

AUSTRALIAN NATIONAL AUDIT OFFICE

Section 1: Agency overview and resources; variations and measures	37
Overview	37
Additional estimates and variations to outcomes.....	39
Measures — Agency summary	40
Breakdown of additional estimates by appropriation bill	41
Summary of staffing changes.....	41
Summary of agency savings	41
Other receipts available to be used.....	41
Estimates of expenses from special appropriations.....	41
Estimates of special account flows	41
Section 2: Revisions to agency outcomes	42
Outcomes, administered items and outputs.....	42
Section 3: Budgeted financial statements.....	43
Analysis of budgeted financial statements.....	43
Budgeted financial statements	46–55
Notes to the financial statements	56

AUSTRALIAN NATIONAL AUDIT OFFICE

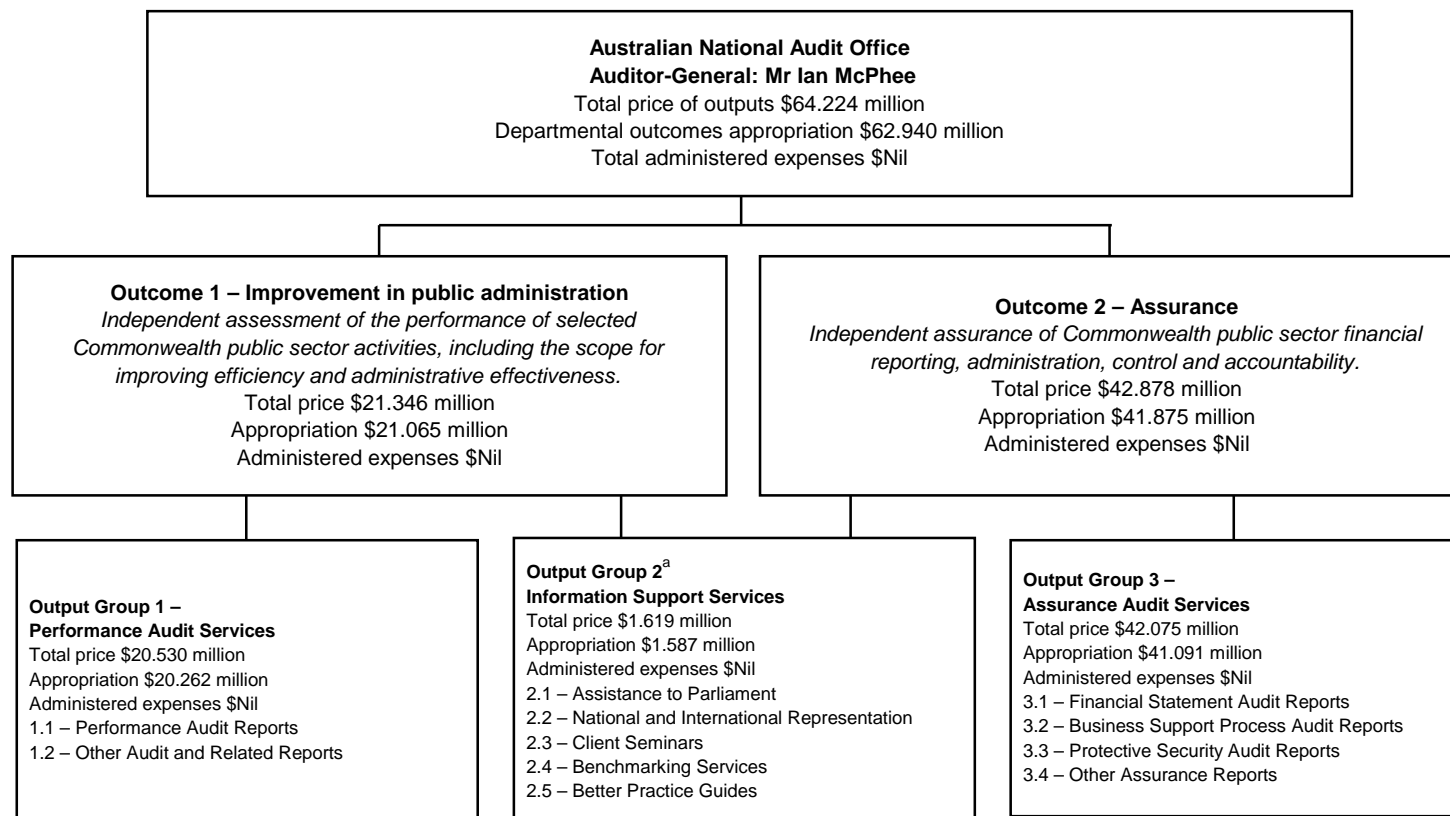
Section 1: Agency overview and resources; variations and measures

