Total resources ⁶
	\$'000	\$'000	\$'000	\$'000	% ⁵	\$'000	% ⁵	\$'000
	Bill No. 1	Bill No. 2	Special approp ²	Total approp ³				
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								
Departmental	1,000	-	82,967	83,967	88%	11,911	12%	95,878
Total agency	1,000	-	82,967	83,967		11,911		95,878
Departmental capital (equity injections)	-	-	-	-	-	-	-	-
Previous year's outputs	-	-	-	-	-	-	-	-
Total resources	1,000	-	82,967	83,967		11,911		95,878

1 This table has been redesigned to correspond with *Budget Paper No. 4, Agency Resourcing 2005-06*.

2 Estimated expenses from individual Special Appropriations are shown at Section 3, Table 3.1.

3 Total appropriations = Bill No. 1 + Bill No. 2 + Special appropriations. Does not include \$0.5 million appropriated under s. 28 of the FMA for administered refunds (see Table 5.6).

4 Revenue from other sources includes *Financial Management and Accountability Act 1997* (FMA) s.31 revenues, CAC body revenues that are available to be expensed, including accrued revenue of \$1.168 million, special accounts (non-appropriation revenues) and resources received free of charge.

5 Percentage figures indicate the percentage contribution of Revenue from Government (Departmental Appropriations) to the total price of outputs, by outcome, and the percentage contribution of Revenue from other sources (Departmental) to the total price of outputs, by outcome.

6 Total resources = Total appropriations + Revenue from other sources.

Note: Refer to Budgeted departmental statement of financial performance for application of agency revenue.

2.2: 2005-06 BUDGET MEASURES

Budget measures relating to APRA as explained in *Budget Paper No. 2, Budget Measures 2005-06* are summarised in Table 2.2. The table also identifies the relevant outcomes and outputs associated with each measure.

Table 2.2: Australian Prudential Regulation Authority measures

Measure	Outcome	Output groups affected	Appropriations budget			Appropriations forward estimate			Appropriations forward estimate			Appropriations forward estimate		
			2005-06 \$'000			2006-07 \$'000			2007-08 \$'000			2008-09 \$'000		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Efficiency dividend — increase in the rate from 1 per cent to 1.25 percent ¹	1	1.1	-	- 210	- 210	-	- 423	- 423	-	- 636	- 636	-	- 636	- 636

¹ This is a cross portfolio measure. This table shows the APRA contribution to the measure.

Note: Further information on these measures can be found in *Budget Paper No. 2, Budget Measures 2005-06* and the Measures affecting Outcomes table on page 158. This table shows the resourcing to be provided for these measures and may differ from those in *Budget Paper No. 2, Budget Measures 2005-06* and the Measures affecting Outcomes table as these are on a Government Finance Statistics (GFS) basis.

2.3: OTHER RECEIPTS AVAILABLE TO BE USED

Table 2.3 provides details of other receipts available to be used and include FMA s.31 receipts, CAC body receipts that are available to be spent, special accounts (non-appropriation receipts) and resources received free of charge.

Table 2.3: Other receipts available to be used¹

	Estimated receipts 2004-05 \$'000	Budget estimate 2005-06 \$'000
Departmental other receipts		
Goods and services	1,999	1,400
Interest	2,103	2,100
Other	5,528	8,411
Total departmental other receipts available to be used	9,630	11,911

¹ This table replaces the former table 'Receipts from independent sources'. It represents own source receipts available for spending on departmental purposes.

Other receipts of \$8.4 million in the above table represent cost recoveries for activities described more fully in Section 4.2 Cost Recovery Arrangements. Further implementation of the Basel II capital accord is expected to yield recoveries of \$1.7 million, statistical services for the Reserve Bank of Australia and the Australian Bureau of Statistics a further \$0.6 million, and licensing of superannuation funds \$6.1 million in 2005-06.

2.4: MOVEMENT OF ADMINISTERED FUNDS FROM 2004-05 TO 2005-06

Table 2.4: Movement of administered funds from 2004-05 to 2005-06

This table is not applicable to APRA.

