

AUSTRALIAN NATIONAL AUDIT OFFICE

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AUSTRALIAN NATIONAL AUDIT OFFICE

Section 1: Agency overview

The Auditor-General, through the Australian National Audit Office (ANAO), provides an independent audit of the performance and financial statements of Commonwealth public sector agencies and entities. Through the delivery of an integrated range of high-quality audit products that are timely, cost effective and consistent with public sector values, the ANAO aims to meet the needs and expectations of the Parliament, the Executive and audit clients, and to add value to public sector performance and accountability.

The *Auditor-General Act 1997* provides a legislative framework for the Office of the Auditor-General and the ANAO. The Act establishes the Auditor-General as an ‘independent officer of the Parliament’ – a title which symbolises the Auditor-General’s independence and unique relationship with the Parliament. The Act outlines the mandate and powers of the Auditor-General, as the external auditor of Commonwealth public sector entities.

The Auditor-General’s mandate extends to all Australian Government agencies, authorities, companies and subsidiaries with the exception of performance audits of Government Business Enterprises (GBEs) and of persons employed or engaged under the *Members of Parliament Act 1994*. Performance audits of wholly owned GBEs may only be undertaken at the request of the responsible minister, the Finance Minister or the Joint Committee of Public Accounts and Audit.

The ANAO’s outcomes, set out below, are directly related to the role of the Auditor-General.

Improvement in public administration – independent assessment of the performance of selected Commonwealth public sector activities, including the scope for improving efficiency and administrative effectiveness.

Assurance – independent assurance of Commonwealth public sector financial reporting, administration, control and accountability.

Table 1.1: ANAO outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
Improvement in public administration	Independent assessment of the performance of selected Commonwealth public sector activities, including the scope for improving efficiency and administrative effectiveness	Output Group 1.1 Performance Audit Reports Output Group 1.2 Other Audit and Related Products Output Group 2.1 Assistance to the Parliament Output Group 2.2 National and International Representation Output Group 2.3 Client Seminars Output Group 2.4 Benchmarking Services Output Group 2.5 Better Practice Guides
Outcome 2		
Assurance	Independent assurance of Commonwealth public sector financial reporting, administration, control and accountability	Output Group 2.1 Assistance to the Parliament Output Group 2.2 National and International Representation Output Group 2.3 Client Seminars Output Group 2.4 Benchmarking Services Output Group 2.5 Better Practice Guides Output Group 3.1 Financial Statement Audit Reports Output Group 3.2 Business Support Process Audit Reports Output Group 3.3 Protective Security Audit Reports Output Group 3.4 Other Assurance Reports

Section 2: Agency resources for 2005–06

2.1: APPROPRIATIONS AND OTHER RESOURCES

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, administered and departmental classification.

The total appropriation for the Australian National Audit Office in the 2005–06 Budget is \$61.879 million.

Table 2.1: Appropriations and other revenue 2005–06 ('000)

Outcome	Appropriations					Other revenue available to be used ⁵		Total resources ⁷
	\$'000	\$'000	\$'000	\$'000	% ⁶	\$'000	% ⁶	\$'000
	Bill No. 1	Bill No. 2 ²	Special approp ³	Total approp ⁴				
Outcome 1– improvement in public administration								
Departmental	20,877	-	188	21,065	98.5	327	1.5	21,392
Total outcome 1	20,877	-	188	21,065		327		21,392
Outcome 2 – assurance								
Departmental	40,625	-	189	40,814	97.5	1,049	2.5	41,863
Total outcome 2	40,625	-	189	40,814		1,049		41,863
Total agency								
Departmental	61,502	-	377	61,879		1,376		63,255
Total agency	61,502	-	377	61,879		1,376		63,255
Departmental capital (equity injections)								-
Previous year's outputs								-
Administered assets and liabilities								-
Total resources	61,502	-	377	61,879		1,376		63,255

- 1 This table has been redesigned to correspond with Budget Paper No. 4 'Agency Resourcing'. It now includes (where appropriate) administered revenue from other sources.
 - 2 Under the appropriation structure, Bill No. 2 includes Specific Purpose Payments (SPPs), new agency Outcomes (NAOs), administered capital and departmental capital via departmental injections and loans.
 - 3 Estimated expenses from individual Special Appropriations are shown at Section 3, Tables 3.1 etc.
 - 4 Total appropriations = Bill No. 1 + Bill No. 2 + Special appropriations.
 - 5 Revenue from other sources includes FMA s. 31 revenues, CAC body revenues that are available to be expensed, special accounts (non-appropriation revenues) and resources received free of charge.
 - 6 Percentage figures indicate the percentage contribution of Revenue from Government (Departmental and Administered 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.
 - 7 Total resources = Total appropriations + Revenue from other sources.
- Note: Refer to Budgeted statement of financial performance for application of agency revenue.