OVERVIEW

The ANAO's outcome and outputs structure is unchanged from that shown in the 2005–06 Portfolio Budget Statements.

The total departmental price of outputs and the allocation of appropriations to output groups are shown in Figure 1.

Figure 1: Agency outcomes and output groups



^a The total price and appropriations in Output Group 2 are allocated to Outcomes 1 and 2 on the basis of the hours estimated to be expended within each outcome.

ADDITIONAL ESTIMATES AND VARIATIONS TO OUTCOMES

Variations — Measures

The ANAO is being provided with additional funding of \$3.6 million over four years and \$0.9 million ongoing to enable the ANAO to undertake its increased auditing requirements and to meet the increased costs of providing auditing services, which will be recovered through audit fees.

Since the preparation of the 2005–06 Budget, there has been an increase in the number of entities that will require their financial statements audited in 2005–06 and beyond.

Table 1.1: Additional estimates and variations to outcomes — measures

	2005–06 (\$'000)	2006–07 (\$'000)	2007–08 (\$'000)	2008–09 (\$'000)
Outcome 2				
Increase in departmental appropriations				
Auditing of Australian Government entities	1,061	828	845	863

Table 1.2: Summary of measures since the 2005–06 Budget

Measure title	Output groups affected	2005–06 (\$'000)			2006–07 (\$'000)			2007–08 (\$'000)			2008–09 (\$'000)		
		Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
Expense measures													
<u>Outcome 2</u>													
Auditing of Australian Government entities	3	-	1,061	1,061	-	828	828	-	845	845	-	863	863
Total expense measures		-	1,061	1,061	-	828	828	-	845	845	-	863	863
Capital measures		-	-	-	-	-	-	-	-	-	-	-	-
Total capital measures		-	-	-	-	-	-	-	-	-	-	-	-
Revenue measures		-	-	-	-	-	-	-	-	-	-	-	-
<u>Outcome 2</u>													
Auditing of Australian Government entities	3	-	1,061	1,061	-	828	828	-	845	845	-	863	863
Total revenue measures		-	1,061	1,061	-	828	828	-	845	845	-	863	863
Total of all measures		-	-	-	-	-	-	-	-	-	-	-	-

BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

Table 1.3: Appropriation Bill (No. 3) 2005–06

	2004–05 available \$'000	2005–06 budget \$'000	2005–06 revised \$'000	Additional estimates \$'000	Reduced estimates \$'000
ADMINISTERED ITEMS					
Total	-	-	-	-	-
DEPARTMENTAL OUTPUTS					
Outcome 1					
Improvement in Public Administration	21,748	21,065	21,065	-	-
Outcome 2					
Assurance	39,062	40,814	41,875	1,061	-
Total	60,810	61,879	62,940	1,061	-
Total administered and departmental	60,810	61,879	62,940	1,061	-

The ANAO is not being provided with additional capital through Appropriation Bill (No.4) 2005–06.

SUMMARY OF STAFFING CHANGES

There is no change from Budget.

SUMMARY OF AGENCY SAVINGS

The ANAO is not subject to any savings.

OTHER RECEIPTS AVAILABLE TO BE USED

There is no change from Budget.

ESTIMATES OF EXPENSES FROM SPECIAL APPROPRIATIONS

There is no change from Budget.

ESTIMATES OF SPECIAL ACCOUNT FLOWS

There is no change from Budget.