2.5: SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

	Outcome	Note	Estimated expenses 2004-05 \$'000	Budget estimate 2005-06 \$'000
Estimated expenses				
<i>Australian Prudential Regulation Authority Act 1998 - Section 50</i>				
	1	1	76,452	82,967
<i>Financial Management and Accountability Act 1997 - Section 28</i>				
	1	2	500	500
Total estimated expenses			76,952	83,467

Note 1: Funding of APRA operations (also refer to Table 5.1)

Note 2: Refund overpayments of levies by financial institutions from Administered funds (also refer to Table 5.6)

2.6: SPECIAL ACCOUNTS

Table 2.6: Estimates of special account flows and balances

	Opening balance	Receipts	Payments	Closing balance
A ⁽¹⁾	2005-06	2005-06	2005-06	2005-06
B ⁽¹⁾	2004-05	2004-05	2004-05	2004-05
Outcome	\$'000	\$'000	\$'000	\$'000
Superannuation Protection Account	-	-	-	-
1	-	-	-	-
Total special accounts				
2005-06 Budget estimate	-	-	-	-
Total special accounts				
2004-05 estimated actual	-	-	-	-

1 The opening balance for 2005-06 (reference A) is the same as the closing balance for 2004-05 (reference B).

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 the Treasury directly from the Consolidated Revenue Fund (CRF) in recent financial years. To date, APRA, on behalf of the Treasury, has imposed one Financial Assistance Levy on the superannuation industry to recover the first of those assistance funds, the proceeds of which were returned directly to the CRF. Further levies to recover other assistance provided by Treasury is anticipated, but is unlikely to impact the special account in 2005-06.

2.7: ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

APRA does not have an appropriation for an equity injection or loan in the 2005-06 Budget. However, a temporary equity injection of \$3 million received in 2004-05 will be repaid to the Consolidated Revenue Fund in 2005-06.

Section 3: Agency outcomes

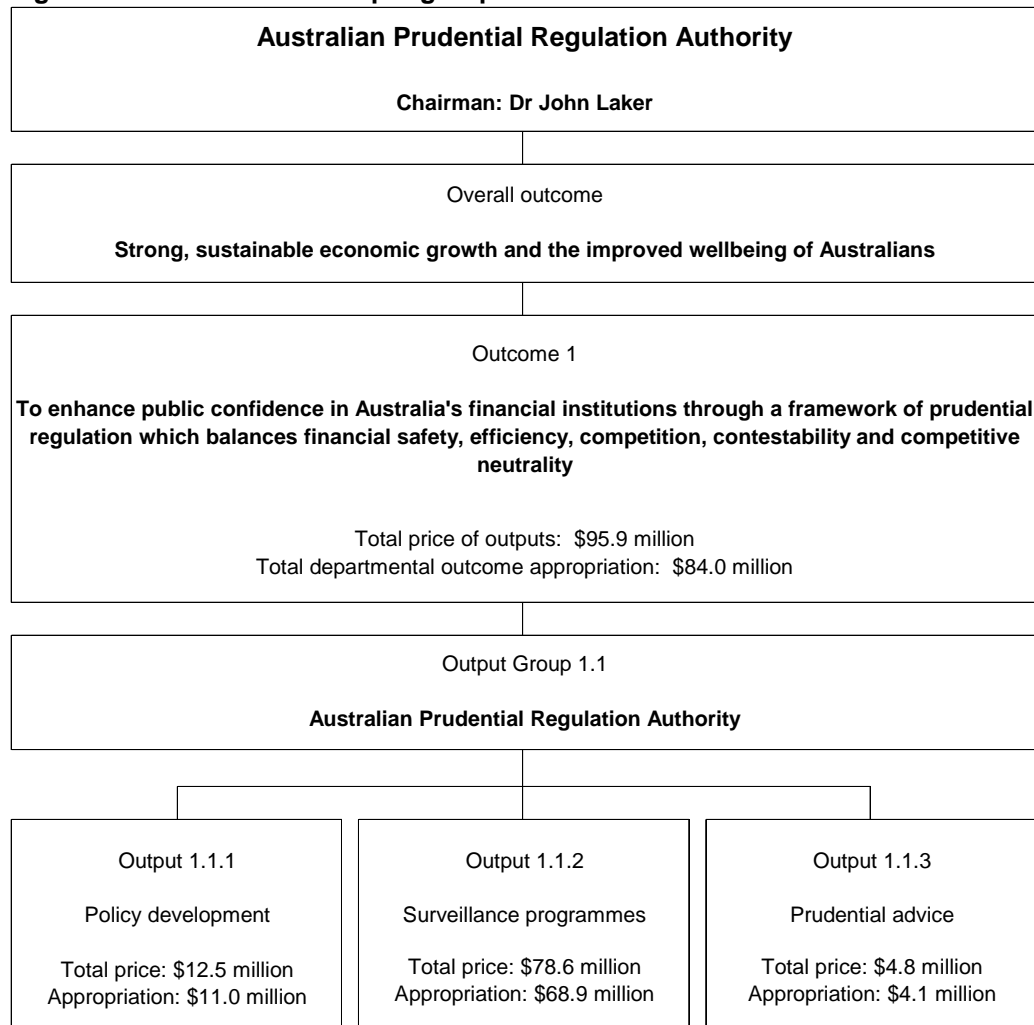
This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items that contribute to the outcome for Australian Prudential Regulation Authority (APRA).