2.2: 2005–06 BUDGET MEASURES

Budget measures relating to the Australian National Audit Office as explained in Budget Paper No. 2 are summarised in Table 2.2. The table also identifies the relevant outcomes, administered items and outputs associated with each measure.

Table 2.2: Agency 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
Expense Measures														
Australian National Audit Office – Changes to the auditing environment	2	3	-	2,300	2,300	-	2,346	2,346	-	2,393	2,393	-	2,443	2,443
Australia – United States Free Trade Agreement	1 & 2	1 & 3	-	48	48	-	48	48	-	48	48	-	48	48
Efficiency dividend – increase in the rate from 1 per cent to 1.25 per cent	1 & 2	All	-	(144)	(144)	-	(292)	(292)	-	(441)	(441)	-	(441)	(441)
Total Expenses			-	2,204	2,204	-	2,102	2,102	-	2,000	2,000	-	2,050	2,050

See Budget Paper No. 2 for an explanation of the measures in this table.

2.3: OTHER RECEIPTS AVAILABLE TO BE USED

Table 2.3 provides details of other receipts available to be used, and represents own source receipts available for spending on departmental purposes.

The ANAO is predominantly budget funded but does receive receipts from some audit-related services, certain other minor activities such as the sale of assets, and rental income from the sub-lease of part of its accommodation. These receipts can be retained by the ANAO under section 31 of the *Financial Management and Accountability Act 1997*.

Fee receipts from audit clients for the statutory financial statement audit of bodies subject to the *Commonwealth Authorities and Companies Act 1997* are paid into the Official Public Account and are not available to the ANAO. These receipts were shown in previous Portfolio Budget Statements as administered audit revenue under the heading 'Receipts from independent sources' and are now shown in Section 5 (Budgeted financial statements).

Table 2.3: Other receipts available to be used

	Estimated receipts 2004–05 \$'000	Budget estimate 2005–06 \$'000
Outcome 1		
Departmental other receipts		
Rental revenue	312	316
Disposal of assets	8	8
Miscellaneous	1	3
Outcome 2		
Departmental other receipts		
Departmental audit fees	727	721
Rental revenue	312	317
Disposal of assets	8	8
Miscellaneous	1	3
Total departmental other receipts available to be used	1,369	1,376

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

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

The Australian National Audit Office does not have any movement of administered funds from 2004–05 to 2005–06.

2.5: SPECIAL APPROPRIATIONS

The ANAO receives a Special Appropriation to meet remuneration expenses and allowances for the Office of the Auditor-General. Expenses incurred under the Special Appropriation are included in the total resourcing provided to the ANAO as set out in Figure 1 (Outcomes and output groups and administered items), and Tables 3.1 and 3.2 (Total resources for Outcome 1 and Total resources for Outcome 2, respectively).

Table 2.4: Estimates of expenses from special appropriations

	Outcome	Note	Estimated expenses 2004–05 \$'000	Budget estimate 2005–06 \$'000
	\$'000	\$'000	\$'000	\$'000
Estimated expenses				
Auditor-General remuneration and expenses	1 and 2		367	377
Total estimate expenses			367	377

2.6: SPECIAL ACCOUNTS

Comcare receipts are credited to a special account in order to provide an appropriation that would support its subsequent payment to the relevant employee.

Table 2.5: Estimates of special account flows and balances

	Opening balance 2005–06 2004–05	Receipts 2005–06 2004–05	Payments 2005–06 2004–05	Adjustments 2005–06 2004–05	Closing balance 2005–06 2004–05	
	Outcome \$'000	\$'000	\$'000	\$'000	\$'000	
Other Trust Monies						
Comcare (D)	1 and 2	66 88	50 18	50 40	- -	66 66
Total special accounts 2005–06 Budget estimate		66	50	50	-	66
Total Special Accounts 2004–05 estimate actual		88	18	40	-	66

D = departmental

2.7: ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The ANAO will not receive any administered capital or departmental equity injections or loans 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 to contribute to the two outcomes of the Australian National Audit Office.

3.1: SUMMARY OF OUTCOMES, OUTPUTS AND ADMINISTERED ITEMS

The relationship between the activities of the ANAO and the outcomes is summarised in Figure 1.

Outcomes 1 and 2 — Description

The ANAO's planned outcomes are:

1. Independent assessment of the performance of selected Commonwealth public sector activities, including the scope for improving efficiency and administrative effectiveness.
2. Independent assurance of Commonwealth public sector financial reporting, administration, control and accountability.

Outcome 1 — Improvement in public administration

Through the provision of audit services, the ANAO makes a contribution to improve the efficiency and administrative effectiveness of the Commonwealth public sector.

The major contribution to this outcome is the conduct of performance audit services. The ANAO's performance audit and audit-related activities include the review of all or part of an entity's operations to assess its efficiency and/or administrative effectiveness. The ANAO identifies areas where improvements can be made to aspects of public administration, and makes specific recommendations to help public sector agencies improve the efficiency and/or administrative effectiveness of their administration. Greater efficiency and effectiveness is typically reflected in financial benefit, avoidance or minimisation of financial commitments, and better corporate governance arrangements, including risk management regimes.

