



2

REPORT OVERVIEW

This section describes the Auditor-General's role and responsibilities, our vision and structure. The section also outlines our Outcomes-Output framework and presents a financial summary.

The Auditor-General's role and responsibilities

The Auditor-General, through the ANAO, provides an independent review of the performance and accountability of Australian Government 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, we aim 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* (the Act) 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 that symbolises the Auditor-General's independence and unique relationship with the Parliament. The Act also outlines the mandate and powers of the Auditor-General, as the external auditor of Australian Government 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 (JCPAA).

Vision

Our vision is to be an international leader in the provision of independent public sector audit and related services.

The two outcomes described below are directly related to our role and vision.

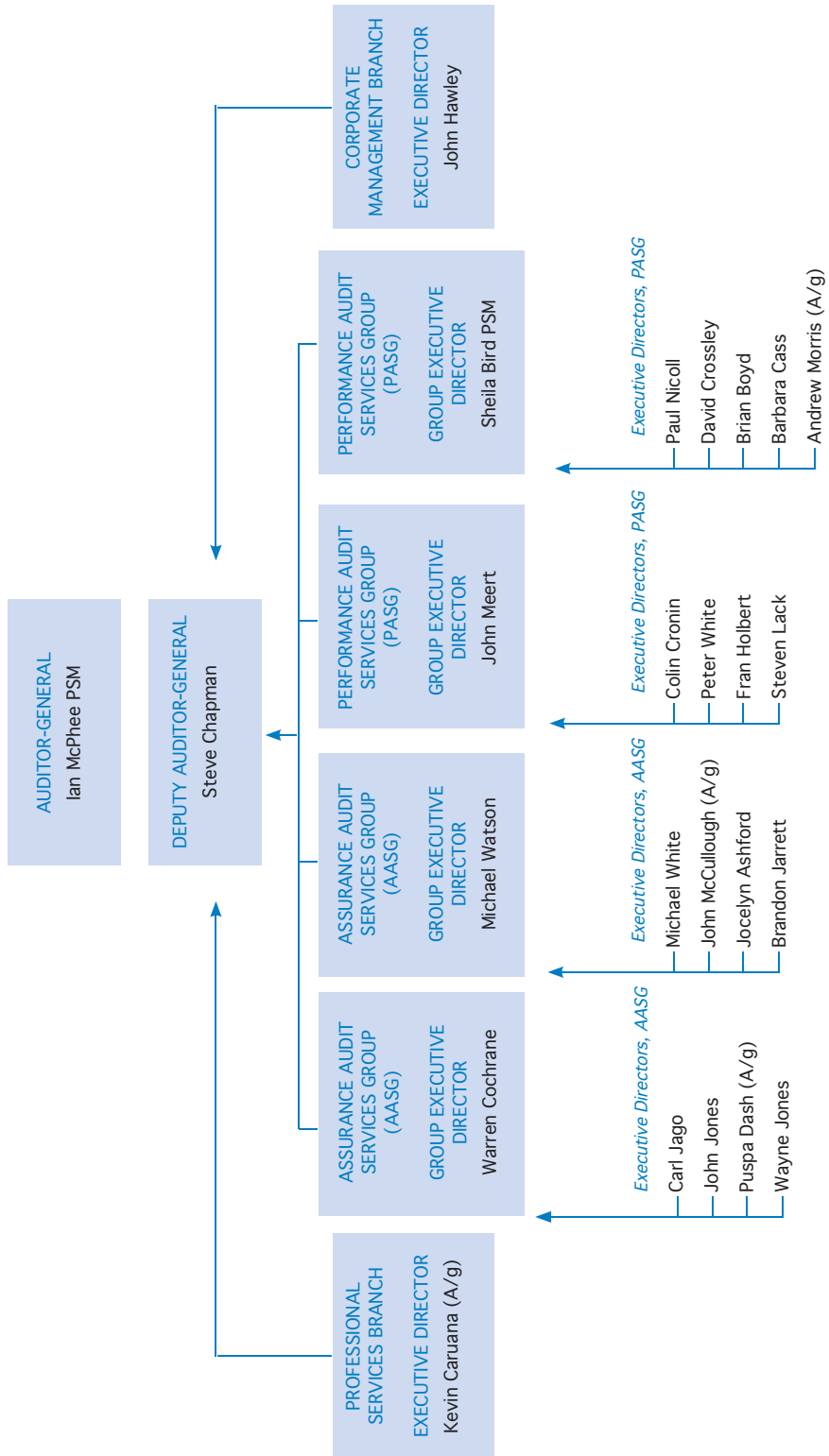
Improvement in public administration—independent assessment of the performance of selected Australian Government public sector activities including the scope for improving efficiency and administrative effectiveness.

Assurance—independent assurance of Australian Government public sector financial reporting, administration, control and accountability.

