

Financial Statements Contents

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Statement by Board Members

In our opinion, the attached financial statements give a true and fair view of the matters required by Schedule 2 of the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.



Dr Jeffrey Carmichael
Chair of the Board

19 August 1999



Graeme Thompson
Chief Executive Officer

19 August 1999

Operating Statement for the year ended 30 June 1999

	Notes	1999 \$'000
NET COST OF SERVICES		
Operating expenses		
Employees	5A	32,566
Suppliers	5B	11,526
Depreciation and amortisation	5C	2,131
Net loss from sale of assets	5D	50
Total operating expenses		46,273
Operating revenues from independent sources		
Sale of goods and services		1,498
Interest	6	2,083
Total operating revenues from independent sources		3,581
Net cost of services		42,692
REVENUES FROM GOVERNMENT		
Revenues from Government		
Parliamentary appropriations recognised as revenue	7	45,450
Total revenues from Government		45,450
Surplus/(deficit) of revenues from Government over net cost of services		2,758
Loss on abnormal item	8	7,137
Surplus/(deficit)		(4,379)

The accompanying notes form part of these financial statements

Statement of Assets and Liabilities as at 30 June 1999

	Notes	1999 \$'000
DEBT		
Prepayment of levies	9A	12,319
Other	9B	3,359
Total debt		15,678
PROVISIONS AND PAYABLES		
Employees	10A	16,754
Suppliers	10B	1,440
Total provisions and payables		18,194
Total liabilities		33,872
EQUITY		
Capital	11A	5,255
Accumulated results	11A	(4,379)
Total equity		876
Total liabilities and equity		34,748
FINANCIAL ASSETS		
Cash	12A	24,642
Receivables	12B	487
Total financial assets		25,129
NON-FINANCIAL ASSETS		
Plant, equipment and leasehold improvements	13A,B	6,484
Intangibles	13C	2,461
Other	13E	674
Total non-financial assets		9,619
Total assets		34,748
Current liabilities		18,657
Non-current liabilities		15,215
Total liabilities		33,872
Current assets		25,803
Non-current assets		8,945
Total assets		34,748

The accompanying notes form part of these financial statements

Statement of Cash Flows for the year ended 30 June 1999

	Notes	1999 \$'000
OPERATING ACTIVITIES		
Cash received		
Appropriations		61,583
Interest		2,034
Sales of goods and services		1,594
Other		2,945
Total cash received		68,156
Cash used		
Employees		(30,774)
Suppliers		(9,481)
Total cash used		(40,255)
Net cash from operating activities	14A	27,901
INVESTING ACTIVITIES		
Cash received		
Proceeds from sale of plant, equipment and leasehold improvements		19
Total cash received		19
Cash used		
Purchase of plant, equipment and leasehold improvements		(4,345)
Total cash used		(4,345)
Net cash from investing activities		(4,326)
FINANCING ACTIVITIES		
Cash received		
Lease incentives		1,067
Total cash received		1,067
Net cash from financing activities		1,067
Net increase/(decrease) in cash held		24,642
Add cash at 1 July		–
Cash at 30 June		24,642

The accompanying notes form part of these financial statements

Schedule of Commitments as at 30 June 1999

	1999 \$'000
BY TYPE	
Commitments	
Operating leases	39,354
Total commitments	39,354
BY MATURITY	
Operating lease commitments	
One year or less	5,100
From one to two years	4,796
From two to five years	13,055
Over five years	16,403
Operating lease commitments	39,354

The accompanying notes form part of these financial statements

Schedule of Contingencies as at 30 June 1999

	1999 \$'000
CONTINGENT LOSSES	
Claims for costs	200
Total contingent losses	200

This amount represents the Authority's estimate of costs payable should a matter currently awaiting decision, before the courts, be determined in the defendant's favour. The Authority does not consider this outcome likely.

Estimated costs associated with other legal actions, currently underway, are reflected in the Operating Statement.

