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REPORT OVERVIEW

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

The ANAO 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.



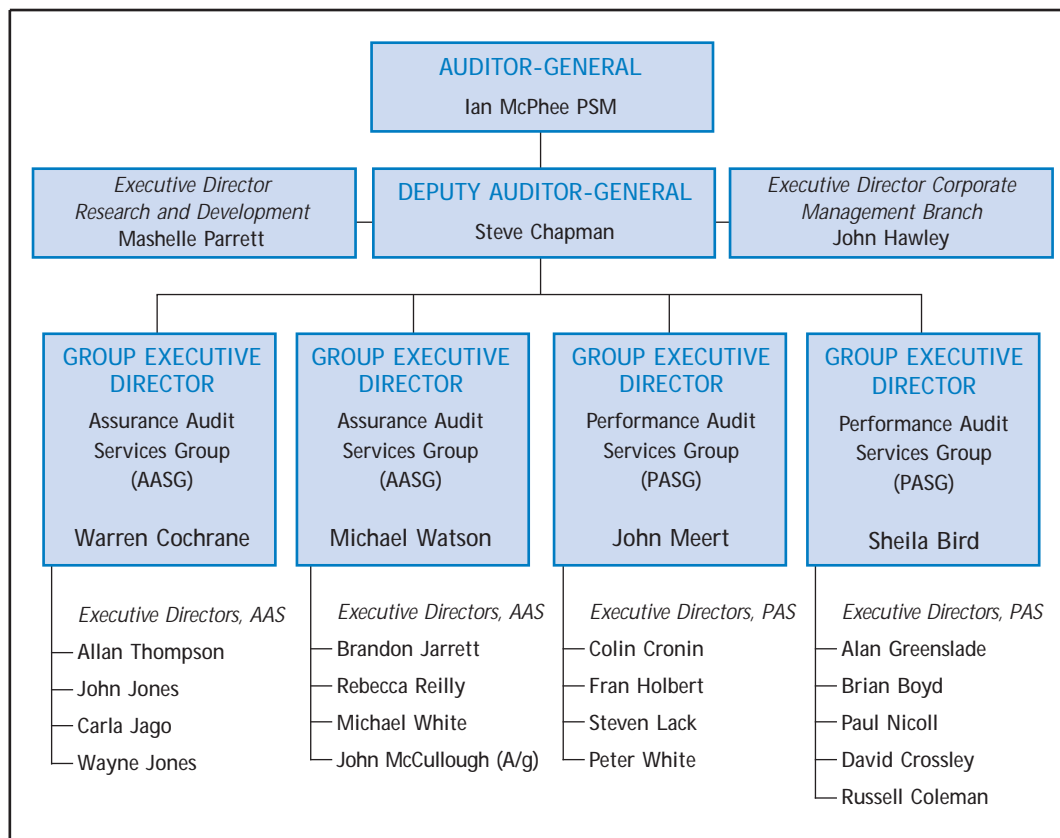
The Auditor-General Ian McPhee, with Steve Chapman, the Deputy Auditor-General.

ORGANISATION

The ANAO is organised internally into two services groups supported by a Corporate Management Branch and a Research and Development Branch. The Assurance Audit Services Group (AASG) 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. AASG contributes to improved financial management and public accountability through the timely delivery of cost-effective assurance audit services. The Performance Audit Services Group (PASG) contributes to improved public sector administration and accountability by adding value through an effective program of performance audits and related products.

The majority of ANAO staff are located in Canberra with a small regional office in Sydney. The organisation and senior management structure of the ANAO, as at 1 July 2006, is shown in Figure 1.