These outcomes will be met through the achievement and implementation of the objectives and strategies in four key result areas:

- our clients;
- our products and services;
- our people; and
- our business performance.

Figure 1: Organisation and senior management structure as at 30 June 2007





The Auditor-General Ian McPhee, with Deputy Auditor-General, Steve Chapman.

Organisation

We are organised into two Service Groups supported by a Corporate Management Branch and a Professional Services Branch. The Assurance Audit Services (AAS) Group provides independent assurance on the financial statements and financial administration of Australian Government public sector entities to the Parliament, the Executive, boards, chief executive officers and the public. The Performance Audit Services (PAS) Group contributes to improved public sector administration and accountability by adding value through a program of performance audits and related products.

The majority of our staff are located in Canberra, with a small regional office in Sydney. The organisation and senior management structure of the ANAO, as at 30 June 2007, is shown in Figure 1.

Outcome-output framework

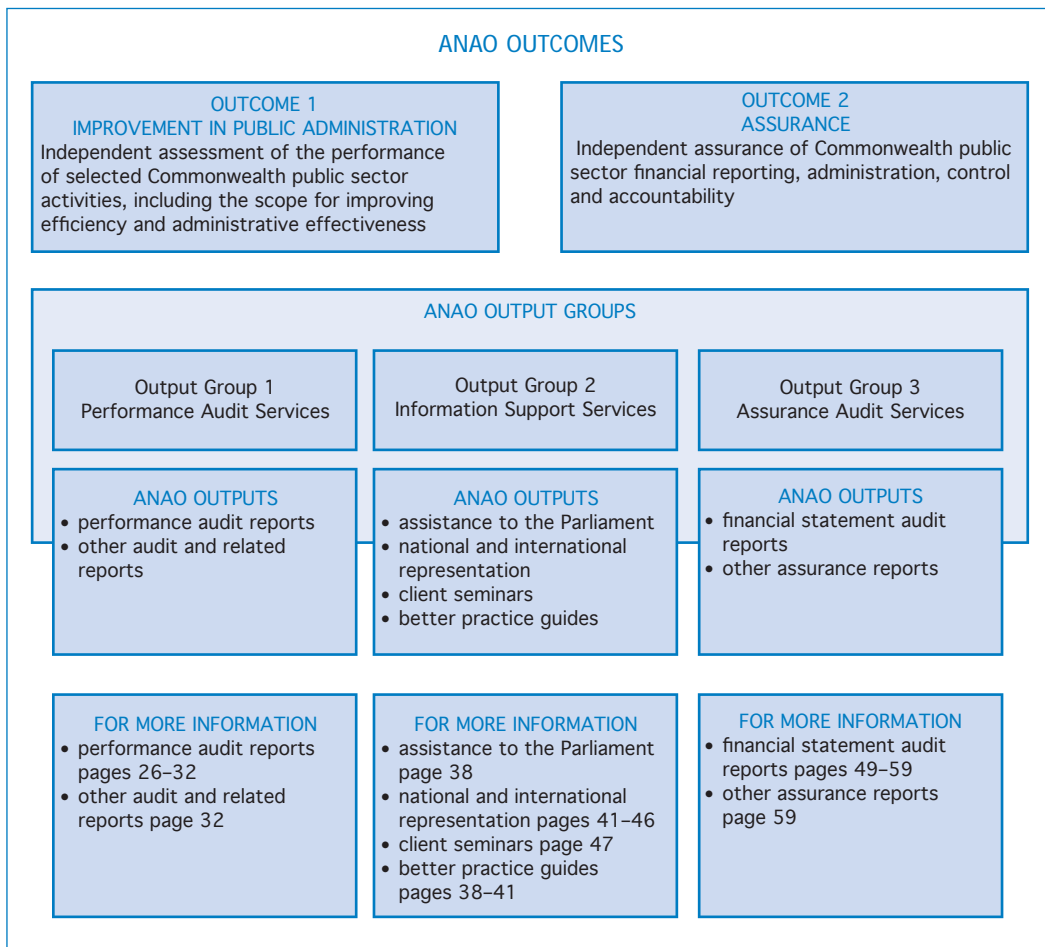
The following describes our Outcome-Output framework, as set out in the 2006-07 Portfolio Budget Statements (PBS). Figure 2 shows current outputs and their relationships through output groups to our outcomes.

The three output groups contribute in varying degrees to the achievement of our outcomes. The next major section of this report, 'Reporting on Performance', outlines each of our output

groups and details the performance of those groups in achieving the outcomes. The financial resources for 2006–07, on an outcome–output basis, are summarised in Table 1. Tables 2 and 3 detail the financial resources for each outcome.

Our financial statements for 2006–07 and a commentary on our financial performance for the financial year are set out at Appendix 2.