The ANAO also contributes to improvements in Commonwealth public administration by identifying and promoting better practice, which assists agencies to perform at their most efficient level and add value to their outputs and services. Adopting better practices can help transform and improve business processes and potentially can lead to overall improvements in the administration of the entity as a whole.

Outcome 2 — Assurance

Through its audit services, the ANAO contributes to providing assurance to individual agencies, the Executive and the Parliament about the financial administration and accountability of public sector entities.

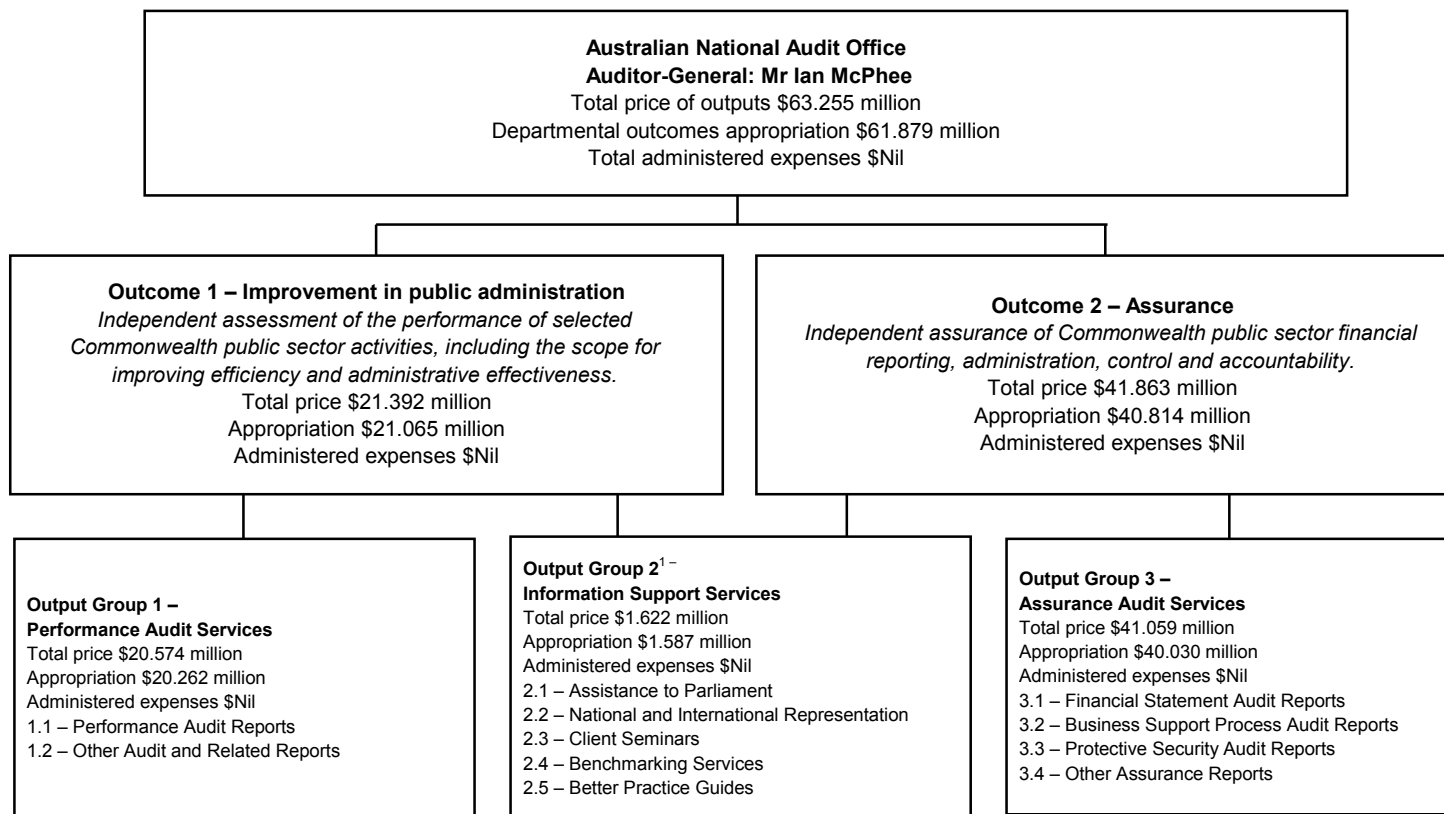
The main activity that contributes to this outcome is the conduct of annual financial statement audits of Australian Government entities. These audits are designed to give assurance to stakeholders that an entity's financial statements fairly represent the operation and financial position at year end. The ANAO makes recommendations for improvements in financial administration, further contributing to improvements in efficiency.

An ANAO program of Business Support Process audits and Protective Security audits also contributes to this outcome. These audits are designed to provide individual agencies, and the Parliament, with assurance about the operation of common business processes, and identify better practice and areas where improvements in administration can be made.

