



Financial Statements

National Residue Survey 2005–2006




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 2006

Statement by the Chief Executive and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2006 have been prepared 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.

Signed 
Joanna Hewitt
Chief Executive

1st September 2006

Signed 
Vanessa Berry
A/g Chief Finance Officer

1st September 2006



INDEPENDENT AUDIT REPORT

To the Minister for Agriculture, Fisheries and Forestry

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of the National Residue Survey for the year ended 30 June 2006. The Department's Chief executive is responsible for the integrity of both the annual report and the web site.

The audit report refers only to the financial statements, schedules and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If the users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the National Residue Survey's annual report.

Scope

The financial statements and the Chief Executive's responsibility

The financial statements comprise:

- Statement by the Chief Executive and Chief Finance Officer;
- Income Statement, Balance Sheet and Cash Flow Statement;
- Statement of Changes in Equity;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

of the National Residue Survey for the year ended 30 June 2006.

The Department of Agriculture, Fisheries and Forestry's Chief Executive is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the National Residue Survey, and that comply with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and Accounting Standards and other mandatory financial reporting requirements in Australia. The Department's Chief Executive is also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit Approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective

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

testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the National Residue Survey's financial position, and of its financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Chief Executive.

Independence

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

Audit 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*; and
- (b) give a true and fair view of the National Residue Survey's financial position as at 30 June 2006 and of its performance and cash flows for the year then ended, in accordance with:
 - (i) the matters required by the Finance Minister's Orders; and
 - (ii) applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



Michael J. Watson
Group Executive Director

Delegate of the Auditor-General
Canberra
1 September 2006

**NATIONAL RESIDUE SURVEY
INCOME STATEMENT**
for the year ended 30 June 2006

	Notes	2005-06 \$'000	2004-05 \$'000
Income			
Revenue			
Revenues from Government	4A	1 569	719
Goods and services	4B	6 245	7 882
Interest	4C	690	722
Other revenue	4D	289	308
Industry equalisation account adjustments	4E	77	-
Total Revenue		<u>8 870</u>	<u>9 631</u>
Gains			
Other gains	5A	281	277
Total Gains		<u>281</u>	<u>277</u>
Total Income		<u>9 151</u>	<u>9 908</u>
Expenses			
Employees	6A	1 550	1 549
Suppliers	6B	7 510	8 121
Depreciation and amortisation	6C	59	49
Finance expenses	6D	3	2
Net losses from sale of assets	6E	-	65
Total Expenses		<u>9 122</u>	<u>9 786</u>
Operating result from continuing operations		<u>29</u>	<u>122</u>
Net Surplus or (Deficit) Attributable to the Australian Government		<u>29</u>	<u>122</u>

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

NATIONAL RESIDUE SURVEY

BALANCE SHEET

as at 30 June 2006

	Notes	2005-06 \$'000	2004-05 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	7, 19	472	-
Receivables	8	72	358
Investments	9	11 900	12 300
Accrued revenue	10	612	559
Total financial assets		13 056	13 217
Non-Financial Assets			
Infrastructure, plant and equipment	11, 15	44	62
Inventories	12	72	68
Intangibles	13, 15	33	68
Other non-financial assets	14	-	1
Total non-financial assets		149	199
Total Assets		13 205	13 416
LIABILITIES			
Payables			
Suppliers	16A	62	184
Other	16B	12 055	12 234
Total payables		12 117	12 418
Provisions			
Employees	17	577	499
Total provisions		577	499
Interest Bearing Liabilities			
Leases	18	30	47
Total interest bearing liabilities		30	47
Total Liabilities		12 724	12 964
NET ASSETS		481	452
EQUITY			
Contributed equity		158	158
Reserves		2	2
Retained surpluses or (accumulated deficits)		321	292
Total Equity		481	452
Current assets		13 127	13 286
Non-current assets		78	130
Current liabilities		12 352	12 559
Non-current liabilities		372	405
Net assets		481	452