Figure 2: Outcome–output framework³



³ The ANAO’s 2006–07 PBS shows BSP and protective security audits in Output 3 Assurance Audit Services. As a result of a restructure in July 2006, BSP and protective security audits are now included in Output Group 1, Performance Audit Services because these audits are conducted under the performance audit provision of the *Auditor-General Act 1997* and a change in focus of these audits results in them contributing more to Outcome 1 than to Outcome 2.

Financial summary

The ANAO's overall financial position remained sound during 2006–07 as a result of continued prudent management. At the same time, we met our primary business targets, including the production of 58⁴ performance audit and audit related products, and the effective completion of our financial statement audit responsibilities.

The ANAO continues to have sufficient assets to meet ongoing liabilities and commitments, including employee entitlements and asset replacement. More detailed information on our financial position is outlined in the 2006–07 Financial Results Summary at Appendix 2.

The change in the financial results for 2006–07 compared with those for 2005–06 is primarily due to:

- a) increases in employee expenses flowing from the Workplace Agreement; and
- b) decreases in audit costs due to the Auditor-General resigning as the auditor of the Telstra Group during the year.

The ANAO's Independent Auditor found that our financial systems and controls were operating effectively and year-end financial statement preparation procedures were well organised and undertaken in an efficient and timely manner. Internal Audit coverage during the year also found that our control environment was sound.

The financial resources summary for the ANAO in 2006–07 is set out in Tables 1, 2 and 3.

⁴ Comprising: 45 performance audits; 5 business support process audits; 1 protective security audit; 4 better practice guides; 2 financial statement related reports; and 1 'triple bottom line' assurance report.

Resources for outcomes

Table 1: Financial resources summary

Summary—ANAO by outcome	\$'000 Actual 2006–07
Outcome 1	23,115
Outcome 2	40,467
Subtotal Outcomes	63,582
Revenue from other sources	(1,794)
TOTAL PRICE FOR OUTCOMES	61,788
Revenue from Government (Appropriation) for Departmental Outputs	64,046
Operating Surplus	2,258
	\$'000 Actual 2006–2007
Summary – By Output Group	
Output Group 1 (Performance Audit Services)	21,583
Output Group 2 (Information Support Services)	1,913
Output Group 3 (Assurance Audit Services)	40,086
Subtotal Outcomes	63,582
Revenue from other sources	(1,794)
TOTAL PRICE FOR OUTCOMES	61,788
Revenue from Government (Appropriation) for Departmental Outputs	64,046
Operating Surplus	2,258
Average Staffing Level	315

Table 2: Resources for Outcome 1

Outcome 1—Improvement in Public Administration				
	\$'000	\$'000	\$'000	\$'000
	Budget	Actual	Variance	Budget
	2006-07	2006-07 ⁵		2007-08
Price of Departmental Outputs				
Output Group 1 Performance Audit Services				
Output 1.1 Performance Audit Reports	19 556	21,583	(2 027)	21 700
Output 1.2 Other Audit and Related Reports	-	-	-	-
Subtotal Output Group 1	19 556	21 583	(2 027)	21 700
Output Group 2 (Information Support Services)				
Output 2.1 Assistance to the Parliament	561	357	204	520
Output 2.2 National and International Representation	193	428	(235)	180
Output 2.3 Client Seminars	-	-	-	-
Output 2.4 Better Practice Guides	1 044	747	297	1 600
Subtotal Output Group 2	1 798	1 532	266	2 300
Subtotal Output Groups	21 354	23,115	(1 761)	24 000
Revenue from other sources	(281)	(437)	156	(620)
TOTAL PRICE FOR OUTCOME 1	21 073	22 678	(1 605)	23 380
Revenue from Government (Appropriation) for Outputs	21 635	23 284	(1 649)	24 000

⁵ Subsequent to the 2006-07 Budget being brought down in May 2006, the ANAO incorporated Output Groups 3.2 Business Support Process Audits and 3.3 Protective Security Audits, into Performance Audit Reports (Output Group 1.1). As a result, the 2006-07 actual expenditure figures in the tables show a significant variance from the budgeted figure. The expenditure for Business Support Process Audits in 2006-07 was \$2.015 million compared with a budget in 2006-07 for Output Group 2.3 of \$1.721 million. The expenditure for Protective Security Audits in 2006-07 was \$0.271 million compared with a budget in Output Group 2.3 of \$0.200 million.

