

OFFICE OF THE AUDITING AND ASSURANCE STANDARDS BOARD

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OFFICE OF THE AUDITING AND ASSURANCE STANDARDS BOARD

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The Office of the Auditing and Assurance Standards Board (AUASB) is an Australian Government entity under the *Australian Securities and Investments Commission Act 2001*.

The functions of the AUASB are to:

- make auditing standards under section 336 of the *Corporations Act 2001* for the purposes of the corporations legislation;
- formulate auditing and assurance standards for other purposes;
- formulate guidance on auditing and assurance matters;
- participate in and contribute to the development of a single set of auditing standards for world-wide use; and
- advance and promote the main objectives of part 12 of the *Australian Securities and Investments Commission Act 2001*.

The vision of the AUASB is to be recognised as a leading national auditing and assurance standards setting body that develops high quality auditing and assurance standards and guidance in the public interest.

The mission of the AUASB is to develop, in the public interest, high quality auditing and assurance standards and related guidance as a means to enhance the relevance, reliability and timeliness of information provided to users of audit and assurance services.

Key strategies during 2016-17 include to:

- increase confidence in assurance on external reporting by contributing to the development of, and convergence with, one set of robust international auditing and assurance standards;
- be recognised by key stakeholders as the standards setting body that formulates and maintains auditing and assurance standards and guidance pronouncements to address local issues;
- provide thought leadership, identify and respond to emerging issues;

- communicate and engage with stakeholders to promote audit quality and increase engagement in developing standards and promote consistency in the application of AUASB pronouncements; and
- harmonise Australian and New Zealand Auditing and Assurance Standards.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total funding from all sources available to the AUASB for its operations and to deliver programs and services on behalf of the government. The table summarises how resources will be applied by outcome (government strategic policy objectives) and by departmental (for the entity's operations) classification.

Information in this table is presented on a resourcing (i.e. cash available) basis, whilst the 'Budgeted expenses for Outcome 1' table in Section 2 and the financial statements in Section 3 are presented on an accrual basis.

Table 1.1: Office of the Auditing and Assurance Standards Board resource statement — Budget estimates for 2016-17 as at Budget May 2016

	2015-16 <i>Estimated actual</i> \$'000	2016-17 Estimate \$'000
Departmental		
Annual appropriations - ordinary annual services (a)		
Prior year appropriations available (b)	1,164	1,361
Departmental appropriation	2,161	2,126
s74 retained revenue receipts (c)	36	3
Departmental capital budget (d)	37	37
<i>Total departmental annual appropriations</i>	<u>3,398</u>	<u>3,527</u>
Total departmental resourcing	3,398	3,527
Total resourcing for Office of the Auditing and Assurance Standards Board	3,398	3,527
	<u>2015-16</u>	<u>2016-17</u>
Average staffing level (number)	7	7

Prepared on a resourcing (i.e. appropriations available) basis.

Please note: All figures shown above are GST exclusive – these may not match figures in the cash flow statement.

(a) Appropriation Bill (No.1) 2016-17.

(b) Estimated adjusted balance carried forward from previous year.

(c) Estimated retained revenue receipts under section 74 of the *Public Governance Performance and Accountability Act 2013* (PGPA Act).

(d) Departmental capital budgets are not separately identified in Appropriation Bill (No.1) and form part of ordinary annual services items. Please refer to Table 3.5 for further details. For accounting purposes, this amount has been designated as a 'contribution by owner'.

1.3 BUDGET MEASURES

Budget measures in the table below relating to the AUASB are detailed in *Budget Paper No. 2* and are summarised below.

Table 1.2: Entity 2016-17 Budget measures

Measures announced since the 2015-16 MYEFO

Program	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
Expense measures					
Public Sector Savings — Shared and Common Services Programme					
Departmental expenses	1.1	-	(1)	(1)	(1)
Total expense measures		-	(1)	(1)	(1)

Prepared on a Government Finance Statistics (fiscal) basis. Figures displayed as a negative represent a decrease in funds and a positive represent an increase in funds.