Section 2: Revisions to agency outcomes

OUTCOMES, ADMINISTERED ITEMS AND OUTPUTS

Figure 1 'Agency outcomes and outputs groups' lists the outcome statements and output groups for the ANAO.

There is no change to the outcome and output structure.

Revised performance information — 2005–06

Performance information has not changed except for the price of each output. The change in price is due to the extra funding and changes to accounting treatments as a result of the adoption of AEIFRS. See Table 2.1 below.

Table 2.1: Performance information for outputs affected by additional estimates

Output	Performance information 2005–06 budget Price: \$'000	Performance information 2005–06 revised Price: \$'000
Output group 1 – Performance audit services	20,574	20,530
Output group 2 – Information support services	1,622	1,619
Output group 3 – Assurance audit services	41,059	42,075
Total	63,255	64,224

Section 3: Budgeted financial statements

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental financial statements

Budgeted departmental income statement

Total revenue of 2005–06 is estimated at \$64.2 million (2004–05: \$62.2 million). Funding of the new measure disclosed in the 2005–06 Portfolio Additional Estimates Statements increases departmental revenue available to the ANAO by \$1.1 million in the 2005–06 financial year. The \$1.1 million is for resources to conduct financial statement audits of new entities established since the 2005–06 Budget. These entities require their financial statements to be audited in 2005–06 and beyond.

Adjustments were made to the income statement from last year's published financial statements as a result of the adoption of Australian Equivalents to International Financial Reporting Standards (AEIFRS). These adjustments relate mainly to the treatment of leases under *AASB 117 Leases*, and the discounting of employee leave and other provisions under *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*. These are discussed in more detail in the analysis of the Budgeted departmental balance sheet.

The income statement shows that the ANAO will incur a deficit of \$0.9 million in 2005–06. This will occur primarily because of the need to fund additional financial statement auditing in the Department of Defence. This work has arisen from the need to review changes in systems and procedures, and to conduct additional testing of account balances at year end, as a result of Defence's financial statement remediation plans. Funding to recover these costs will be sought in the context of the Budget.

Budgeted departmental balance sheet

This statement shows the financial position of the ANAO. A number of changes have occurred to the balance sheet since the Portfolio Budget Statements. These changes include the impacts of the adoption of AEIFRS, and the use of the appropriation receivable for additional expenditure.

The AEIFRS changes are as follows:

- *AASB 117 Leases* requires the rental expense and income recorded each year to be the average annual cost of the lease's total costs over the term of the lease where the lease has a fixed rate of increase. This is in contrast with the approach applied in the preparation of the ANAO's financial statements for 2004–05 and preceding years.

which was to expense lease costs in accordance with the annual rates specified in the lease agreement.

In the ANAO's situation, this means that, although the actual rent paid will still be in accordance with annual rates specified in the lease agreement, the expense recorded will be the average lease cost.

The balance sheet for 2005–06 will therefore record a liability in the suppliers balance, and a smaller receivable in the receivables balance, for the sub-lease of Centenary House, as a result of the required accounting entries to reflect the difference between the lease payments and receipts and the lease expense and income recorded. This, in turn, will reduce the previous retained surpluses to an accumulated deficit. The liability and receivable will be eliminated by the end of the lease as the initial accounting entries are reversed.

- The rental bond for the sub-lease of the third floor of Centenary House has been discounted as per *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*. This is included as an Other Payable.
- The non-current portion of the annual leave provision has been discounted in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*.
- An asset, and corresponding provision, reflecting the cost of 'making good' Centenary House at the end of the current lease has been recorded in the balance sheet in accordance with *AASB 116 Impairment of Assets* and *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*. The asset is expected to be revalued in the 2005–06 financial year. This has been reflected in Table 3.2.

The appropriation receivable balance shows a reduction in each year as the budget savings identified as a result of the change of accounting treatment of operating leases discussed above has been budgeted to be used to meet increasing cost pressures.

Budgeted departmental statement of cash flows

The statement of cash flows shows appropriation figures that contain the additional cash drawn from the Appropriation Receivable account to meet cash requirements in the 2005–06 to 2008–09 financial years. The increase in cash used is required to meet increased cost pressures, such as increased employee and contractor costs.