3.1: SUMMARY OF OUTCOMES, OUTPUTS AND ADMINISTERED ITEMS

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.

The relationship between activities of APRA and the outcome is summarised in Figure 4.

Figure 4: Outcomes and output groups and administered items



3.2: OUTCOMES — DEPARTMENTAL AND ADMINISTERED

APRA has only one outcome, namely, ‘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 total appropriation for this outcome for 2005-06 is \$84.0 million.

Figure 5: Departmental appropriations by outcome, 2005-06

This figure is not applicable to APRA.

Figure 6: Administered appropriations by outcome, 2005-06

This figure is not applicable to APRA.

3.3: OUTCOMES RESOURCING

Outcome 1 description

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.

Outcome 1 resourcing

Table 3.1 shows how the 2005-06 Budget appropriations translate to total resourcing for Outcome 1, including revenue from government (appropriation), revenue from other sources (Departmental) and the total price of outputs.

Table 3.1: Total resources for Outcome 1 (\$'000)

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000
Departmental appropriations		
Output Group 1.1 - Australian Prudential Regulation Authority		
Output 1.1.1 - Policy development	10,069	10,916
Output 1.1.2 - Surveillance programmes	63,511	68,853
Output 1.1.3 - Prudential advice	3,872	4,198
Total revenue from government (appropriations) Contributing to price of departmental outputs	77,452	83,967
Revenue from other sources		
Goods and services	1,999	1,400
Interest	2,103	2,100
Other	5,528	8,411
Total revenue from other sources	9,630	11,911
Total price from departmental outputs (Total revenue from government and from other sources)	87,082	95,878
Total estimated resourcing for Outcome 1 (Total price of outputs)	87,082	95,878
Average staffing level (number)	561	572

3.4: MEASURES AFFECTING OUTCOMES

Measures affecting Outcome 1

	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000
Efficiency dividend — increase in the rate from 1 per cent to 1.25 per cent ¹	- 236	- 423	- 636	- 636

1 This measure reduces APRA's appropriation by \$0.210 million in 2005-06 with outyears funding the same as above. Also refer to Table 2.2 on page 151.

2 This is a cross portfolio measure. This table shows the APRA contribution to the measure.

Details of this measure is included in *Budget Paper No. 2, Budget Measures 2005-06*.

Outcome 1 contribution of outputs

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 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.

Performance information for Outcome 1

Table 3.2: Performance information for Outcome 1

Performance information for agency outputs

Output Group 1.1 - Australian Prudential Regulation Authority

Output 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: \$12.5 million

Table 3.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)	
Output 1.1.2 - Surveillance programmes	<p>Prevention 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;</p> <p>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</p> <p>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).</p> <p>Price: \$78.6 million</p>
Output 1.1.3 - Prudential advice	<p>Regular liaison meetings with the Treasury and with relevant Ministers and Parliamentary Committees;</p> <p>Recommendations to Government on prudential regulation policy development involving legislative implementation (including amendments to all Acts of Parliament administered by APRA and regulations thereunder);</p> <p>Timely briefings to Government on major items of policy interest emerging from APRA participation in international fora; and</p> <p>Maintenance of a memorandum of understanding with the Treasury.</p> <p>Price: \$4.8 million</p>

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 balance 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 2005-06 is 82 per cent for supervision, rehabilitation and enforcement, 13 per cent for development of prudential policies and standards and 5 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.