The accompanying notes form part of these financial statements

Note	Description
1	Summary of Significant Accounting Policies
2	Segment Reporting
3	Economic Dependency
4	Subsequent Events
5	Operating Expenses
6	Operating Revenue from Independent Sources
7	Revenues from Government
8	Abnormal Item
9	Debt
10	Provisions and Payables
11	Equity
12	Financial Assets
13	Non-financial Assets
14	Cash Flow Reconciliation
15	Remuneration of Board Members
16	Related Party Disclosures
17	Remuneration of Officers
18	Remuneration of Auditors
19	Public Money
20	Financial Instruments

1 Summary of Significant Accounting Policies

1.1 Basis of Accounting

The financial statements are a general purpose financial report.

They have been prepared in accordance with Schedule 2 to Orders issued by the Finance Minister under the *Commonwealth Authorities and Companies Act 1997*.

The financial statements have been prepared:

- in accordance with Australian Accounting Standards, other authoritative pronouncements of the Accounting Standards Boards (Accounting Guidance Releases) and the Consensus Views of the Urgent Issues Group; and
- having regard to Statements of Accounting Concepts.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

1.2 Rounding

Amounts have been rounded to the nearest \$1,000, except in relation to:

- remuneration of board members;
- remuneration of officers; and
- remuneration of auditors.

1.3 Taxation

The Authority is exempt from all forms of taxation except fringe benefits tax.

1.4 Inventories

APRA has no inventory that is considered to be material. Consumable stores are not recognised as assets and are fully expensed in the year of acquisition.

1.5 Plant, Equipment and Leasehold Improvements

Purchases of plant, equipment and leasehold improvements are recognised initially at cost in the Statement of Assets and Liabilities, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total). The \$2,000 threshold was selected because it facilitates efficient asset management and recording without materially affecting asset values recognised.

The Authority acquired the majority of its assets from the Insurance and Superannuation Commission. The Insurance and Superannuation Commission had its assets revalued as at 30 June 1998, in accordance with the deprival method of valuation. The Authority will progressively revalue its assets on that basis every three years.

Assets in each class, acquired after the commencement of the progressive revaluation cycle, will be reported at cost for the duration of the progressive revaluation then in progress.

The financial effect of the move to progressive revaluations is that the carrying amounts of assets will reflect current values and that depreciation charges will reflect the current cost of the service potential consumed in each period.

1 Summary of Significant Accounting Policies (continued)

The application of the deprival method values assets at their depreciated replacement cost. Any assets which would not be replaced or are surplus to requirements are valued at the net realisable value. At 30 June 1999, there were no assets in this situation.

All valuations are independent.

Depreciable plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the Authority using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised on the straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are as follows:

	1999
Plant and equipment	3 to 10 years
Leasehold improvements	Lease term

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 5C.

1.6 Intangible Assets

Where recognised, intangible assets are reported at the lower of cost or recoverable amount.

Intangible assets are amortised on a straight-line basis over their anticipated useful lives.

Useful lives are:

	1999
Computer software	5 years

The intangible assets acquired from the Insurance and Superannuation Commission were revalued as at 30 June 1998, in accordance with the deprival method of valuation. The Authority will progressively revalue its assets on that basis every three years.

1.7 Liability for Employee Entitlements

Leave and other entitlements

The liability for employee entitlements encompasses provisions for annual leave, long service leave, separation and redundancy payments, subsidised health benefits and interest-subsidised housing loans. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken by employees is less than the annual entitlement for sick leave.

The provision for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 1999 and is recognised at its nominal amount.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 1999. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Provision is made for separation and redundancy payments in circumstances where the Authority has formally identified positions as excess to requirements and a reliable estimate of the amount of the payments can be determined.

Provision for subsidised health benefits and interest-subsidised housing loans represents the estimated cost of future obligations.

Superannuation Payments

Staff of the Authority contribute to the defined benefit funds: Commonwealth Superannuation Scheme; Public Sector Superannuation Scheme; and Reserve Bank Officers' Superannuation Fund. Employer contributions amounting to \$2,299,482 in relation to these schemes has been expensed in these financial statements.

No liability is shown for superannuation in the Statements of Assets and Liabilities as the employer contributions fully extinguish the accruing liability which is assumed by the funds.

1.8 Comparative Figures

In accordance with clause 4(6)a of the Commonwealth Authorities and Companies Orders comparative figures have not been presented, as these are the first financial statements of the Authority.

1.9 Leases

The Authority has not financed any purchases with a finance lease.

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period the space becomes surplus.