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

**NATIONAL RESIDUE SURVEY
STATEMENT OF CASH FLOWS**
for the year ended 30 June 2006

	Notes	2005-06 \$'000	2004-05 \$'000
OPERATING ACTIVITIES			
Cash Received			
Goods and services		6 338	6 968
Appropriations		1 569	719
Interest		719	765
Net GST received from the Australian Taxation Office		432	588
Other receipts		283	42
Total cash received		9 341	9 082
Cash Used			
Employees		1 475	1 669
Suppliers		7 750	8 536
Financial		3	2
GST paid to the Australian Taxation Office		18	2
Total cash used		9 246	10 209
Net cash from or (used by) operating activities	19	95	(1 127)
INVESTING ACTIVITIES			
Cash Received			
Proceeds from financial instruments under section 39 FMA Act		400	1 200
Total cash received		400	1 200
Cash Used			
Purchase of infrastructure, plant and equipment		2	-
Total cash used		2	-
Net cash from or (used by) investing activities		398	1 200
FINANCING ACTIVITIES			
Total cash received			
		-	-
Cash Used			
Repayment of debt		21	73
Total cash used		21	73
Net cash from or (used by) financing activities		(21)	(73)
Net increase / (decrease) in cash held		472	-
Cash at the beginning of the reporting period		-	-
Cash at the end of the reporting period	19	472	-

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

**NATIONAL RESIDUE SURVEY
STATEMENT OF CHANGES IN EQUITY**
for the year ended 30 June 2006

	2005-06 \$'000	2004-05 \$'000	Asset Revaluation Reserve 2005-06 \$'000	2004-05 \$'000	Other Reserves 2005-06 \$'000	2004-05 \$'000	Contributed Equity/Capital 2005-06 \$'000	2004-05 \$'000	Total Equity 2005-06 \$'000	2004-05 \$'000
Opening Balance as at 1 July										
Balance carried forward from previous period	292	170	2	1	-	-	158	158	452	329
Adjustment for errors	-	-	-	-	-	-	-	-	-	-
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjusted opening balance	292	170	2	1	-	-	158	158	452	329
Income and Expense										
Revaluation adjustment	-	-	-	1	-	-	-	-	-	1
Sub-total income and expenses recognised directly in equity	-	-	-	1	-	-	-	-	-	1
Net Operating Result	29	122	-	-	-	-	-	-	29	122
Total income and expenses recognised directly in equity	29	122	-	1	-	-	-	-	29	123
Transactions with Owners										
<i>Distributions to Owners</i>										
Returns on capital	-	-	-	-	-	-	-	-	-	-
Returns of capital	-	-	-	-	-	-	-	-	-	-
Re-structuring	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<i>Contributions by Owners</i>										
Appropriation (equity injection)	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Restructuring	-	-	-	-	-	-	-	-	-	-
Sub-total transactions with owners	-	-	-	-	-	-	-	-	-	-
Transfers between equity components										
Closing balance as at 30 June attributable to the Australian Government	321	292	2	2	-	-	158	158	481	452

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

**NATIONAL RESIDUE SURVEY
SCHEDULE OF COMMITMENTS**

as at 30 June 2006

	2005-06 \$'000	2004-05 \$'000
BY TYPE		
Other Commitments		
Operating leases ¹	64	24
Project commitments ²	97	-
Goods and services contracts ³	5 673	2 865
Other commitments ⁴	93	-
GST payable	5	8
Total other commitments	5 932	2 897
Commitments Receivable		
Project commitments	-	91
Research and development	55	-
GST receivable	535	209
Commitments receivable	590	300
Net commitments by type	5 342	2 597
BY MATURITY		
Operating Lease Commitments		
One year or less	43	10
From one to five years	21	14
Total operating lease commitments	64	24
Other Commitments		
One year or less	3 225	2 868
From one to five years	2 643	5
Total other commitments	5 868	2 873
Commitments receivable	590	300
Net commitments by maturity	5 342	2 597

NB: Commitments include relevant GST.

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

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Agreement for the provision of motor vehicles to senior executive officers. Leases for motor vehicles for operations.	The National Residue Survey (NRS) is a party to a tied contract for the provision of 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 is no purchase or renewal option on this lease. The lease contains a clause allowing increases in line with the 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.

⁴ Other commitments include subscriptions to international associations.