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 six key results areas (KRAs), three of which represent the outputs described in Table 3.2 plus three KRAs covering staff, infrastructure and accountability.

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, by the Business Improvement Unit.

Section 4: Other reporting requirements

4.1: PURCHASER-PROVIDER ARRANGEMENTS

The Australian Prudential Regulation Authority (APRA) is not party to any cross agency purchaser-provider arrangements.

4.2: COST RECOVERY ARRANGEMENTS

Cost recovery arrangements have been negotiated with the large Authorised Deposit-Taking Institutions for specific additional services in relation to the implementation of the *New Basel Capital Accord*, in accordance with government cost recovery guidelines. Cost recovery arrangements are also negotiated each year with the Australian Bureau of Statistics and the Reserve Bank of Australia for provision of certain statistical services provided to them. The major cost recovery activity for 2005-06 is in respect of Superannuation Licensing, a summary of which appears below.

Summary of cost recovery impact statement

The Superannuation Licensing cost recovery consists of charging a licence fee to trustees of superannuation entities under the *Superannuation Safety Amendment Act 2004*. The Act requires trustees of APRA regulated superannuation entities to be licenced during a two year period which commenced on 1 July 2004 and resulted from the Government response to recommendations of the Superannuation Working Group.

The licence fee is a once only charge for initial licensing and remains in force until such time as it is revoked by APRA. License fees have been set on a three-tier sliding scale according to the complexity of the assessment of licence applicants, with the highest fee being paid by trustees of public offer entities and lesser fees for non-public offer entities.

The fees have been set in accordance with the Commonwealth's cost recovery policy and guidelines, in consultation with the Treasury and representatives of the superannuation industry.

The requirement to be licenced over a two year period will mean costs incurred will be unlikely to coincide with revenue from licence fees. With this in mind, the Government provided a cash injection in 2004-05 of \$3.0 million to cover initial set up and expected processing costs in that year, which will be repaid to the budget in 2005-06 from licensing fees. Total revenue from licensing fees in 2005-06 is expected to be \$6.1 million.

APRA will review all cost recovery arrangements in 2005-06.

4.3: AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

This table is not applicable to APRA.

Section 5: Budgeted financial statements

5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The Departmental Statement of Financial Performance (Table 5.1) shows an increase in appropriations from \$77.5 million forecast for 2004-05 to \$84.0 million in 2005-06. The increase is due to the on-going effect of the 2004-05 Budget measure initiated in 2004-05 to strengthen the Australian Prudential Regulation Authority's (APRA) capability in supervision of regulated entities resulting from the Government response to the recommendations of the HIH Royal Commission. The funds have been provided to engage additional qualified and experienced staff in the front line supervisory sections of APRA.

Income from rents results from sub-letting an area of surplus leased space in the Canberra office. Revenue from other sources includes the costs recovered through licensing of superannuation trustees as described in Section 4.2.

Employee expenses will increase from \$54.3 million to \$63.0 million in 2005-06. The increase in costs will result from additional recruitment of senior supervisory and technical specialist staff to fulfil APRA's need for enhanced supervision of regulated entities required by the budget measure for licensing of superannuation funds for both 2004-05 and 2005-06.

Suppliers' costs are again at a higher level in 2005-06, reflecting the additional resources needed for the superannuation licensing programme and for additional enforcement action. Some of these supplier costs will revert to more normal levels in the following years.

APRA is budgeting for an operating surplus of \$1.6 million in 2005-06, arising from the additional revenue generated by the expected volume of superannuation licence applications.

The Departmental Statement of Financial Position (Table 5.2) shows a small reduction in cash from the prior period which will result from repayment of the temporary cash injection discussed in Section 4.2. Receivables are also expected to be reduced as a result of collection of outstanding amounts from prior year levies. Receivables should then be maintained at this lower level for the foreseeable future.

Non-financial assets are expected to increase by \$0.4 million in 2005-06, due to acquisition of infrastructure, plant and equipment to cater for the additional staff. These acquisitions will be funded from internally generated revenues.

Provisions for employee entitlements cover accumulated annual and long service leave which are expected to increase in line with the additional employees foreshadowed in the 2004-05 Budget measure. The other provisions consist of making-good leased premises and equalising lease incentives, all of which decrease gradually over the expected life of the related leases.