1.10 Cash

For the purpose of the Statement of Cash Flows, cash includes:

- cash at bank;
- petty cash; and
- Commonwealth and State Guaranteed Securities (held for a maximum of 90 days).

1.11 Financial Instruments

Accounting policies in relation to financial instruments are disclosed in Note 20.

1.12 Borrowing Costs

All borrowing costs are expensed as incurred, as the Authority has no qualifying assets.

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

2 Segment Reporting

The Authority operates in a single industry and geographic segment, being government prudential regulation of the finance industry, in Australia.

3 Economic Dependency

The Australian Prudential Regulation Authority was established pursuant to the *Australian Prudential Regulation Authority Act 1998* as a separate legal entity of the Commonwealth of Australia. In the year ended 30 June 1999, the Authority was dependent on a standing appropriation from the Parliament of the Commonwealth to carry out its normal activities. The standing appropriation was supported by levies to industry allocated in accordance with the Treasurer's determination to APRA.

4 Subsequent Events

No subsequent events were noted.

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

	1999 \$'000
5 Operating Expenses	
5A Employees' expenses	
Basic remuneration for services provided	30,065
Separation and redundancy	1,610
Other	891
Total employees' expenses	32,566
5B Suppliers' expenses	
Supply of goods and services	8,110
Operating lease rentals	3,416
Total suppliers' expenses	11,526
5C Depreciation and amortisation	
Depreciation of plant, equipment and leasehold improvements	1,479
Amortisation of intangibles	652
Total depreciation and amortisation expense	2,131
The aggregate amounts of depreciation or amortisation allocated during the reporting period, either as an expense or as part of the carrying amount of other assets, for each class of depreciable assets are as follows:	
Plant and equipment	906
Leasehold improvements	573
Intangibles	652
Total allocated	2,131
5D Net loss from sale of assets	
Non-financial assets:	
Plant, equipment and leasehold improvements	50
Total net loss from sale of assets	50

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

	1999 \$'000
6 Operating Revenue from Independent Sources	
Interest	
Deposits	611
Commonwealth and State Guaranteed Securities	1,472
Total interest	2,083
7 Revenues from Government	
Parliamentary appropriations	
Parliamentary appropriations received:	
Operating appropriations	41,625
Prepayment of levies	16,144
Equity injection	3,814
Appropriation Act (No. 1) 1998-99 – as shown in Statement of Cash Flows	61,583
Parliamentary appropriations recognised as revenue:	
Operating appropriations	41,625
Prepayment of levies (balance reflected in Note 9A)	3,825
Total appropriation recognised as revenue	45,450
8 Abnormal Item	
Restructuring expenses	7,137

Restructuring expenses are directly attributable to the restructuring of the Authority and include expenditure on separation and redundancy, surplus leased space, employee entitlements and staff relocation.

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

	1999 \$'000
9 Debt	
9A Prepayment of levies	12,319
Prepayment of levies will be recognised as revenue as follows:	
within one year	4,106
within one to two years	4,106
within two to five years	4,107
Total prepayment of levies	12,319
9B Other debt	
Lease incentives	2,348
Surplus leased space	1,011
Total other debt	3,359
The lease incentive liabilities are repayable as follows:	
within one year	376
within one to two years	243
within two to five years	729
more than five years	1,000
Total lease incentive liabilities	2,348
10 Provisions and Payables	
10A Employees	
Salaries and wages	515
Annual leave	3,181
Long service leave	4,874
Separation and redundancy	4,253
Other	3,931
Aggregate employee entitlement provision	16,754

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

	1999 \$'000
10 Provisions and Payables (continued)	
10B Suppliers	
Trade creditors	1,384
Operating lease rentals	56
Total suppliers	1,440
11 Equity	
Balance 1 July 1998	5,255
Surplus/(deficit)	(4,379)
Balance 30 June 1999	876
12 Financial Assets	
12A Cash	
Cash at bank and on hand	8,734
Commonwealth and State Guaranteed Securities	15,908
Balance of cash as at 30 June 1999 shown in Statement of Cash Flows	24,642
12B Receivables	
Goods and services	362
Other debtors	125
Total receivables	487
Goods and services includes receivables overdue by:	
less than 30 days	339
30 to 60 days	-
more than 60 days	23
Total goods and services	362