Output cost attribution

The ANAO has management information systems in place to allow it to fully cost all audit and support activities. All audit-related costs are directly costed to the relevant audit or related services. All other costs not directly attributable to audits or related services are allocated on the basis of the estimated hours to be expended on each output.

Figure 1: Outcomes and output groups and administered items



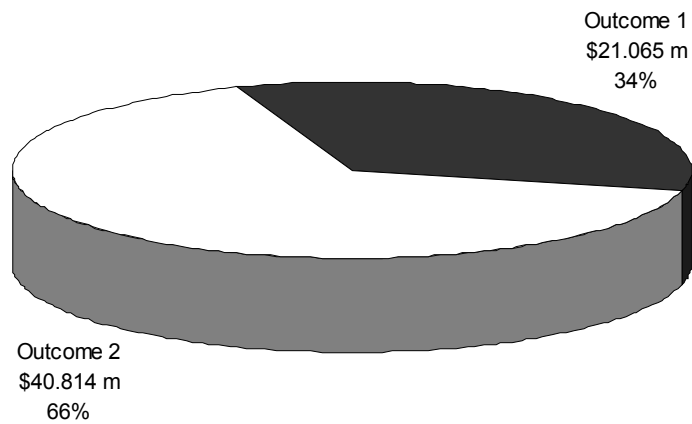
1. The total price and appropriations in Output Group 2 are allocated to Outcomes 1 and 2 on the basis of the hours estimated to be expended within each Outcome.

3.2: OUTCOMES — DEPARTMENTAL AND ADMINISTERED

Departmental appropriations by outcome

Figure 2 shows departmental appropriations by outcome for 2005–06. This split reflects a marginal increase in resources for Outcome 2, compared with 2004–05, in order to meet financial statement audit requirements.

Figure 2: Departmental appropriations by outcome, 2005–06



Figures 3 and 4 show trends in departmental revenue and expenditure, respectively. Funding of the new measures, referred to in Table 2.2 (ANAO measures), has kept funding broadly consistent with funding received as a result of the 2004–05 Additional Estimates process.

Figure 3: Trends in departmental revenue (\$'000)

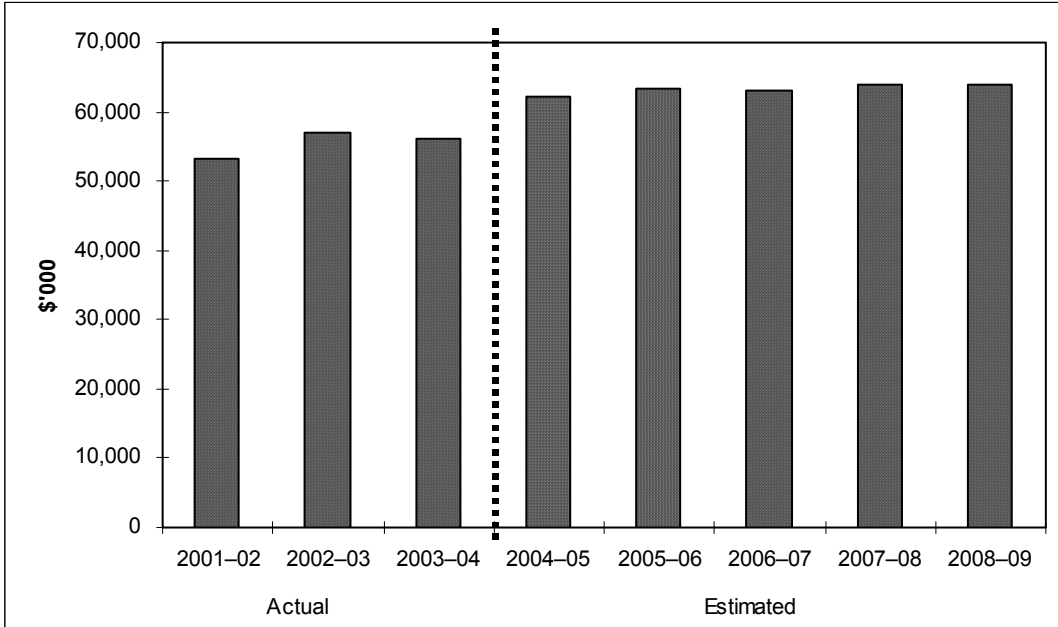
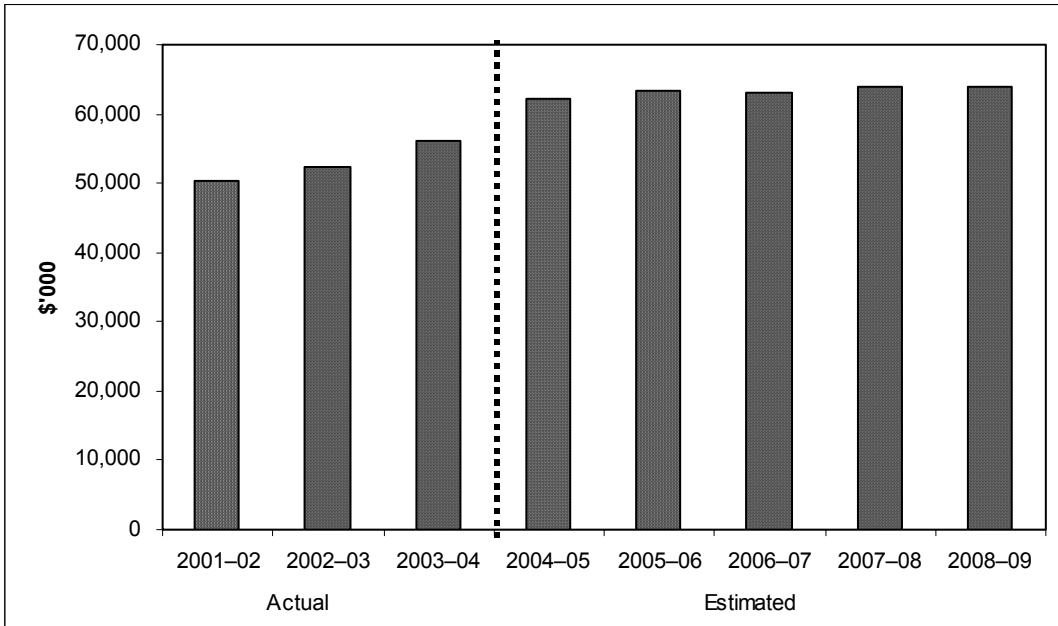