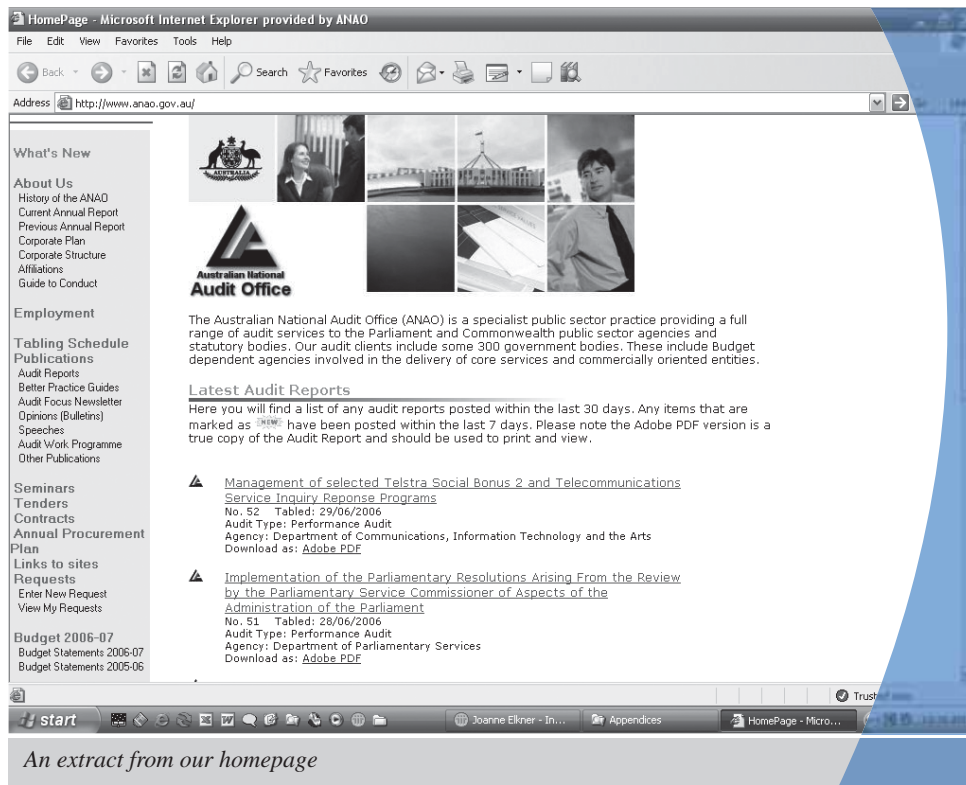
FIGURE 1: ORGANISATION AND SENIOR MANAGEMENT STRUCTURE AS AT 1 July 2006¹



¹ There was a minor organisational change commencing 1 July 2006 that largely affected branch arrangements in PASG. The new arrangements are reflected in this diagram.

FOR MORE INFORMATION

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



An extract from our homepage

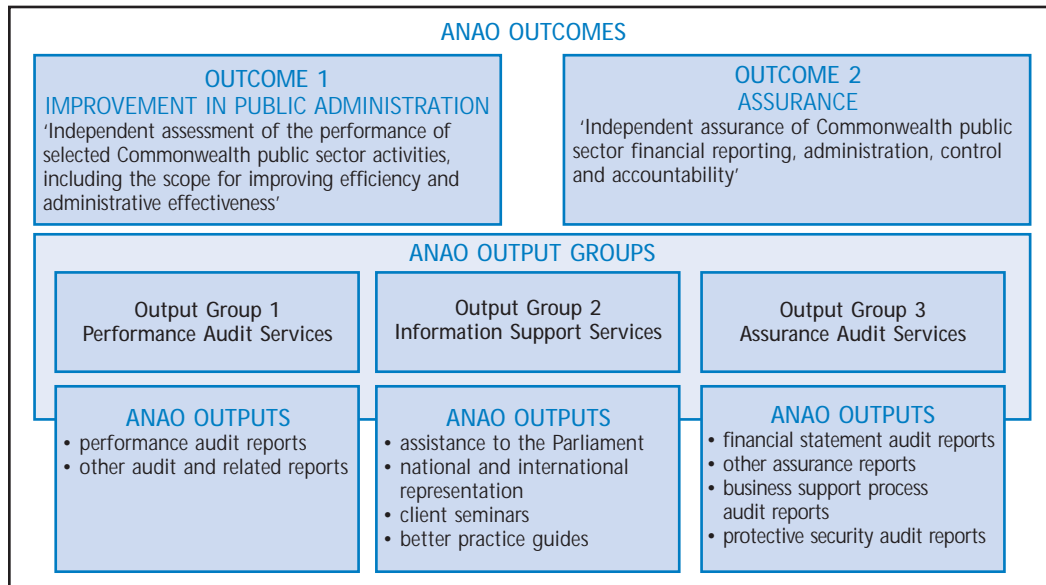
THE ANAO'S OUTCOME-OUTPUT FRAMEWORK

The following explanation relates the Outcome-Output framework, as set out in the ANAO 2005–2006 Portfolio Budget Statements (PBS), to the actual achievement for the year. 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 2005–2006, on an outcome–output basis, are summarised in Table 1. Tables 2 and 3 detail the financial resources for each outcome.

The ANAO's financial statements for 2005–2006 are set out at Appendix 2, which also includes a commentary on our financial performance for the financial year.

FIGURE 2: THE ANAO'S OUTCOME-OUTPUT FRAMEWORK



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FINANCIAL SUMMARY

The ANAO's overall financial position remained sound during 2005-2006 as a result of continued prudent management. At the same time, the ANAO has met its primary business targets, including the production of 57² performance audit and audit related products, and the effective completion of its 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 2005-2006 Financial Results Summary at Appendix 2.