Contributed equity will reduce by \$3.0 million in 2005-06 as a result of repayment of the temporary cash injection provided by the Government in 2004-05. Retained surpluses are planned to maintain reserves at a level (five to ten per cent of levies) sufficient to accommodate unforeseen business needs which may arise from supervision of at-risk institutions and enforcement actions.

The Departmental Statement of Cash Flows (Table 5.3) reflects the increase in appropriations and other revenue resulting from the enhanced supervision and superannuation licensing measures initiated in 2004-05, discussed earlier. Cash used in Financing Activities reflects repayment of the \$3 million temporary cash injection provided by the Government in 2004-05 for superannuation licensing. The overall net cash position at June 2006 will be a reduction of \$0.8 million.

The Departmental Capital Budget Statement (Table 5.4) indicates APRA's capital requirements will be met from internally generated resources. The expected movements in non-financial asset values between 2004-05 and 2005-06 are shown in Table 5.5, the main activity being in infrastructure, plant and equipment to accommodate additional staff and capitalisation of process improvements.

The Schedule of Budgeted Revenue and Expenses Administered on behalf of Government (Table 5.6) 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 Investment 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.

As indicated in the Schedule of Budgeted Administered Cash Flows (Table 5.8), 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 statement of financial performance for the period ended 30 June

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
REVENUE					
Revenues from ordinary activities					
Revenues from Government	77,452	83,967	84,971	85,211	86,154
Goods and services	1,999	1,400	1,650	2,050	2,150
Interest	2,103	2,100	2,250	2,400	2,500
Rents	510	520	535	550	560
Other	5,018	7,891	3,465	3,650	3,740
Revenues from ordinary activities	87,082	95,878	92,871	93,861	95,104
EXPENSE					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	54,293	62,953	62,833	63,497	64,776
Suppliers	26,658	27,560	25,530	25,662	25,608
Depreciation and amortisation	3,985	3,806	4,368	4,514	4,614
Other	1,339	-	-	-	-
Expenses from ordinary activities (excluding borrowing costs expense)	86,275	94,319	92,731	93,673	94,998
Borrowing costs expense	-	-	-	-	-
Operating surplus or deficit from ordinary activities	807	1,559	140	188	106
Net surplus or deficit	-	-	-	-	-
Net surplus or deficit attributable to the Australian Government	-	-	-	-	-

Table 5.2: Budgeted departmental statement of financial position as at 30 June

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
ASSETS					
Financial assets					
Cash	18,813	18,053	17,760	18,594	18,729
Receivables	3,018	1,352	1,593	1,979	2,076
Accrued revenues	168	500	500	500	500
Total financial assets	21,999	19,905	19,853	21,073	21,305
Non-financial assets					
Infrastructure, plant and equipment	4,974	6,523	5,928	5,073	5,239
Intangibles	4,720	3,116	3,561	3,399	3,220
Other non-financial assets	579	1,079	1,080	1,079	1,079
Total non-financial assets	10,273	10,718	10,569	9,551	9,538
Total assets	32,272	30,623	30,422	30,624	30,843
LIABILITIES					
Provisions					
Employees	14,686	15,570	15,576	15,776	16,092
Other provisions	1,869	1,669	1,469	1,269	1,069
Total provisions	16,555	17,239	17,045	17,045	17,161
Payables					
Suppliers	2,957	2,065	1,917	1,932	1,928
Total payables	2,957	2,065	1,917	1,932	1,928
Total liabilities	19,512	19,304	18,962	18,977	19,089
EQUITY*					
Parent entity interest					
Contributed equity	8,255	5,255	5,255	5,255	5,255
Reserves	382	382	382	382	382
Retained surpluses or accumulated deficits	4,123	5,682	5,823	6,010	6,117
Total parent entity interest	12,760	11,319	11,460	11,647	11,754
Total equity	12,760	11,319	11,460	11,647	11,754
Current assets	22,578	20,984	20,933	22,152	22,384
Non-current assets	9,694	9,639	9,489	8,472	8,459
Current liabilities	10,002	10,156	9,917	9,976	9,998
Non-current liabilities	9,510	9,148	9,045	9,001	9,091

* 'Equity' is the residual interest in assets after deduction of liabilities.