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

	1999 \$'000
13 Non-financial Assets	
13A Plant and equipment	
Plant and equipment – at cost	755
Accumulated depreciation	(107)
Total plant and equipment at cost	648
Plant and equipment – at valuation (1998)	1,860
Accumulated depreciation	(763)
Total plant and equipment at valuation	1,097
Total plant and equipment	1,745
13B Leasehold improvements	
Leasehold improvements – at cost	5,288
Accumulated depreciation	(549)
Total leasehold improvements	4,739
Total plant, equipment and leasehold improvements	6,484
13C Intangibles	
Computer software – internally generated – at cost	355
Accumulated amortisation	(15)
Total computer software – internally generated at cost	340
Computer software – externally generated – at cost	226
Accumulated amortisation	(36)
Total computer software – externally generated at cost	190
Computer software – internally generated – at valuation (1998)	1,925
Accumulated amortisation	(482)
Total computer software – internally generated at valuation	1,443
Computer software – externally generated – at valuation (1998)	607
Accumulated amortisation	(119)
Total computer software – externally generated at valuation	488
Total intangibles	2,461

Valuations were performed at 30 June 1998 in accordance with the progressive revaluation policy stated at Note 1.5 and Note 1.6 and were completed by an independent valuer, the Australian Valuation Office.

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

13 Non-financial Assets (continued)

13D Analysis of plant, equipment, leasehold improvements and intangibles

Movement summary for all assets irrespective of valuation basis

Item	Plant and Equipment \$'000	Leasehold Improvements \$'000	Intangibles \$'000	Total \$'000
Gross value as at 1 July 1998	1,948	2,321	2,532	6,801
Additions	755	3,009	581	4,345
Disposals	(88)	(41)	–	(129)
Gross value as at 30 June 1999	2,615	5,289	3,113	11,017
Accumulated depreciation/amortisation as at 1 July 1998	–	–	–	–
Depreciation/amortisation charge for assets held at 1 July 1998	798	406	601	1,805
Depreciation/amortisation charge for additions	107	168	51	326
Adjustment for disposals	(35)	(24)	–	(59)
Accumulated depreciation/amortisation as at 30 June 1999	870	550	652	2,072
Net book value as at 30 June 1999	1,745	4,739	2,461	8,945
Net book value as at 1 July 1998	1,948	2,321	2,532	6,801

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

Summary of balances of assets at valuation

Item	Plant and Equipment \$'000	Intangibles \$'000	Total \$'000
As at 30 June 1999			
Gross value	1,860	2,532	4,392
Accumulated depreciation/amortisation	(763)	(601)	(1,364)
Net book value	1,097	1,931	3,028
			1999
			\$'000
13E Other non-financial assets			
Prepaid property rentals			406
Other prepayments			268
Total other non-financial assets			674

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

	1999 \$'000
14 Cash Flow Reconciliation	
Reconciliation of net cash flows from operating activities to net cost of services	
Net cost of services	(42,692)
Revenues from government	45,450
Loss on abnormal item	(7,137)
Operating surplus/(deficit)	(4,379)
Depreciation of plant, equipment and leasehold improvements	1,479
Amortisation of intangibles	652
(Profit)/loss on sale of plant and equipment	50
Cash lease incentive received	(1,067)
Increase/(decrease) in prepayment of levies	12,319
Increase/(decrease) in employee provisions	7,763
Increase/(decrease) in suppliers	1,124
Increase/(decrease) in other debt	1,895
(Increase)/decrease in receivables	6,906
(Increase)/decrease in other non-financial assets	1,159
Net cash provided by operating activities	27,901

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

	1999 \$
15 Remuneration of Board Members	
Aggregate amount of superannuation payments for Board Members	28,427
Other remuneration received or due and receivable by Board Members	536,725
Total remuneration received or due and receivable by the Board Members of the Authority	565,152
The number of Board Members of the Authority included in these figures is shown below in the relevant remuneration bands:	
	Number
\$Nil – \$10,000	4
\$30,001 – \$40,000	1
\$40,001 – \$50,000	1
\$100,001 – \$110,000	1
\$370,001 – \$380,000	1
Total number of Board Members	8

Board Members of the Authority are determined by section 19 of the *Australian Prudential Regulation Authority Act 1998*. The Treasurer of the Commonwealth has the power to appoint ordinary members to the Board.