The ANAO's working capital cash balance of \$0.9 million is maintained each year in accordance with our agreement with the Department of Finance and Administration.

Departmental statement of changes in equity — summary of movement

The statement of changes in equity shows the expected revaluation of the make-good asset. Infrastructure, plant and equipment and intangibles assets will be revalued in 2005–06 in accordance with *AASB 116 Property, Plant and Equipment*. However, the financial impact of this has not been included as it cannot be reliably measured or estimated at this point in time. The budgeted deficit for 2005–06 is shown in this statement.

Departmental capital budget statement

The capital budget shows a continuing prudent investment in non-financial assets.

Departmental property, plant, equipment and intangibles — summary of movement

The ANAO plans to maintain its modest investment in non-financial assets. That position is reflected in the movement in non-financial assets.

Schedule of administered activity

Schedule of budgeted income and expenses administered on behalf of government

Estimated administered revenues from the provision of audit services to certain Australian Government agencies reflects the estimated effect of recovery of auditing costs, including the funding of the new measure shown in Table 1.1.

Schedule of budgeted assets and liabilities administered on behalf of government

The estimated administered assets and liabilities relate to ongoing audit activity and the transfer of audit fee revenue to the Official Public Account. No non-financial administered assets are held.

Schedule of budgeted administered cash flows

Administered monies are transferred to the Official Public Account on an ongoing basis.

Table 3.1: Budgeted departmental income statement (for the period ended 30 June)

	Actual 2004–05 \$'000	Revised budget 2005–06 \$'000	Forward estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000
INCOME					
Revenue					
Revenues from government	60,810	62,940	62,566	63,220	63,908
Goods and services	834	722	755	794	834
Rents	542	542	542	543	125
Other	15	20	20	20	20
Total income	62,201	64,224	63,883	64,577	64,887
EXPENSE					
Employees	28,160	27,864	27,864	27,864	28,921
Suppliers	30,333	35,697	34,710	35,404	33,666
Depreciation and amortisation	1,176	1,200	1,300	1,300	1,300
Finance costs		8	9	9	
Write-down of assets and impairment of assets	29	-	-	-	-
Other	1,120	370	-	-	1,000
Total expenses	60,818	65,139	63,883	64,577	64,887
Share of operating results of associates and joint ventures accounted for using the equity method	-	-	-	-	-
Operating result from continuing operations	1,383	(915)	-	-	-
Operating result from discontinued operations	-	-	-	-	-
Gain (loss) on remeasuring discontinued operations	-	-	-	-	-
Operating result	1,383	(915)	-	-	-
Minority interest in net surplus or (deficit)	-	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	1,383	(915)	-	-	-

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	Actual 2004–05 \$'000	Revised budget 2005–06 \$'000	Forward estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000
ASSETS					
Financial assets					
Cash	950	900	900	900	900
Receivables	18,921	15,819	12,892	11,685	8,650
Other	4	19	20	20	20
Total financial assets	19,875	16,738	13,812	12,605	9,570
Non-financial assets					
Infrastructure, plant and equipment	3,578	4,214	3,466	3,517	4,914
Intangibles	225	544	525	525	525
Assets held for sale					
Other	853	600	600	620	650
Total non-financial assets	4,656	5,358	4,591	4,662	6,089
Total assets	24,531	22,096	18,403	17,267	15,659
LIABILITIES					
Interest bearing liabilities					
Other	1,882	1,360	830	141	-
Total interest bearing liabilities	1,882	1,360	830	141	-
Provisions					
Employees	8,532	8,694	8,364	8,555	8,101
Other	630	1,000	1,000	1,000	1,000
Total provisions	9,162	9,694	9,364	9,555	9,101
Payables					
Suppliers	9,991	7,888	5,046	4,399	3,566
Other	154	162	171	180	-
Total payables	10,145	8,050	5,217	4,579	3,566
Liabilities included in disposal groups held for sale	-	-	-	-	-
Total liabilities	21,189	19,104	15,411	14,275	12,667