The change in the financial results for 2005-2006 compared with those for 2004-2005 is primarily due to:

- (a) increases in employee expenses flowing from the then Certified Agreement; and
- (b) increases in direct audit costs due to the rising costs within the accounting labour market, increased financial statement auditing within the Department of Defence and the auditing of the adoption of the Australian Equivalents to the International Reporting Standards by Australian Government public sector entities.

² Comprising: 46 performance audits; 3 business support process audits; 1 protective security audit; 3 better practice guides; 2 financial statement related reports; and 2 triple bottom line reports.

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 2005–2006 is set out in the tables below.

RESOURCES FOR OUTCOMES

TABLE 1: FINANCIAL RESOURCES SUMMARY

Summary—ANAO by outcome	\$'000
	Actual
	2005–2006
Outcome 1	20 807
Outcome 2	43 326
Subtotal Outcomes	64 133
Revenue from other sources	(1 450)
TOTAL PRICE FOR OUTCOMES	62 683
Revenue from Government (Appropriation) for Departmental Outputs	63 866
Operating Surplus	1 183
Summary – By Output Group	\$'000
	Actual
	2005–2006
Output Group 1 (Performance Audit Services)	19 136
Output Group 2 (Information Support Services)	2 426
Output Group 3 (Assurance Audit Services)	42 571
Subtotal Outcomes	64 133
Revenue from other sources	(1 450)
TOTAL PRICE FOR OUTCOMES	62 683
Revenue from Government (Appropriation) for Departmental Outputs	63 866
Operating Surplus	1 183
Average Staffing Level	313

TABLE 2: RESOURCES FOR OUTCOME 1

Outcome 1—Improvement in Public Administration

	\$'000 Budget 2005–2006	\$'000 Actual 2005–2006	\$'000 Variance	\$'000 Budget 2006–2007
Price of Departmental Outputs				
Output 1.1 Performance Audit Reports	19 426	19 136	286	19 556
Output 1.2 Other Audit and Related Reports	-	-	-	-
Subtotal Output Group 1	19 426	19 136	286	19 556
Output Group 2 (Information Support Services)				
Output 2.1 Assistance to the Parliament	570	444	128	561
Output 2.2 National and International Representation	210	168	43	193
Output 2.3 Client Seminars	-	-	-	-
Output 2.4 Better Practice Guides	951	1 059	(111)	1 044
Subtotal Output Group 2	1 731	1 671	60	1 798
Output Group 3 (Assurance Audit Services)				
Output 3.1 Financial Statement Audit Reports	-	-	-	-
Output 3.2 Business Support Process Audit Reports	-	-	-	-
Output 3.3 Protective Security Audit Reports	-	-	-	-
Output 3.4 Other Attest Reports	-	-	-	-
Subtotal Output Group 3	-	-	-	-
Subtotal Output Groups	21 157	20 807	346	21 354
Revenue from other sources	(281)	(285)	4	(281)
TOTAL PRICE FOR OUTCOME 1	20 876	20 522	350	21 073
Revenue from Government (Appropriation) for Outputs	21 157	20 684	473	21 354



TABLE 3: RESOURCES FOR OUTCOME 2

Outcome 2—Assurance

	\$'000 Budget 2005–2006	\$'000 Actual 2005–2006	\$'000 Variance	\$'000 Budget 2006–2007
Price of Departmental Outputs				
Output Group 1 (Performance Audit Services)				
Output 1.1 Performance Audit Reports	-	-	-	-
Output 1.2 Other Audit and Related Reports	-	-	-	-
Subtotal Output Group 1	-	-	-	-
Output Group 2 (Information Support Services)				
Output 2.1 Assistance to the Parliament	42	59	(16)	48
Output 2.2 National and International Representation	96	149	(53)	90
Output 2.3 Client Seminars	8	16	(5)	10
Output 2.4 Better Practice Guides	500	531	(33)	250
Subtotal Output Group 2	646	755	(107)	398
Output Group 3 (Assurance Audit Services)				
Output 3.1 Financial Statement Audit Reports	38 175	39 255	(1 086)	38 559
Output 3.2 Business Support Process Audit Reports	1 965	1 565	400	1 721
Output 3.3 Protective Security Reports	189	70	120	200
Output 3.4 Other Attest Reports	1 723	1 681	(117)	1 770
Subtotal Output Group 3	42 052	42 571	(683)	42 250
Subtotal Output Groups	42 698	43 326	(790)	42 648
Revenue from other sources	(1 003)	(1 165)	162	(1 036)
TOTAL PRICE FOR OUTCOME 2	41 049	42 161	(628)	41 612
Revenue from Government (Appropriation) for Outputs	42 698	43 182	(484)	42 648