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

16 Related Party Disclosures

The Board Members of the Authority during the year were:

	Appointed	Resigned
Dr Jeffrey Carmichael (Chair)	1 July 1998	
Mr Graeme Thompson (Chief Executive Officer)	1 July 1998	
Professor David Knox	1 July 1998	
Mr Donald Mercer	20 July 1998	
Mr Ian Macfarlane	1 July 1998	
Dr John Laker	1 July 1998	
Mr Alan Cameron	1 July 1998	
Dr Robert Austin	1 July 1998	22 July 1998

The aggregate remuneration of Board Members is disclosed in Note 15.

The aggregate superannuation payments paid to Jecarell Superannuation Fund, BT Super Plan, Reserve Bank Officers' Superannuation Fund and Mercer Superannuation Fund for Board Members was \$28,427.

There were no loans or other transactions made to Board Members or Board Member-related entities during the reporting period, except in relation to the Reserve Bank of Australia. This included services provided to the Authority in the capacity of banker, transactional service provider and payments in connection with the transfer of staff between the two entities during the formation of the Authority. The total value of payments made to the Reserve Bank of Australia was \$2,427,685. The total value of receipts from the Reserve Bank of Australia was \$3,441,230.

There were no transactions with other related parties during the reporting period.

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

	1999 \$
17 Remuneration of Officers	
Income received or due and receivable by Officers	3,227,805
The number of Officers included in these figures are shown below in the relevant income bands:	
	Number
\$100,000 – \$110,000	6
\$110,001 – \$120,000	6
\$120,001 – \$130,000	3
\$130,001 – \$140,000	2
\$150,001 – \$160,000	1
\$170,001 – \$180,000	1
\$210,001 – \$220,000	1
\$220,001 – \$230,000	1
\$230,001 – \$240,000	1
\$260,001 – \$270,000	1
Total	23
The remuneration of officers table includes all officers concerned with or taking part in the management of the Authority during 1998-99 except the Chief Executive Officer. Details in relation to the Chief Executive Officer have been incorporated into Note 15 – Remuneration of Board Members.	
	1999 \$
18 Remuneration of Auditors	
Audit of the financial statements for the year by the Australian National Audit Office	55,000

No other services were provided by the Australian National Audit Office during the reporting period.

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

	1999 \$'000
19 Public Money	
Cash on hand (not remitted to the Commonwealth) as at 1 July 1998	–
Cash on hand (not remitted to the Commonwealth) as at 30 June 1999	27
Other cash received and transferred to the Commonwealth in 1998-99	63,088
Refunds of revenue	(282)
Net cash transferred to the Commonwealth	62,806
Receivables as at 30 June 1999	11,270
Provision for doubtful debts	(164)
Net receivables	11,106

The Authority collects moneys on behalf of the Commonwealth Government under levy collection legislation listed below:

- *Authorised Deposit-taking Institutions Supervisory Levy Imposition Act 1998;*
- *Authorised Non-operating Holding Companies Supervisory Levy Imposition Act 1998;*
- *Banking Act 1959;*
- *Financial Institutions Supervisory Levies Collection Act 1998;*
- *General Insurance Supervisory Levy Imposition Act 1998;*
- *Insurance Act 1973;*
- *Life Insurance Act 1995;*
- *Life Insurance Supervisory Levy Imposition Act 1998;*
- *Retirement Savings Accounts Act 1997;*
- *Retirement Savings Account Providers Supervisory Levy Imposition Act 1998;*
- *Superannuation (Excluded Funds) Levy Imposition Act 1991;*
- *Superannuation (Excluded Funds) Taxation Act 1987;*
- *Superannuation (Financial Assistance Funding) Levy Act 1993;*
- *Superannuation Industry (Supervision) Act 1993;* and
- *Superannuation Supervisory Levy Imposition Act 1998.*

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

20 Financial Instruments

Terms, conditions and accounting policies

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial assets	12	Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Commonwealth and State Guaranteed Securities	12A	Commonwealth and State Guaranteed Securities are recognised at amortised cost (i.e. at original cost adjusted for amortisation to date of any discount or premium when originally issued). Interest is credited to revenue as it accrues.	These securities have terms of up to 90 days. They are guaranteed by the issuing government and are traded in active markets. Effective interest rates average 4.85%. Interest is paid on maturity.
Receivables	12B	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 30 days.