Figure 4: Trends in departmental expenses (\$'000)



3.3: OUTCOMES RESOURCING

Outcomes 1 and 2 resourcing

Tables 3.1 and 3.2 show how the 2005-06 Budget appropriations translate to total resourcing for Outcome 1 and Outcome 2, including revenue from government (appropriation), other receipts available to be used (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 – Performance Audit Services		
Output 1.1.1 – Performance Audit Services	20,737	20,262
Output 1.1.2 – Other Audit and Related Reports	7	-
Subtotal Output Group 1.1	20,744	20,262
Departmental appropriations		
Output Group 1.2 – Information Support Services		
Output 1.2.1 – Assistance to Parliament	223	167
Output 1.2.2 – National and International Representation	250	235
Output 1.2.3 – Client Seminars	-	-
Output 1.2.4 – Benchmarking Services	-	-
Output 1.2.5 – Better Practice Guides	26	401
Subtotal Output Group 1.2	499	803
Total revenue from government (appropriations) Contributing to price of departmental outputs	21,243	21,065
Other resources available to be used		
Output 1.1.1 – Performance Audit Services	321	312
Output 1.1.2 – Other Audit and Related Reports	-	-
Output 1.2.1 – Assistance to Parliament	-	4
Output 1.2.2 – National and International Representation	1	6
Output 1.2.3 – Client Seminars	-	-
Output 1.2.4 – Benchmarking Services	-	-
Output 1.2.5 – Better Practice Guides	-	5
Total other resources available to be used	322	327
Total price from departmental outputs (Total revenue from government and from other sources)	21,565	21,392
from Special Accounts (estimated payments from Special Account balances)¹		
Other Trust Monies – Comcare Special Account	9	25
Total departmental Special Account outflows	9	25
Total estimated resourcing for Outcome 1 (Total price of outputs and administered appropriations)	21,565	21,392
Average staffing level (number)	120	120

1 Flows into Special Accounts are also shown in the receipts column of Table 2.5 (Estimates of special account flows and balances). Special Account outflows are shown in the payments column of that table. The estimated payments from special account balances are provided by way of note only and do not form part of the total estimated resourcing.

Table 3.2: Total resources for Outcome 2 (\$'000)

	Estimated actual 2004–05 \$'000	Budget estimate 2005–06 \$'000
Departmental appropriations		
Output Group 2.2 – Information Support Services		
Output 2.2.1 – Assistance to Parliament	99	102
Output 2.2.2 – National and International Representation	388	401
Output 2.2.3 – Client Seminars	10	20
Output 2.2.4 – Benchmarking Services	-	-
Output 2.2.5 – Better Practice Guides	253	261
Subtotal Output Group 2.2	750	784
Departmental appropriations		
Output Group 2.3 – Assurance Audit Services		
Output 2.3.1 – Financial Statement Audit Reports	33,519	35,330
Output 2.3.2 – Business Support Process Audit Reports	2,718	2,074
Output 2.3.3 – Protective Security Audit Reports	925	954
Output 2.3.4 – Other Assurance Reports	1,619	1,672
Subtotal Output Group 2.2	38,781	40,030
Total revenue from government (appropriations) Contributing to price of departmental outputs	39,531	40,814
Other resources available to be used		
Output 2.2.1 – Assistance to Parliament	3	3
Output 2.2.2 – National and International Representation	10	10
Output 2.2.3 – Client Seminars	-	-
Output 2.2.4 – Benchmarking Services	-	-
Output 2.2.5 – Better Practice Guides	7	7
Output 2.3.1 – Financial Statement Audit Reports	888	890
Output 2.3.2 – Business Support Process Audit Reports	72	72
Output 2.3.3 – Protective Security Audit Reports	24	25
Output 2.3.4 – Other Assurance Reports	43	42
Total other resources available to be used	1,047	1,049
Total price from departmental outputs (Total revenue from government and from other sources)	40,578	41,863
from Special Accounts (estimated payments from Special Account balances)¹		
Other Trust Monies – Comcare Special Account	9	25
Total departmental Special Account outflows	9	25
Total estimated resourcing for Outcome 2 (Total price of outputs and administered appropriations)	40,578	41,863
	2004–05	2005–06
Average staffing level (number)	170	180

