

**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:** RBA Dividend

**Senator:** Ryan

**Question reference number:** 43

**Type of question:** FPA, P116 15 October 2012

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

**Number of pages:** 2

**Question:**

**Senator RYAN:** So, in shorthand, there has been no change to the cash accounting treatment. There has been a mistake in the accrual accounting treatment, which initially put it in the wrong year but which your advice has corrected.

**Mr McPhee:** I think we are saying that better treatment is the way Treasury has now presented the position. The important thing from the government point of view and the budget point of view is that the cash accounting stays the same as it has always been.

**Senator RYAN:** I can imagine why the government would keep the cash accounting the same. When did you first raise the accrual accounting treatment in this dividend with the government?

**Mr McPhee:** Just broadly, within the last month or so.

**Senator RYAN:** You can take on notice when you first raised it. Is this the same story as for the Australian Reinsurance Pool Corporation dividend?

**Mr Watson:** It is a similar story. I think the dividend was declared on 22 or 23 June, whereas the RBA dividend was declared on around 28 August. One was in June, so that has to be recognised fully in the year.

**Senator RYAN:** So the one from June is recognised in 2011-12?

**Mr Watson:** Yes.

**Senator RYAN:** The declaration of the dividend when it is recognised in a cash sense, not an accrual sense?

**Mr Watson:** That one was clear because it came through before the end of June.

**Senator RYAN:** It is because they were both in the same year, sure. I will put the rest of those questions on notice so as to save time because I will need to reconsider. Did you provide advice on the change to the accounting treatment of the reinsurance pool dividend?

**Mr Watson:** No, I think that was fairly straightforward.

**Senator RYAN:** So there was no correction to that?

**Mr Watson:** No.

**Senator RYAN:** I have been misadvised then. Are you providing ongoing advice to Treasury and Finance about treatment of dividends in the upcoming MYEFO for 2012-13 and the 2013-14 budget?

**Mr Watson:** We do not comment on the budget construct, as it were. We are only on the statutory accounts.

**Senator RYAN:** I will put the rest of my questions on notice.

**Answer:**

For the dividends from the Australian Reinsurance Pool Corporation (ARPC), the Minister for Financial Services & Superannuation, pursuant to s38 of the Terrorism Insurance Act 2003, directed ARPC on 21 June 2012 (and not 22 or 23 June) to make the following payments to the Commonwealth:

- a one – off payment of \$100 million to be made in January 2013;and
- payments of \$75 million to be made in January 2013, 2014, 2015 and 2016.

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 ARPC flowing from dividends due to the Treasury.

Section 41.1 of the Finance Minister Orders requires ARPC to recognise in the 2011-12 financial statements the obligation to make a future stream of dividend payments. Before the close of the 2011-12 financial year and as a consequence of the Minister's determination, ARPC was required to recognise current (\$175million) and non-current (\$225 million) obligations totalling \$400 million for dividends in the 2011-12 financial statements. Likewise Treasury's financial statements also reflect the corresponding right to the dividends as a receivable.

In closing, the financial statements are prepared on an accrual basis. The dividends were properly accounted for respectively in the ARPC and Treasury financial statements in respect of the 2011-12 financial year. The payments to be made in January 2013 will be cash received in the 2012-13 financial year, with the other payments in the subsequent years.