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

**NATIONAL RESIDUE SURVEY
SCHEDULE OF CONTINGENCIES**
as at 30 June 2006

	Guarantees		Indemnities		Claims for Damages/costs		Warranties		Letters of Comfort		Total	
	2005-06 \$000	2004-05 \$000	2005-06 \$000	2004-05 \$000	2005-06 \$000	2004-05 \$000	2005-06 \$000	2004-05 \$000	2005-06 \$000	2004-05 \$000	2005-06 \$000	2004-05 \$000
Contingent Liabilities												
Balance from previous period	-	-	-	-	-	-	-	-	-	-	-	-
New	-	-	-	-	-	-	-	-	-	-	-	-
Re-measurement	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities crystallised	-	-	-	-	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-	-	-	-	-
Total Contingent Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Contingent Assets												
Balance from previous period	-	-	-	-	-	-	-	-	-	-	-	-
New	-	-	-	-	-	-	-	-	-	-	-	-
Re-measurement	-	-	-	-	-	-	-	-	-	-	-	-
Assets crystallised	-	-	-	-	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-	-	-	-	-
Total Contingent Assets	-	-	-	-	-	-	-	-	-	-	-	-
Net Contingent Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

Note 1. The National Residue Survey has no contingent gains or losses at 30 June 2006 (2004-05: Nil).

Note 2. The National Residue Survey has no unquantifiable or remote contingent gains or losses at 30 June 2006 (2004-05: Nil)

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

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

INDEX

NOTE 1	Objectives of the National Residue Survey
NOTE 2	Summary of Significant Accounting Policies
NOTE 3	The impact of the transition to AEIFRS from the previous AGAAP
NOTE 4	Revenues
NOTE 5	Gains
NOTE 6	Expenses
NOTE 7	Cash
NOTE 8	Receivables
NOTE 9	Investments
NOTE 10	Accrued Revenue
NOTE 11	Infrastructure, Plant and Equipment
NOTE 12	Inventories
NOTE 13	Intangibles
NOTE 14	Other Non-Financial Assets
NOTE 15	Analysis of Property, Plant and Equipment and Intangibles
NOTE 16	Payables
NOTE 17	Provisions
NOTE 18	Interest Bearing Liabilities
NOTE 19	Cash Flow Reconciliation
NOTE 20	Act of Grace Payments, Waivers and Defective Administration Scheme
NOTE 21	Executive Remuneration
NOTE 22	Remuneration of Auditors
NOTE 23	Average Staffing Levels
NOTE 24	Events Occurring After Balance Date
NOTE 25	Joint Ventures
NOTE 26	Financial Instruments
NOTE 27	Contingent Liabilities and Assets
NOTE 28	Appropriations

NOTE 1 Objectives of the National Residue Survey

The National Residue Survey (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:

- i) through the delivery of risk-based residue testing programs that are structured to meet market requirements within a specified budget; and
- ii) 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 of Agriculture, Fisheries and Forestry (the Department). The departmental Outcome is as follows:

Australian agricultural, food, 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 diseases and are underpinned by scientific advice and economic research.

Activities of NRS are identified through the Department's Outcome and contribute to one Output, namely: Product integrity, animal and plant health.

NRS is a reporting entity within the Department, an agency controlled by the Government of the Commonwealth of Australia. 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 are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements 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 2005)*;
- Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period; and
- Interpretations issued by the Urgent Issues Group that apply for the reporting period.

This is the first financial report to be prepared under Australian Equivalents to International Financial Reporting Standards (AEIFRS). The impacts of adopting AEIFRS are disclosed in Note 3.

The Income Statement and Balance Sheet have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets, which, as noted, are at valuation. 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 disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by accounting standards, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow 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 unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or remote contingencies, which are reported at Note 27).

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 or 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, the Department 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, the Department's 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

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

Australian Accounting Standards require NRS to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective.

The AASB has issued amendments to existing standards, these amendments are denoted by year and then number, for example 2005-1 indicates amendment 1 issued in 2005.

The table below illustrates standards and amendments that will become effective for NRS in the future. The nature of the impending change within the table has by necessity been abbreviated and readers should consult the full version available on the AASB's website to identify the full impact of the change. The expected impact on the financial report of adoption of these standards is based on NRS's initial assessment at this date, but may change. NRS intends to adopt all of the standards upon their application date.

Title	Standard affected	Application date*	Nature of impending change	Impact expected on financial report
2005-1	AASB 139	1 Jan 2006	Amends hedging requirements for foreign currency risk of a highly probable intra-group transaction.	No expected impact.
2005-4	AASB 139 AASB 132 AASB 1 AASB 1023 AASB 1038	1 Jan 2006	Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132.	No expected impact.
2005-5	AASB 1 and AASB 139	1 Jan 2006	Amends AASB 1 to allow an entity to determine whether an arrangement is, or contains, a lease. Amends AASB 139 to scope out a contractual right to receive reimbursement (in accordance with AASB 137) in the form of cash.	No expected impact.
2005-6	AASB 3	1 Jan 2006	Amends the scope to exclude business combinations	No expected impact.