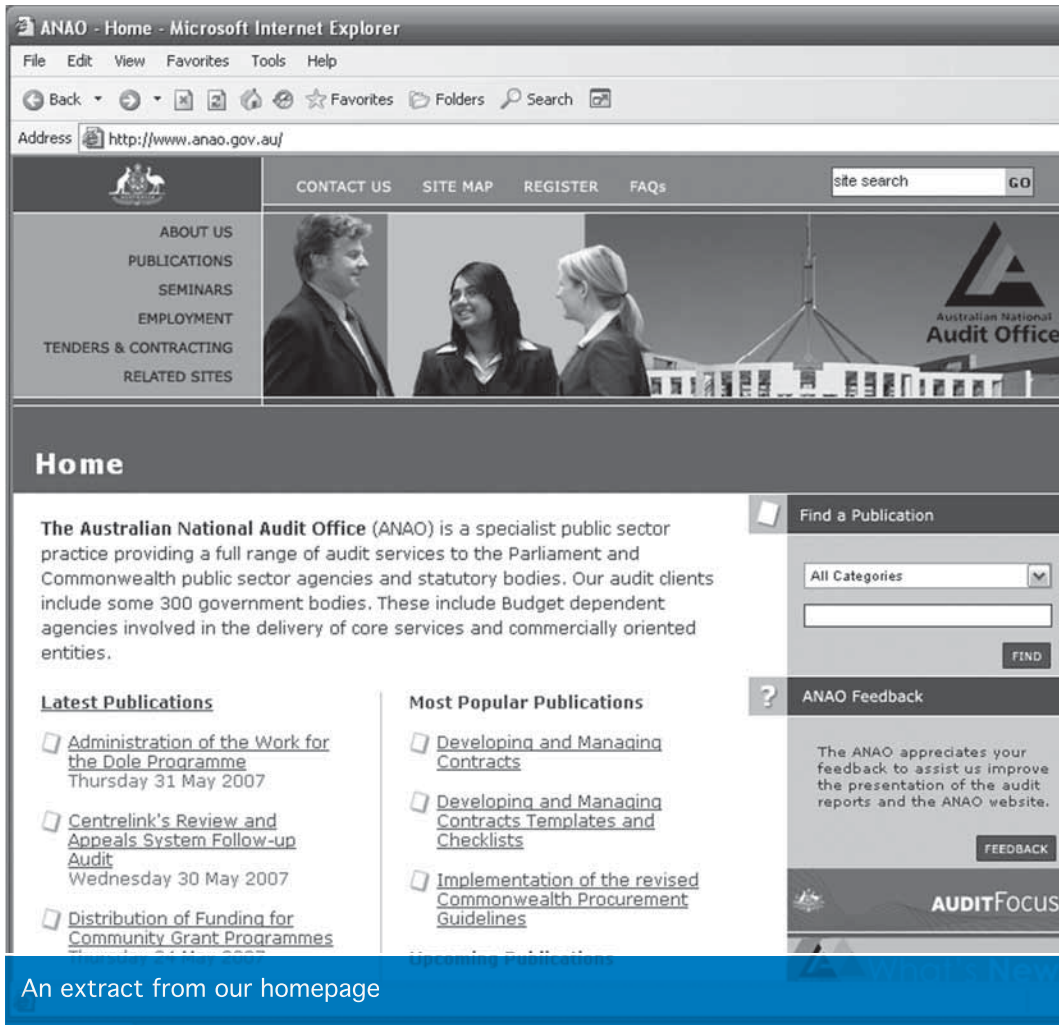
Table 3: Resources for Outcome 2

Outcome 2—Assurance	\$'000 Budget 2006–07	\$'000 Actual 2006–07	\$'000 Variance	\$'000 Budget 2007–08
Price of Departmental Outputs				
Output Group 2 (Information Support Services)				
Output 2.1 Assistance to the Parliament	48	27	21	100
Output 2.2 National and International Representation	90	321	(231)	390
Output 2.3 Client Seminars	10	33	(23)	-
Output 2.4 Better Practice Guides	250	-	250	-
Subtotal Output Group 2	398	381	17	490
Output Group 3 (Assurance Audit Services)				
Output 3.1 Financial Statement Audit Reports	38 559	38,155	404	38 180
Output 3.2 Business Support Process Audit Reports (incorporated into Outcome 1) ⁶	1 721	-	1 721	-
Output 3.3 Protective Security Audit Reports (incorporated into Outcome 1) ⁶	200	-	200	-
Output 3.2 Other Assurance Reports (formerly Output 3.4)	1 770	1,931	(161)	760
Subtotal Output Group 3	42 250	40,086	2 164	38 940
Subtotal Output Groups	42 648	40,467	2 181	39 430
Revenue from other sources	(1 036)	(1,357)	321	(1 553)
TOTAL PRICE FOR OUTCOME 2	41 612	39 110	2 502	37 877
Revenue from Government (Appropriation) for Outputs	43 684	40 762	2 922	39 430

⁶ *ibid.*

For more information

The ANAO website <<http://www.anao.gov.au>> has been updated and provides extensive information on the ANAO and our reports, and also provides links to other audit offices in Australia and internationally.



An extract from our homepage