Table 3.2: Budgeted departmental balance sheet (as at 30 June), continued

	Actual 2004–05 \$'000	Revised budget 2005–06 \$'000	Forward estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000
EQUITY*					
Parent entity interest					
Contributed equity	4,929	4,929	4,929	4,929	4,929
Reserves	717	1,282	1,282	1,282	1,282
Statutory funds					
Retained surpluses or accumulated deficits	(2,304)	(3,219)	(3,219)	(3,219)	(3,219)
Total parent entity interest	3,342	2,992	2,992	2,992	2,992
Minority interest					
Contributed equity	-	-	-	-	-
Reserves	-	-	-	-	-
Statutory funds	-	-	-	-	-
Retained surpluses or accumulated deficits	-	-	-	-	-
Total minority interest	-	-	-	-	-
Total equity	3,342	2,992	2,992	2,992	2,992
Current assets	20,408	17,150	14,374	13,225	10,220
Non-current assets	4,123	4,946	4,029	4,042	5,439
Current liabilities	9,005	9,103	8,983	9,715	7,349
Non-current liabilities	12,184	10,001	6,428	4,560	5,318

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

Table 3.3: Budgeted departmental statement of cash flows (for the period ended 30 June)

	Actual 2004–05 \$'000	Revised budget 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	1,413	1,145	1,416	1,357	1,370
Appropriations	59,864	65,801	65,493	64,427	66,343
Other	320				
Total cash received	61,597	66,946	66,909	65,784	67,713
Cash used					
Employees	28,248	27,596	28,185	27,673	29,375
Suppliers	32,018	37,809	37,724	36,311	36,538
Total cash used	60,266	65,405	65,909	63,984	65,913
Net cash from or (used by) operating activities	1,331	1,541	1,000	1,800	1,800
INVESTING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Cash used					
Purchase of property, plant and equipment	1,124	1,150	1,000	1,800	1,800
Purchase of intangibles	163	441	-	-	-
Total cash used	1,287	1,591	1,000	1,800	1,800
Net cash from or (used by) investing activities	(1,287)	(1,591)	(1,000)	(1,800)	(1,800)
FINANCING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Cash used					
Total cash used	-	-	-	-	-
Net cash from or (used by) financing activities	-	-	-	-	-
Net increase or (decrease) in cash held	44	(50)	-	-	-
Cash at the beginning of the reporting period	906	950	900	900	900
Cash at the end of the reporting period	950	900	900	900	900

Table 3.4: Departmental statement of changes in equity — summary of movement (Budget year 2005–06)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2005					
Balance carried forward from previous period	(2,304)	717	-	4,929	3,342
Adjustment for changes in accounting policies					
Adjusted opening balance	(2,304)	717	-	4,929	3,342
Income and expense					
Income and expenses recognised directly in equity:					
Gain/loss on revaluation of property	-	565	-	-	565
Sub-total income and expense	-	565	-	-	565
Net operating result	(915)	-	-	-	(915)
Total income and expenses recognised directly in equity	(915)	565	-	-	(350)
Transactions with owners					
<i>Distribution to owners</i>					
Returns on capital					
Dividends	-	-	-	-	-
Returns of capital					
Restructuring	-	-	-	-	-
Other	-	-	-	-	-
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	-	-
Other:					
Restructuring	-	-	-	-	-
Sub-total transactions with owners	-	-	-	-	-
Transfers between equity components	-	-	-	-	-
Closing balance as at 30 June 2006	(3,219)	1,282	-	4,929	2,992

Table 3.5: Departmental capital budget statement

	Actual 2004–05 \$'000	Revised budget 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	-	-	-	-	-
Total capital appropriations					
Represented by:					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
Total represented by	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	1,287	1,591	1,000	1,800	1,800
Total	1,287	1,591	1,000	1,800	1,800

Table 3.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2005–06)

