

Financial statements

National Residue Survey 2007–2008



Australian Government

Department of Agriculture, Fisheries and Forestry

Department of Agriculture, Fisheries and Forestry
National Residue Survey
Financial Statements
For the year ended 30 June 2008

Statement by the Chief Executive and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2008 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Handwritten signature of Conall O'Connell in black ink.

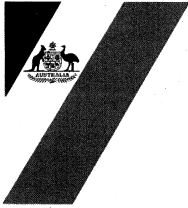
Conall O'Connell
Chief Executive

29 August 2008

Handwritten signature of William J Pahl in black ink.

William J Pahl
Chief Finance Officer

29 August 2008



INDEPENDENT AUDITOR'S REPORT

To the Minister for Agriculture, Fisheries and Forestry

Scope

I have audited the accompanying financial statements of the National Residue Survey for the year ended 30 June 2008, which comprise: a Statement by the Chief Executive and Chief Finance Officer; Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments, Schedule of Contingencies and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

The Responsibility of the Chief Executive for the Financial Statements

The Department of Agriculture, Fisheries and Forestry's Chief Executive is responsible for the preparation and fair presentation of the financial statements of the National Residue Survey in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the National Residue Survey's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Residue Survey's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial statements of the National Residue Survey:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the National Residue Survey's financial position as at 30 June 2008 and its financial performance and its cash flows for the year then ended.

Australian National Audit Office



Alana Foster
Executive Director

Delegate of the Auditor-General
Canberra
29 August 2008

**NATIONAL RESIDUE SURVEY
INCOME STATEMENT**

for the period ended 30 June 2008

	Notes	2007-08 \$'000	2006-07 \$'000
INCOME			
Revenue			
Revenue from Government	3A	754	675
Sale of goods and rendering of services	3B	119	124
Taxes, levies, fees and charges	3C	9 140	7 299
Interest	3D	966	745
Other revenue	3E	260	277
Total revenue		11 239	9 120
Gains			
Other gains	3F	302	323
Total gains		302	323
Total income		11 541	9 443
EXPENSES			
Employee benefits	4A	1 558	1 526
Suppliers	4B	5 680	5 136
Grants	4C	1 026	834
Depreciation and amortisation	4D	6	55
Finance costs	4E	-	2
Write-down and impairment of assets	4F	-	1
Net losses from sale of assets	4G	9	-
Industry equalisation account adjustments	4H	3 258	1 816
Total expenses		11 537	9 370
Surplus (Deficit)		4	73
Net Surplus or (Deficit) attributable to the Australian Government		4	73

The above statement should be read in conjunction with the accompanying notes.

NATIONAL RESIDUE SURVEY

BALANCE SHEET

as at 30 June 2008

	Notes	2007-08 \$'000	2006-07 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A, 10	-	-
Trade and other receivables	5B	1 680	2 279
Investments	5C	15 700	11 900
Accrued revenue	5D	1 024	782
Total financial assets		18 404	14 961
Non-Financial Assets			
Property, plant and equipment	6A, 6B	44	25
Inventories	6C	20	50
Intangibles	6D, 6E	2	2
Other non-financial assets	6F	1	-
Total non-financial assets		67	77
Total Assets		18 471	15 038
LIABILITIES			
Payables			
Suppliers	7A	81	46
Other payables	7B	17 402	13 822
Total payables		17 483	13 868
Provisions			
Employee provisions	8A	422	606
Total provisions		422	606
Interest Bearing Liabilities			
Leases	9	8	10
Total interest bearing liabilities		8	10
Total Liabilities		17 913	14 484
NET ASSETS		558	554
EQUITY			
Contributed equity		158	158
Reserves		2	2
Retained surpluses		398	394
Total Equity		558	554
Current assets		18 425	15 011
Non-current assets		46	27
Current liabilities		17 864	14 396
Non-current liabilities		49	88

The above statement should be read in conjunction with the accompanying notes.