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

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	1,999	1,400	1,650	2,050	2,150
Appropriations	77,773	85,769	84,971	85,211	86,154
Interest	2,000	2,000	2,100	2,200	2,350
Other	5,238	7,343	3,709	3,814	4,153
Total cash received	87,010	96,512	92,430	93,275	94,807
Cash used					
Employees	54,293	62,953	62,833	63,497	64,776
Suppliers	26,161	27,557	25,672	25,448	25,296
Other	1,339	-	-	-	-
Total cash used	81,793	90,510	88,505	88,945	90,072
Net cash from or used by operating activities	5,217	6,002	3,925	4,330	4,735
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	2,937	3,762	4,218	3,496	4,600
Total cash used	2,937	3,762	4,218	3,496	4,600
Net cash from or used by investing activities	- 2,937	- 3,762	- 4,218	- 3,496	- 4,600
FINANCING ACTIVITIES					
Cash used					
Other	2,100	3,000	-	-	-
Total cash used	2,100	3,000	-	-	-
Net cash from or used by financing activities	- 2,100	- 3,000	-	-	-
Net increase or decrease in cash held	180	- 760	- 293	834	135
Cash at the beginning of the reporting period	18,633	18,813	18,053	17,760	18,594
Cash at the end of the reporting period	18,813	18,053	17,760	18,594	18,729

Table 5.4: Departmental capital budget statement

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	3,000	-	-	-	-
Total capital appropriations	3,000	-	-	-	-
Represented by:					
Purchase of non-financial assets	-	-	-	-	-
Other	3,000	-	-	-	-
Total represented by	3,000	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by					
Departmental resources	2,937	3,762	4,218	3,496	4,600
Total	2,937	3,762	4,218	3,496	4,600

Table 5.5: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2005-06)

	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 2005									
Gross book value	-	-	-	-	6,447	-	-	7,167	13,614
Accumulated depreciation	-	-	-	-	- 1,473	-	-	- 2,447	- 3,920
Opening net book value	-	-	-	-	4,974	-	-	4,720	9,694
Additions:									
by purchase	-	-	-	-	2,991	-	-	771	3,762
by finance lease	-	-	-	-	-	-	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
Net revaluation increment/decrement	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	- 1,431	-	-	- 2,375	- 3,806
Recoverable amount write-downs	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
Disposals:									
from disposal of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
other disposals	-	-	-	-	- 11	-	-	-	- 11
As at 30 June 2006									
Gross book value	-	-	-	-	9,427	-	-	7,938	17,365
Accumulated depreciation	-	-	-	-	- 2,904	-	-	- 4,822	- 7,726
Closing net book value	-	-	-	-	6,523	-	-	3,116	9,639

Table 5.6: Schedule of budgeted revenues and expenses administered on behalf of Government for the period ended 30 June

	Estimated actual 2004-05 \$'000	Budget estimates 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
REVENUES ADMINISTERED ON BEHALF OF GOVERNMENT					
Non-taxation					
Other sources of non-taxation revenues	96,521	104,636	104,940	105,280	106,323
Total non-taxation	96,521	104,636	104,940	105,280	106,323
Total revenues administered on behalf of Government	96,521	104,636	104,940	105,280	106,323
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 5.7: Schedule of budgeted assets and liabilities administered on behalf of Government as at 30 June

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'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 5.8: Schedule of budgeted administered cash flows
for the period ended 30 June**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
OPERATING ACTIVITIES					
Cash received					
Other	96,371	104,486	104,790	105,130	106,473
Total cash received	96,371	104,486	104,790	105,130	106,473
Net cash from or used by operating activities	96,371	104,486	104,790	105,130	106,473
FINANCING ACTIVITIES					
Cash used					
Cash to Official Public Account	96,371	104,486	104,790	105,130	106,473
Other	-	-	-	-	-
Total cash used	96,371	104,486	104,790	105,130	106,473
Net cash from or used by financing activities	- 96,371	- 104,486	- 104,790	- 105,130	- 106,473
Net increase or decrease in cash held					
Cash at beginning of reporting period	-	-	-	-	-
Cash at end of reporting period	-	-	-	-	-

Table 5.9: Schedule of administered capital budget

This table is not applicable to APRA.

Table 5.10: Schedule of property, plant, equipment and intangibles — summary of movement (Budget Year 2005-06)

This table is not applicable to APRA.

5.3: NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis in accordance with the 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 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 and provisions for making-good leased premises.

Equity

The opening balance 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.

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.