	Land	Buildings	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2005							
Gross book value	-	-	3,578	-	2,591	-	6,169
Accumulated depreciation	-	-	-	-	(2,366)	-	(2,366)
value	-	-	3,578	-	225	-	3,803
Additions:							
by purchase	-	-	1,150	-	441	-	1,591
by finance lease	-	-	-	-	-	-	-
internally developed	-	-	-	-	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-	-	-
Revaluations and impairment through equity	-	-	565	-	-	-	565
Reclassifications	-	-	-	-	-	-	-
Depreciation/ amortisation expense	-	-	(1,079)	-	(122)	-	(1,201)
Impairments recognised in operating result	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Disposals:							
from disposal of entities or operations (including restructuring)	-	-	-	-	-	-	-
other disposals	-	-	-	-	-	-	-
write offs (fully depreciated assets)	-	-	-	-	(1,763)	-	(1,763)
As at 30 June 2006							
Gross book value	-	-	5,293	-	1,269	-	6,562
Accumulated depreciation	-	-	(1,079)	-	(725)	-	(1,804)
Closing net book value	-	-	4,214	-	544	-	4,758

Table 3.7: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)

	Actual 2004–05 \$'000	Revised budget 2005–06 \$'000	Forward estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation	-	-	-	-	-
Total taxation	-	-	-	-	-
Non-taxation					
Goods and services	11,807	13,272	13,062	13,079	13,097
Total non-taxation	11,807	13,272	13,062	13,079	13,097
Total revenues administered on behalf of government	11,807	13,272	13,062	13,079	13,097
Gains	-	-	-	-	-
Total gains administered on behalf of government	-	-	-	-	-
Total income administered on behalf of government	11,807	13,272	13,062	13,079	13,097
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Total expenses administered on behalf of government	-	-	-	-	-

Table 3.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

	Actual 2004–05 \$'000	Revised budget 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					
Cash	-	-	-	-	-
Receivables	3,026	2,250	2,300	2,350	2,350
Other financial assets	296	538	538	538	538
Total financial assets	3,322	2,788	2,838	2,888	2,888
Non-financial assets					
Total non-financial assets	-	-	-	-	-
Total assets administered on behalf of government	3,322	2,788	2,838	2,888	2,888
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest bearing liabilities					
Total interest bearing liabilities	-	-	-	-	-
Provisions					
Total provisions	-	-	-	-	-
Payables					
Other payables	372	247	247	247	247
Total payables	372	247	247	247	247
Liabilities included in disposal groups held for sale	-	-	-	-	-
Total liabilities administered on behalf of government	372	247	247	247	247

Table 3.9: Schedule of budgeted administered cash flows (for the period ended 30 June)

	Actual 2004–05 \$'000	Revised budget 2005–06 \$'000	Forward estimate 2006–07 \$'000	Forward estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000
OPERATING ACTIVITIES					
Cash received					
Rendering of services	11,198	14,599	14,368	14,387	14,407
Total cash received	11,198	14,599	14,368	14,387	14,407
Cash used					
Other	1,018	1,327	1,306	1,308	1,310
Total cash used	1,018	1,327	1,306	1,308	1,310
Net cash from or (used by) operating activities	10,180	13,272	13,062	13,079	13,097
INVESTING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Cash used					
Total cash used	-	-	-	-	-
Net cash from or (used by) investing activities	-	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Cash used					
Total cash used	-	-	-	-	-
Net cash from or (used by) financing activities	-	-	-	-	-
Net increase or (decrease) in cash held	10,180	13,272	13,062	13,079	13,097
Cash at beginning of reporting period	-	-	-	-	-
Cash from Official Public Account for:					
– appropriations	-	-	-	-	-
– special accounts	-	-	-	-	-
Transfers from other entities					
(Finance – Whole of Government)	-	-	-	-	-
Cash to Official Public Account for:					
– appropriations	-	-	-	-	-
– special accounts	-	-	-	-	-
– other	-	-	-	-	-
Transfers to other entities	(10,180)	(13,272)	(13,062)	(13,079)	(13,097)
(Finance – Whole of Government)	-	-	-	-	-
Effect of exchange rate movements on cash at beginning of reporting period	-	-	-	-	-
Cash at end of reporting period	-	0	0	(0)	(0)

NOTES TO THE FINANCIAL STATEMENTS

Departmental and administered

The material revisions are to the Budgeted departmental income statement and the Budgeted departmental balance sheet and statement of cash flows. The revisions comprise recognition of additional appropriation revenue (totalling \$3.6 million over four years) and expenses of the same amount, which reflect the increased costs of providing auditing services for bodies subject to the *Commonwealth Authorities and Companies Act 1997*.