1 Flows into Special Accounts are also shown in the receipts column of Table 2.5 (Estimates of special account flows and balances). Special Account outflows are shown in the payments column of that table. The estimated payments from special account balances are provided by way of note only and do not form part of the total estimated resourcing.

Performance information for Outcomes 1 and 2

The ANAO's contribution to the achievement of the government's outcomes is assessed using indicators and processes as shown in Table 3.3.

The performance audit program has been refined to accommodate the additional resources required to conduct the financial statement audit program.

The ANAO has made one change to the performance information of Output Group 1. The *Ratio of estimated financial benefits to the total cost of performance audit outputs* (Ratio 2:1) has been included as a consideration in the indicator *Percentage of audits where public sector entities acknowledge the value added to the audit*.

Evaluations for Outcome 1 and 2

In 2005–06 the ANAO will continue its program of peer reviews, quality assurance reviews and benchmarking exercises to assist in the evaluation of its own performance.

ANAO activities are subject to review by an ANAO Independent Auditor who undertakes an audit of the ANAO's annual financial statements and periodically conducts performance audits of selected areas of operation.

A comprehensive internal audit programme, which focuses on the areas of risk identified in the ANAO's Risk Management Plan, is also undertaken.

Table 3.3: Performance information for Outcomes 1 and 2

Effectiveness — overall achievement of Outcomes 1 and 2	
Parliament acknowledges the value of the ANAO contribution ^a	90% value role of ANAO
Public sector entities acknowledge the value added by ANAO products and services ^a	90% value role of ANAO
The Joint Committee of Public Accounts and Audit's (JCPAA) general satisfaction with the overall quality, timeliness and coverage of the ANAO's products and services ^a	High standard of satisfaction
Performance information by output component	
Output	Performance information
Output Group 1: Performance audit services	
Number of performance audit reports to be produced	<i>Quantity:</i> 44
Percentage of audit recommendations supported by the Joint Committee of Public Account and Audit, and other Parliamentary committees	<i>Quality:</i> 90%
Percentage of audits where public sector entities acknowledge the value added by the audit ^a	<i>Quality:</i> 90%
Quality assurance results indicate all reviewed audits meet ANAO Auditing Standards.	<i>Quality:</i> 100%
Full costs of audit products and services are recorded and reported.	<i>Quantity:</i> 100%
	<i>Price:</i> \$20.574 million
Output Group 2: Information support services	
Number of audit products to be produced	<i>Quantity:</i> 4
Number of client seminar series	<i>Quantity:</i> 2
Percentage completed in accordance with budgeted timeframe	<i>Quantity:</i> 100%
Seminar topics meet the needs of participants	<i>Quality:</i> 75% satisfaction level
	<i>Price:</i> \$1.622 million
Output Group 3: Assurance audit services	
Number of financial statement audit opinions to be issued ^b	<i>Quantity:</i> 260
Number of audit products produced	<i>Quantity:</i> 7
Number of Other audit opinions	<i>Quantity:</i> 2
Timeliness of issuing financial statement audit opinions ^c	<i>Quality:</i> 100%
Percentage completed in accordance with agreed timeframes (financial statements)	<i>Quality:</i> 100%
Quality assurance results indicate all reviewed audits meet ANAO Auditing Standards	<i>Quality:</i> 100%
Full costs of audit products and services are recorded and reported.	<i>Quantity:</i> 100%
	<i>Price:</i> \$41.059 million

a Achievement will be measured through the analysis of specific questions (included in Parliamentary and audit client surveys).

b The actual number of audit opinions is dependent on government decisions on entity structures.

c The relative dates of issue of the financial statement audit opinion to that of the financial statements being signed is largely dependent on the agency meeting its financial statement preparation timetable. Our aim is to issue the audit opinion on the same day as the signed financial statements are received by the ANAO.

Section 4: Other reporting requirements

4.1: PURCHASER–PROVIDER ARRANGEMENTS

The ANAO has no purchaser–provider relationships in place with other agencies.