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

20 Financial Instruments (continued)

Terms, conditions and accounting policies (continued)

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial liabilities	9	Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Prepayment of levies	9A	The prepayment of levies is recognised as a liability on receipt of the levies and is recognised as revenue on the basis of effort expended on regulating the industry.	The levies were received 1 July 1998 and represented a prepayment for effort to be expended on regulating the industry. The levies are intended to fund the establishment of the Authority, over a four-year period, in accordance with the Memorandum of Understanding between the Department of Finance and Administration and the Department of the Treasury.
Lease incentives	9B	The lease incentives are recognised as a liability on receipt of the incentives. The amount of the liability is reduced on a straight-line basis over the life of the lease by allocating lease payments between rental expense and reduction of the liability.	The Authority received rent-free period and cash lease incentives on entering property operating leases in August 1998 and February 1999. On 1 July 1998 the Authority assumed the lease incentive liabilities of the Insurance and Superannuation Commission which were received in April 1994 and August 1997. Lease payments are made monthly.
Suppliers	10B	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Settlement is usually made net 30 days.

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

Interest rate risk

Financial Instrument	Notes	Floating 1999 \$'000	Fixed 1 Year or Less 1999 \$'000	Non-interest Bearing 1999 \$'000	Total 1999 \$'000	Weighted Average Effective Interest Rate 1999 %
Financial assets						
Cash at bank	12A	8,731	–	–	8,731	4.52
Cash on hand	12A	–	–	3	3	n/a
Commonwealth and State Guaranteed Securities	12A	–	15,908	–	15,908	4.85
Receivables	12B	–	–	487	487	n/a
Total financial assets		8,731	15,908	490	25,129	
Total assets					34,748	
Financial liabilities						
Prepayment of levies	9A	–	–	12,319	12,319	n/a
Lease incentives	9B	–	–	2,348	2,348	n/a
Suppliers	10B	–	–	1,440	1,440	n/a
Total financial liabilities		–	–	16,107	16,107	
Total liabilities					33,872	

Notes to and forming part of the Financial Statements for the year ended 30 June 1999

20 Financial Instruments (continued)

Interest rate risk and net fair values of financial assets and liabilities

	Notes	1999 Total Carrying Amount \$'000	1999 Aggregate Net Fair Value \$'000
Financial assets			
Cash at bank	12A	8,731	8,731
Cash on hand	12A	3	3
Commonwealth and State Guaranteed Securities	12A	15,908	15,908
Receivables	12B	487	487
Total financial assets		25,129	25,129
Financial liabilities			
Prepayment of levies	9A	12,319	12,319
Lease incentives	9B	2,348	2,348
Suppliers	10B	1,440	1,440
Total financial liabilities		16,107	16,107

Financial assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial liabilities

The net fair values of prepayment of levies, lease incentive liabilities and suppliers approximate their carrying amounts.

Credit risk exposures

The Authority's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Assets and Liabilities.

The Authority has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

Independent Audit Report



To the Treasurer

Scope

I have audited the financial statements of the Australian Prudential Regulation Authority for the year ended 30 June 1999. The financial statements comprise:

- Statement of Board Members
- Statement of Assets and Liabilities
- Operating Statement
- Statement of Cash Flows
- Statement of Commitments
- Schedule of Contingencies, and
- Notes to and forming part of the Financial Statements

The members of the Board are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you, the Treasurer.

The audit has been conducted in accordance with Australia National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view of the entity which is consistent with my understanding of its financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Independent Audit Report

In my opinion,

- (i) the financial statements have been prepared in accordance with Schedule 2 of the Finance Minister's Orders; and
- (ii) the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 2 of the Finance Minister's Orders, of the financial position of the Australia Prudential Regulation Authority as at 30 June 1999 and the results of its operations and its cash flows for the year then ended.

Australian National Audit Office



D. McKean
Executive Director
Delegate of the Auditor-General
Canberra

26 August 1999