

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**SUPPLEMENTARY BUDGET ESTIMATES 2012-13**

Prime Minister and Cabinet Portfolio

**Department/Agency:** Australian National Audit Office

**Outcome/Program:** Program 1.1

**Topic:** Dividend from the Reserve Bank – Accounting Treatment

**Senator:** Ryan

**Question reference number:** 42

**Type of question:** FPA, P11415 October 2012

**Date set by the committee for the return of answer:** Friday, 30 November 2012

**Number of pages:** 2

**Question:**

**Senator RYAN:** Mr McPhee, I would like to turn to your advice regarding the dividend from the Reserve Bank of Australia and its treatment in the final budget outcome. Why did you believe this change in accounting treatment was necessary? If there is an easy document to point me to or if it is easier to give me something in writing, feel free, given the time.

**Mr McPhee:** I am more than happy to provide you with a brief response in writing, if you would like. Basically we were particularly looking for alignment in accounting policies between the Reserve Bank, who treated the dividend as an accounts payable, and the Treasury, picking up the receivable end from the Commonwealth point of view. So it was to get the accounting policies aligned, but we can give you a more fulsome response if you like.

**Senator RYAN:** Sure. Thank you—I would appreciate that, not being an accountant.

**Answer:**

The Australian National Audit Office (ANAO) undertakes the audit of the financial statements of both the Treasury and the Reserve Bank of Australia but not of the Final Budget Outcome (FBO).

For the 2011-12 financial year, the Commonwealth's financial position is enhanced as a result of increases in the value of the investment in the RBA flowing from dividends due to the Treasury.

Section 30 of the RBA Act covers the distribution of profits and requires the RBA to pay its distributable earnings to the Commonwealth (subject to any transfers approved by the Treasurer). Subsequent to balance date, a letter was received by the Reserve Bank of Australia on 28 August 2012 from the Treasurer indicating that a distribution of \$500 million was payable to the Commonwealth with the residual \$596 million to be credited to the RBA Reserve Fund. The Treasurer has the authority under the legislation to determine the amount transferable to the Reserve Fund, any amounts to be set aside for contingencies, with the remainder paid to the Commonwealth. Accordingly, both the RBA and the ANAO agreed there was an obligation as at 30 June 2012, by way of a dividend payable, to the Treasury.

This was properly accounted for in the RBA financial statements. As the Commonwealth has the right to receive the dividend and in order to have proper alignment in the Commonwealth's accounts, there needed to be recognition of the dividend in the Treasury's financial statements for the 2011-12 financial year.

The dividend, be it a payable or a receivable, was properly accounted for as a liability and an asset respectively in the RBA and the Treasury financial statements in respect of the 2011-12 financial year. The dividend will be cash received by the Treasury in the 2012-13 financial year.