4.2: COST RECOVERY ARRANGEMENTS

The ANAO has no cost recovery arrangements.

4.3: AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE (AGIE)

The ANAO does not have any Australian Government Indigenous Expenditure.

Section 5: Budgeted financial statements

5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental financial statements

Budgeted departmental statement of financial performance

Total revenue of 2005–06 is estimated at \$63.255 million (2004–05: \$62.143 million). Revenue from government (appropriation funding) has increased from \$60.774 million to \$61.879 million. Other revenue has seen a minor increase to \$1.376 million in 2005–06 from \$1.369 million in 2004–05.

Operating expenses for 2005–06 are estimated to total \$63.255 million (2004–05: \$62.143 million). Employee expenses will increase marginally in 2005–06 to accommodate the increase in salaries.

The increase in supplier expenses is a result of escalating contractor costs for the statutory financial statement audits and the increase in rent. Expenditure on discretionary supplier expenses has been reduced to accommodate the above-mentioned increases.

Budgeted departmental statement of financial position

The financial position of the ANAO is sound. The liquidity position of the ANAO is that assets significantly exceed short-term and long-term liabilities. The receivables balance, which contained a \$16.734 million cash reserve at the end of 2003–04, decreases slightly because cash requirements in 2005–06 exceed appropriations received. The increase in cash required is due to the increased capital expenditure not funded through depreciation, and payment of employee entitlements.

Budgeted departmental statement of cash flows

The statement of cash flows shows appropriations figures that contain the additional cash drawn from the Appropriation Receivable account to meet cash requirements in the 2005–06 to 2007–08 financial years, as discussed above.

The ANAO's working capital cash balance of \$0.900 million is maintained each year in accordance with our agreement with the Department of Finance and Administration.

Departmental capital budget statement

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

Departmental non-financial assets – 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 revenues and expenses administered on behalf of government

Estimated administered revenues from provision of audit services to certain Australian Government agencies reflects the estimated effect of recovery of increased auditing costs as per funding of the new measure shown in Table 2.2 (ANAO measures).

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.

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	60,774	61,879	61,738	62,375	63,045
Goods and services	726	722	755	794	834
Rents	623	634	659	685	158
Other	20	20	20	20	20
Revenues from ordinary activities	62,143	63,255	63,172	63,874	64,057
EXPENSE					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	27,588	27,864	27,864	27,864	28,921
Suppliers	33,355	34,191	34,008	34,710	33,836
Depreciation and amortisation	1,200	1,200	1,300	1,300	1,300
Expenses from ordinary activities (excluding borrowing costs expense)	62,143	63,255	63,172	63,874	64,057
Operating surplus or (deficit) from ordinary activities	-	-	-	-	-

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	900	900	900	900	900
Receivables	16,138	15,807	15,508	14,905	14,183
Other financial assets	15	19	20	20	20
Total financial assets	17,053	16,726	16,428	15,825	15,103
Non-financial assets					
Land and buildings	-	-	-	-	-
Infrastructure, plant and equipment	2,605	1,750	1,065	1,168	1,271
Intangibles	630	580	580	580	580
Other non-financial assets	600	600	600	620	650
Total non-financial assets	3,835	2,930	2,245	2,368	2,501
Total assets	20,888	19,656	18,673	18,193	17,604
LIABILITIES					
Interest bearing liabilities					
Other interest bearing liabilities	1,881	1,360	803	141	-
Total interest bearing liabilities	1,881	1,360	803	141	-
Provisions					
Employees	8,170	8,335	8,008	8,202	7,752
Other provisions	-	-	-	-	-
Total provisions	8,170	8,335	8,008	8,202	7,752
Payables					
Suppliers	1,701	825	726	714	906
Other payables	190	190	190	190	-
Total payables	1,891	1,015	916	904	906
Total liabilities	11,942	10,710	9,727	9,247	8,658
EQUITY					
Parent entity interest					
Contributed equity	4,929	4,929	4,929	4,929	4,929
Reserves	809	809	809	809	809
Statutory funds	-	-	-	-	-
Retained surpluses or accumulated deficits	3,208	3,208	3,208	3,208	3,208
Total parent entity interest	8,946	8,946	8,946	8,946	8,946
Total equity	8,946	8,946	8,946	8,946	8,946
Current assets	17,653	17,326	17,028	16,445	15,753
Non-current assets	3,235	2,330	1,645	1,748	1,851
Current liabilities	5,363	5,410	5,392	4,956	4,782
Non-current liabilities	6,579	5,301	4,335	4,291	3,876