**NATIONAL RESIDUE SURVEY
STATEMENT OF CHANGES IN EQUITY**
as at 30 June 2008

	Retained Earnings 2007-08 \$'000	2006-07 \$'000	Asset Revaluation Reserves 2007-08 \$'000	2006-07 \$'000	Other Reserves 2007-08 \$'000	2006-07 \$'000	Contributed Equity/Capital 2007-08 \$'000	2006-07 \$'000	Total Equity 2007-08 \$'000	2006-07 \$'000
Opening Balance as at 1 July										
Balance carried forward from previous period	394	321	2	2	-	-	158	158	554	481
Adjustment for errors	-	-	-	-	-	-	-	-	-	-
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjusted opening balance	394	321	2	2	-	-	158	158	554	481
Income and Expense										
Revaluation adjustment	-	-	-	-	-	-	-	-	-	-
Income and expenses recognised directly in equity										
Surplus (Deficit) for the period	4	73	-	-	-	-	-	-	4	73
Total income and expenses recognised directly in equity	4	73	-	-	-	-	-	-	4	73
Transactions with Owners										
<i>Distributions to Owners</i>										
Returns on capital	-	-	-	-	-	-	-	-	-	-
Returns of capital	-	-	-	-	-	-	-	-	-	-
Restructuring	-	-	-	-	-	-	-	-	-	-
<i>Contributions by Owners</i>										
Appropriation (equity injection)	-	-	-	-	-	-	-	-	-	-
Restructuring	-	-	-	-	-	-	-	-	-	-
Sub-total transactions with owners	-	-	-	-	-	-	-	-	-	-
Transfers between equity components										
Closing balance as at 30 June attributable to the Australian Government	398	394	2	2	-	-	158	158	558	554

The above statement should be read in conjunction with the accompanying notes.

NATIONAL RESIDUE SURVEY

CASH FLOW STATEMENT

for the period ended 30 June 2008

	Notes	2007-08 \$'000	2006-07 \$'000
OPERATING ACTIVITIES			
Cash Received			
Goods and services		9 200	9 111
Appropriations		754	675
Interest		800	712
Net GST received		417	397
Net cash transferred from the Official Public Account		601	-
Other cash received		260	277
Total cash received		12 032	11 172
Cash Used			
Employees		1 741	1 494
Suppliers		5 429	5 250
Grants		1 026	834
Financial		-	2
Net cash transferred to the Official Public Account		-	2 223
Other cash used		-	1 816
Total cash used		8 196	11 619
Net cash flows from or (used by) operating activities	10	3 836	(447)
INVESTING ACTIVITIES			
Cash Received			
Total cash received		-	-
Cash Used			
Purchase of property, plant and equipment		33	3
Purchase of intangibles		1	-
Purchase of financial instruments under section 39 FMA Act		3 800	-
Total cash used		3 834	3
Net cash flows from or (used by) investing activities		(3 834)	(3)
FINANCING ACTIVITIES			
Cash Received			
Total cash received		-	-
Cash Used			
Repayment of borrowings		2	22
Total cash used		2	22
Net cash flows from or (used by) financing activities		(2)	(22)
Net increase (decrease) in cash held		-	(472)
Cash at the beginning of the reporting period		-	472
Cash and cash equivalents at the end of the reporting period	10	-	-

The above statement should be read in conjunction with the accompanying notes.

**NATIONAL RESIDUE SURVEY
SCHEDULE OF COMMITMENTS**

as at 30 June 2008

	2007-08 \$'000	2006-07 \$'000
BY TYPE		
Commitment receivable		
Research and development	-	18
GST recoverable on commitments	1 142	372
Total commitments receivable	1 142	390
Other Commitments		
Operating leases ¹	190	33
Project commitments ²	1 950	125
Goods and services contracts ³	11 006	4 192
Other commitments ⁴	-	28
GST payable on commitments	-	2
Total other commitments	13 146	4 380
Net commitments by type	12 004	3 990
BY MATURITY		
Commitments receivable		
Other commitments receivable		
One year or less	444	332
From one to five years	698	58
Total other commitments receivable	1 142	390
Commitments payable		
Operating Lease Commitments		
One year or less	114	18
From one to five years	76	15
Total operating lease commitments	190	33
Other Commitments		
One year or less	4 969	3 727
From one to five years	7 987	620
Total other commitments	12 956	4 347
Net commitments by maturity	12 004	3 990

NB: Commitments are GST inclusive where relevant.

