

Appendix 2

2006–07 Financial results commentary and financial statements

2006–07 Financial results commentary

- Introduction
- Overview of financial performance
- Detailed analysis

2006–07 Financial Statements

- Independent Auditor's Report
- Statement by Auditor-General
- Income Statement
- Balance Sheet
- Statement of Cash Flows
- Schedule of Commitments
- Schedule of Administered Items
- Notes to and forming part of the Financial Statements

2006–07 Financial results commentary

Introduction

The Australian National Audit Office's operations are largely funded through parliamentary appropriations. Revenue is also received for the provision of audit related services, rental income and other miscellaneous sources, which under an arrangement pursuant to section 31 of the Financial Management and Accountability Act 1997, is accounted for as agency revenue and retained for use by the ANAO.

In accordance with section 14 of the *Auditor-General Act 1997*, we charge fees for the non-discretionary audit of financial statements of Commonwealth authorities and companies. The revenue received is accounted for as administered funds and paid directly into Consolidated Revenue.

Overview of financial performance

Our financial position strengthened during 2006–07 and we continue to have sufficient cash reserves to meet our ongoing commitments.

The following table provides a summary of our financial position.

Table A2–1: Summary of financial performance

Operating statement	2006–07 \$000	2005–06 \$000	Variance \$000	Variance %
Total operating revenues	65 840	65 316	524	0.8
Total operating expenses	63 582	64 133	(551)	(0.9)
Net Surplus	2 258	1 183	1 075	90.9
Balance Sheet				
Total assets	24 193	24 463	(270)	(1.1)
Total liabilities	18 177	20 859	(2 682)	(12.9)
Net assets	6 016	3 604	2 412	66.9
Equity	6 016	3 604	2 412	66.9

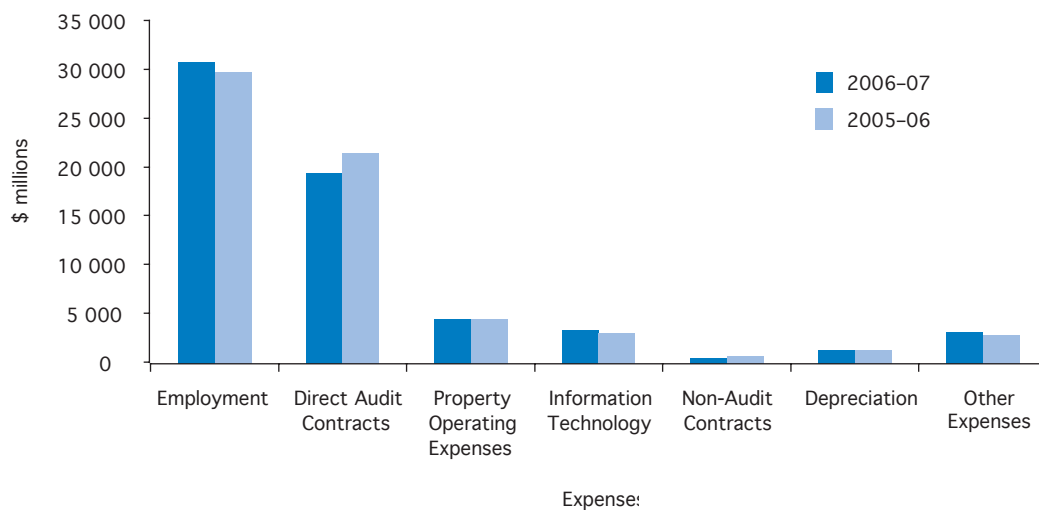
Detailed analysis

A detailed analysis of our financial performance is set out below.

Operating expenses

Total operating expenses for the year ended 30 June 2007 were \$63.582 million (0.9 per cent) less than for 2005-06. This decrease in costs is due mainly to audit related costs, which decreased by 10 per cent. The main reason for the decrease is due to the resignation of the Auditor-General as the auditor of Telstra Group during the year. Costs incurred until the resignation reduced the overall saving. A breakdown of total operating expenses into major expense categories is shown in Figure A2-1.

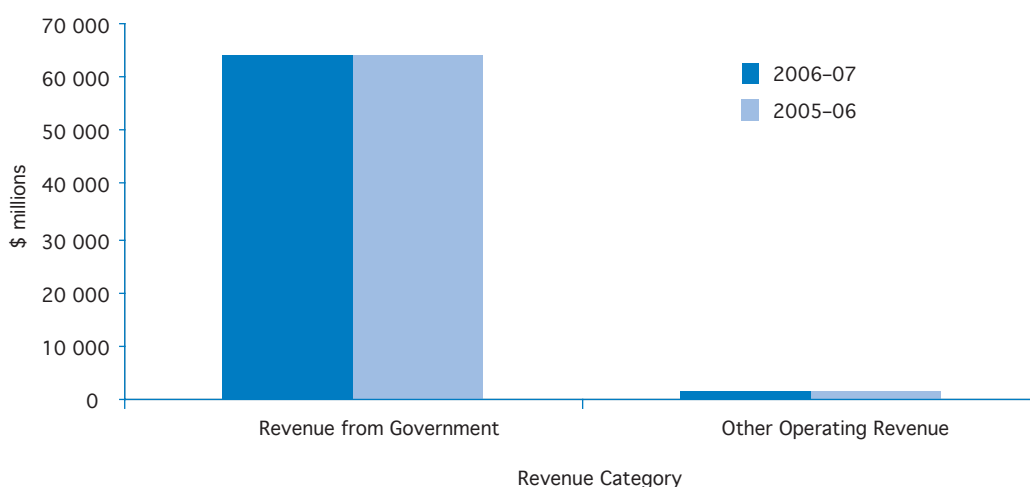
Figure A2-1: Operating expenses



Operating revenue

The increase in total operating revenues is due to the increase in independent revenues. Independent revenues increased by funds provided by the Australian Agency for International Development (AusAID) to assist with a project to develop the Indonesian Board of Audit's performance and financial audit capacity. A breakdown of operating revenue is provided in Figure A2-2.

Figure A2-2: Operating revenue



Balance sheet summary

Our balance sheet position remains sound. The operating surplus of \$2.258 million, as well as continued tight management of balance sheet items, has resulted in an improvement in the accumulated deficit and equity position, which stands at \$6.016 million (2005-06: \$3.604 million).

Total assets decreased due to a decreased level in infrastructure, plant and equipment. This decrease is due to continued depreciation of these assets in line with the estimated useful lives.

The decrease in liabilities was predominantly due to the continued write-off of the lease liability that was recorded to account for operating lease expenditure on a straight-line basis on the adoption of Australian Equivalents to International Financial Reporting Standards. There was a minor increase in employee entitlements in line with increases in pay rates from our Workplace Agreement.

Administered funds financial summary

Audit fees billed to Commonwealth authorities and companies for non-discretionary audit work have decreased from 2005-06. The decrease is explained by the resignation of the Auditor-General as the auditor of Telstra Group. Table A2-2 details the administered financial results.

Table A2-2: Administered funds

Administered Revenue and Expenses	2006-07 \$000	2005-06 \$000
Sale of goods and services	10 217	13 153
Cash transferred to the Official Public Account	11 452	11 762
Administered Assets and Liabilities		
Financial Assets	3 303	4 570
Equity and liabilities	3 303	4 570

Net outlays to Government

We received appropriations totalling \$64.002 million (2005-06: \$63.866 million) and generated \$10.217 million in the sale of goods and services, the net outlay by Government was \$53.785 million (2005-06: \$50.713 million).