Note: '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	1,369	1,376	1,434	1,499	1,012
Appropriations	61,811	62,210	62,037	62,978	63,767
Total cash received	63,180	63,586	63,471	64,477	64,779
Cash used					
Employees	27,374	27,104	28,417	28,458	29,675
Suppliers	35,126	35,582	34,054	34,219	33,304
Total cash used	62,500	62,686	62,471	62,677	62,979
Net cash from or (used by) operating activities	680	900	1,000	1,800	1,800
INVESTING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Cash used					
Purchase of property, plant and equipment	680	900	1,000	1,800	1,800
Total cash used	680	900	1,000	1,800	1,800
Net cash from or (used by) investing activities	(680)	(900)	(1,000)	(1,800)	(1,800)
FINANCING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Cash used					
Total cash used	-	-	-	-	-
Net cash from/(used by) financing activities	-	-	-	-	-
Net increase or (decrease) in cash held	-	-	-	-	-
Cash at the beginning of the reporting period	900	900	900	900	900
Effect of exchange rate movements on cash at the beginning of reporting period	-	-	-	-	-
Cash at the end of the reporting period	900	900	900	900	900

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
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by					
Departmental resources	680	900	1,000	1,800	1,800
Total	680	900	1,000	1,800	1,800

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	-	-	-	-	3,210	-	2,520	-	5,730
Accumulated depreciation	-	-	-	-	(605)	-	(1,890)	-	(2,495)
Opening net book value	-	-	-	-	2,605	-	630	-	3,235
Additions:									
by purchase	-	-	-	-	800	-	100	-	900
by finance lease	-	-	-	-	-	-	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
Net revaluation increment/decrement	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	(1,050)	-	(150)	-	(1,200)
Recoverable amount write-downs	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
Disposals:									
from disposal of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
other disposals	-	-	-	-	(15)	-	-	-	(15)
As at 30 June 2006									
Gross book value	-	-	-	-	3,390	-	2,620	-	6,010
Accumulated depreciation	-	-	-	-	(1,640)	-	(2,040)	-	(3,680)
Closing net book value	-	-	-	-	1,750	-	580	-	2,330

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 (revenues from government)					
Other sources of non-taxation revenues	10,911	12,211	12,234	12,234	12,234
Total non-taxation	10,911	12,211	12,234	12,234	12,234
Total revenues administered on behalf of government	10,911	12,211	12,234	12,234	12,234
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Total expenses administered on behalf of government	-	-	-	-	-

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					
Cash					
Receivables	2,200	2,250	2,300	2,350	2,350
Other financial assets	538	538	538	538	538
Total financial assets	2,738	2,788	2,838	2,888	2,888
Non-financial assets					
Total non-financial assets	-	-	-	-	-
Total assets administered on behalf of government	2,738	2,788	2,838	2,888	2,888
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Other payables	247	247	247	247	247
Total payables	247	247	247	247	247
Total liabilities administered on behalf of government	247	247	247	247	247

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					
Rendering of services	12,002	13,432	13,457	13,457	13,457
Total cash received	12,002	13,432	13,457	13,457	13,457
Cash used					
Other	1,091	1,221	1,223	1,223	1,223
Total cash used	1,091	1,221	1,223	1,223	1,223
Net cash from/(used by) operating activities	10,911	12,211	12,234	12,234	12,234
INVESTING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Net cash from/(used by) investing activities	-	-	-	-	-
Net cash from/(used by) financing activities	-	-	-	-	-
Net increase or (decrease) in cash held	10,911	12,211	12,234	12,234	12,234
Cash at beginning of reporting period	-	-	-	-	-
Cash to Official Public Account for					
Appropriations	-	-	-	-	-
Special accounts	-	-	-	-	-
Other	10,911	12,211	12,234	12,234	12,234
Cash at end of reporting period	-	-	-	-	-

5.3: NOTES TO THE FINANCIAL STATEMENTS

The material revisions are to the Budgeted departmental statement of financial performance and the Budgeted departmental statement of cash flows. The revisions comprise recognition of additional appropriation revenue (totalling \$9.6 million over four years) and expenses of the same amount, which reflect the increased costs of providing auditing services for bodies subject to the CAC Act, the increased auditing effort required to audit the Department of Defence and Defence Materiel Organisation, and the costs of conforming to the requirements of the Australia – United States Free Trade Agreement.

Basis of accounting

The agency budget statements are prepared in compliance with Australian Accounting Standards, Accounting Guidance Releases 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. A breakdown of revenues from government by outcome is provided in Figure 1 (page 67).

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, gains from the sale of ANAO assets and interest income. 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 respect of 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. Interest and 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, 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 interest due and receivable, goods and services input tax credits and other receivables as required by the Requirements and Guidance for the Preparation of Financial Statements of Commonwealth Agencies and Authorities.

Administered receivables represents audit fees due and payable by Commonwealth companies, authorities and agencies. The accrued revenue represents the value of audit work undertaken which has not been billed at balance date.

Non-financial assets

Purchases of infrastructure, plant and equipment are recognised initially at cost in the Statement of financial position, 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 of 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, Commonwealth 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 \$10.655 million and the establishment of a surplus space liability for an equivalent amount in the Statement of financial position. 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 \$5.33 million received from government in 1998–1999, a further \$0.713 million in 1999–2000 and repayment of \$1.114 million in 2002–2003.