¹ Operating Leases included are effectively non-cancellable and comprise:

Leases for motor vehicles for operations.	NRS is a party to a tied contract for the provision on vehicles. No contingent rentals exist. An individual fixed rate is defined for each sub-agreement (vehicle). Retention of the vehicle past the expiry date will result in a new lease sub-agreement.
Leases for office equipment.	There are no purchases or renewal options on these leases. The lease contains a clause allowing increases in line with CPI.

² Project Commitments recognise contractual obligations in relation to achieving departmental outcomes.

³ Goods and services commitments comprise contractual obligations of NRS and include the provision of Legal Services and IT Services.

⁴ Other commitments include procurement of insurance, hire of facilities, international association subscriptions, etc.

The above statement should be read in conjunction with the accompanying notes.

NATIONAL RESIDUE SURVEY
SCHEDULE OF CONTINGENCIES
as at 30 June 2008

There were no quantifiable contingencies in 2007-08 (2006-07: Nil).

The above statement should be read in conjunction with the accompanying notes.

NATIONAL RESIDUE SURVEY
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2008

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NATIONAL RESIDUE SURVEY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2008

NOTE 1: Objectives of the National Residue Survey

The National Residue Survey (NRS) is a Special Account and separate reporting entity within the Department of Agriculture, Fisheries and Forestry (the Department), which is an Australian Public Service organisation.

The NRS was established under the *National Residue Survey Administration Act 1992* (Cwlth) for the purpose of monitoring and reporting the level of contaminants in food, inputs to production and/or the environment. NRS provides services to participating primary industries related to the monitoring and prevention of chemical residues in products from those industries. NRS services support export and domestic market access for animal and plant products of participating industries:

- through the delivery of technically sound risk-based residue testing programs that are structured to meet market requirements within a specified budget
- through the provision of scientific advice to relevant stakeholders on residues and the management of residue-related issues.

NRS contributes to the outcome of the Department . The Departmental Outcome is as follows:

- Australian agricultural, fisheries and forestry industries that are based on sustainable management of and access to natural resources, are more competitive, self-reliant and innovative, have increased access to markets, are protected from disease and are underpinned by scientific advice and economic research.

NRS' activities are identified through the Department's Outcome and contribute to one Output, being:

- Product integrity, animal (including aquatic animal) and plant health.

As an entity within the Department, continuation of NRS in its present form and with its present programs is dependent on government policy and on continuing appropriations by parliament for NRS' administration and programs.

NOTE 2: Summary of significant accounting policies

2.1 Basis of preparation of the financial statements

The financial statements and notes are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements and notes have been prepared in accordance with:

- Finance Minister's Orders (FMOs), being the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 1 July 2007)*
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets, are at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2008

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when, and only when, it is probable that future economic benefits will flow to NRS and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrealised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or remote contingencies, which are reported at Note 17).

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when, and only when, the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

2.2 Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, NRS has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer. In some instances, NRS' buildings are purpose-built and may in fact realise more or less in the market.
- The cost of making good property leased by NRS has been based on estimates of completing such remedial work. In some instances the actual cost to complete make-good work may not match estimated costs.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

2.3 Statement of compliance

i. Adoption of new Australian Accounting Standard requirements

In the current period no accounting standard has been adopted earlier than its effective date.

The following new standard is applicable to the current reporting period.