Basis of accounting

The agency's financial statements have been prepared on an accrual basis in accordance with:

- Australian Equivalents to International Financial Reporting Standards (AEIFRS)
- Finance Minister's Orders
- Accounting Guidance Releases
- Consensus Views of the Urgent Issues Group

and having regard to Statements of Accounting Concepts.

Departmental and administered Items

ANAO departmental assets, liabilities, revenues and expenses are those items that are controlled by the ANAO that are used in producing outputs, and include:

- computers, plant and equipment used in providing goods and services
- liabilities for employee entitlements
- revenue from appropriations or independent sources in payment for outputs
- employee, supplier and depreciation expenses incurred in providing ANAO outputs.

Administered items are those items incurred in providing programs that are controlled by the government and managed, or oversighted, by the ANAO on behalf of the government. The majority of revenue earned for provision of audit services is administered revenue.

Revenue from government

Revenue from government is revenue relating to the core operating activities of the ANAO. From 1 July 1999, the Commonwealth Budget has been prepared under an accruals framework. Appropriations to ANAO for its departmental outputs are

recognised as revenue to the extent that they have been received into the ANAO's bank account or are entitled to be received by the ANAO at year end.

Sale of goods and services

All revenues described in this note are revenues relating to the audit and related operating activities of the ANAO, whether in its own right or on behalf of the Commonwealth, except for revenues received from the sub-lease of surplus space and gains from the sale of ANAO assets. Revenue from the provision of services is recognised upon the delivery of audit and related services. Sale of goods and services includes rental revenue from the sub-lease of space in the Canberra office. Audit revenue is recognised by reference to the stage of completion, determined according to the proportion of costs incurred to date compared to the estimated total costs of the transaction. Other income is recognised when received into the ANAO's bank account or at the point where an entitlement exists.

Employee expenses

Employee expenses include salaries, allowances, leave entitlements, fringe benefits tax, redundancy expenses, superannuation and workers compensation insurance.

Suppliers

Supplier expenses consist of contract audit costs, audit disbursements, information technology and systems development costs, property operating costs, and professional development and administrative costs.

Cash

Cash includes notes and coins held and any deposits held with a bank or financial institution.

Receivables

Departmental receivables include an appropriation, employee and audit fees receivable, as well as goods and services input tax credits and other receivables.

Administered receivables represent audit fees due and payable by Australian Government companies and authorities. 'Other financial assets' is work in progress, which is the value of audit work undertaken that has not been billed at balance date.

Non-financial assets

Purchases of infrastructure, plant and equipment are recognised initially at cost in the Balance sheet, with the exception of purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of the purchase a

group of similar items which are significant in total). Other non-financial assets include prepayments.

Infrastructure, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the ANAO, using the straight-line method of depreciation in all cases. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements and 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 and/or future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

From 1 July 2002, Australian Government agencies and authorities have been required to use either the cost basis or the fair value basis to measure property, plant and equipment. Fair value essentially reflects the current market value of an asset.

Employee provisions

Employee provisions consist of annual leave, long service leave, superannuation and other employee-related liabilities.

Interest-bearing liabilities

In accordance with UIG Abstract 1 'Lessee Accounting for Surplus Space under a Non-Cancellable Operating Lease', the cost of Centenary House surplus space in the financial year ended 30 June 1998 was written off. This resulted in a charge to the operating statement of \$10.7 million and the establishment of a surplus space liability for an equivalent amount in the Balance sheet. This liability will be progressively reduced to nil over the period of the lease, which will expire in 2008 and includes adjustments in respect of the sub-lease of the surplus space in 1998–1999 for 4½ years and in 2002–2003 for the remainder of the lease term. There is also a corresponding increase in revenue equal to the net present value of the amount of the sub-lease.

Contributed equity

The contributed equity comprises an equity injection of \$5.3 million received from government in 1998–99, a further \$0.7 million in 1999–2000 and repayment of \$1.1 million in 2002–03.