Financial Instrument Disclosure

AASB 7 Financial Instruments: Disclosure is effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general, AASB 7 requires greater disclosure than previously required. Associated with the introduction of AASB 7, some accounting standards were amended to reference the new standard or remove the present disclosure requirements through *2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]*. These changes have no financial impact but will affect disclosure in future financial reports

The following new standards, amendments to standards or interpretations for the current financial year have no material financial impact on NRS.

2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments Erratum; Proportionate Consolidation

2007-7 Amendments to Australian Accounting Standards

NATIONAL RESIDUE SURVEY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2008

UIG Interpretations 11 AASB 2 – *Group and Treasury Share Transactions and 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretations 11 AASB 101 Presentation of Financial Statements (issued October 2006)*

AASB 1048 *Interpretation and Application of Standards (reissued September 2007)*

AASB 2005-10 *Amendments to Australian Accounting Standards (AASB 1.4, 101, 114, 117, 132, 133, 139, 1023, 1038)*

AASB 2007-5 *Amendments to Australian Accounting Standard - Inventories Held for Distribution by Not-for-Profit Entities (AASB 102)*

AASB 2008-4 *Amendments to Australian Accounting Standard - Key Management Personnel Disclosures by Disclosing Entities (AASB 124)*

AASB Interpretation 10 *Interim Financial Reporting and Impairment*

AASB Interpretation 1003 *Australian Petroleum Resource Rent Tax*

ii. *Future Australian Accounting Standard requirements*

The following new standards, amendments to standards or interpretations have been issued by the AASB but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

AASB Interpretation 12 *Service Concession Arrangements* and 2007-2 *Amendments to Australian Accounting Standards arising from AASB Interpretation 12*

AASB 8 *Operating Segments* and 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*

2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*

AASB Interpretation 13 *Customer Loyalty Programmes*

AASB Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

AASB 1050 *Administered Items*

AASB 1052 *Disaggregated Disclosures*

AASB 3 *Business Combinations*

AASB 101 *Presentation of Financial Statements (issued September 2007)*

AASB 123 *Borrowing Costs*

**NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the period ended 30 June 2008

AASB 127 Consolidated and Separate Financial Statements

AASB 1004 Contributions

AASB 1051 Land Under Roads

AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123

AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 (AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137)

AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (AASB 2)

AASB 2008-2 Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation (AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2)

AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107)

AASB Interpretation 129 Service Concession Arrangements Disclosures

AASB Interpretation 1038 Contributions by Owners Made To Wholly-Owned Public Sector Entities

iii. Other

The following standards and interpretations have been issued but are not applicable to the operations of NRS.

AASB 1049 Whole of Government and General Government Sector Financial Reporting
AASB 1049 specifies the reporting requirements for the General Government Sector, and therefore, has no effect on NRS' financial statements.

2.4 Revenue

i. Revenue from Government

Amounts appropriated for departmental outputs appropriations for the year (adjusted for any formal additions or reductions) are recognised as revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2008

ii. Resources received free of charge

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Resources received free of charge are recognised as revenue where they have been generated in the course of ordinary activity, can be reliably measured and the resources would have been purchased if they had not been provided free of charge. Use of those resources is recognised as an expense.

iii. Other types of revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer
- the seller retains no managerial involvement nor effective control over the goods
- the revenue and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured
- the probable economic benefits from the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services are recognised at the nominal amounts due less any allowance for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provision is made when collectability of the debt is no longer probable.

Levies are collected by the Department on behalf of industry and are disbursed to NRS' special account. The levels of levy revenue and disbursement during the year are monitored by the Department with reference to production forecasts prepared by the Australian Bureau of Agricultural and Resource Economics and the Australian Bureau of Statistics which are refined progressively during the production year. Levy revenues and disbursements have been accounted for on an accrual basis.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments Recognition and Measurement*.

2.5 Gains

i. Other resources received free of charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the resources would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements. Restructuring is addressed in Note 2.6.