Section 2: Outcomes and planned performance

Government outcomes are the intended results, impacts or consequences of actions by the government on the Australian community. Commonwealth programs are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programs which contribute to government outcomes over the Budget and forward years.

The AUASB's outcome is described below together with its related program. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

From 1 July 2015, performance reporting requirements in the Portfolio Budget Statements sit alongside those required under the enhanced Commonwealth performance framework. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements - included in Annual Reports from October 2016 - to provide an entity's complete performance story.

2.1 BUDGETED EXPENSES AND PERFORMANCE CRITERIA FOR OUTCOME 1

Outcome 1: The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements

Budgeted expenses for Outcome 1

This table shows how much the entity intends to spend (on an accrual basis) on achieving the outcome, broken down by program and funding source.

Table 2.1: Budgeted expenses for Outcome 1

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
Program 1.1: Auditing and Assurance Standards Board					
Departmental expenses					
Departmental appropriation (a)	2,161	2,126	2,142	2,154	2,169
s74 Retained revenue receipts (a)	36	3	-	-	-
Expenses not requiring appropriation in the Budget year (b)	129	83	64	64	64
Departmental total	2,326	2,212	2,206	2,218	2,233
Total expenses for program 1.1	2,326	2,212	2,206	2,218	2,233
	2015-16	2016-17			
Average staffing level (number)	7	7			

(a) Departmental appropriation combines 'ordinary annual services (Appropriation Bill No. 1)' and 'revenue from independent sources under section 74 of the PGPA Act.

(b) Expenses not requiring appropriation in the Budget year are made up of depreciation expenses, amortisation expenses, make good expenses, audit fees.

Note: Departmental appropriation splits and totals are indicative estimates and may change in the course of the budget year as government priorities change.

Table 2.2: Performance criteria for Outcome 1

The table below details the performance criteria for program 1 associated with Outcome 1. It also summarises how the program is delivered and that the 2016-17 Budget measures have not created new programs or materially changed existing programs.

<p>Outcome 1</p> <p>The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements.</p>	
<p>Program 1.1 – Auditing and Assurance Standards Board</p> <p>The key strategies to achieve Outcome 1 are:</p> <ul style="list-style-type: none"> • making auditing standards under section 336 of the <i>Corporations Act 2001</i> and related guidance for use by Australian auditors who are undertaking audit engagements for the purposes of the Corporations legislation, including facilitating and monitoring the implementation of the Australian Auditing Standards; • formulating auditing and assurance standards and related guidance for use by Australian auditors who are undertaking auditing or assurance engagements for purposes other than the purposes of the Corporations legislation; and • providing Australian participation in, and contributing to, the development of a single set of auditing standards for world-wide use. In this regard the AUASB will continue to participate in key International Auditing and Assurance Standards Board (IAASB) projects on auditor reporting, the auditor’s responsibility relating to other information, auditing financial report disclosures, the project on agreed-upon procedures, and the Innovation and Integrated Reporting Working Groups. 	
<p>Delivery</p>	<p>The AUASB has the following deliverables:</p> <ul style="list-style-type: none"> • prepare and issue auditing standards under section 336 of the <i>Corporations Act 2001</i>; • prepare and issue new and revised assurance standards, standards on review engagements and related guidance as required; and • contribute to the development of international auditing and assurance standards.
<p>Performance information</p>	
<p>Performance criteria</p>	<p>2015-16 and forward year targets</p>
<p>The AUASB has the following key performance indicators:</p> <ul style="list-style-type: none"> • issued auditing standards are high quality, developed and/or revised as required on a timely basis, are consistent with those developed by the IAASB and are based on the corresponding versions of International Standards on Auditing; • issued assurance standards and standards on review engagements are high quality and developed and/or revised as required on a timely basis; • relevant guidance is issued to auditors, assurance practitioners and other users, as required on an appropriate and timely basis; • emerging auditing and assurance issues are identified and addressed on a timely basis; • responses are made to all significant IAASB exposure drafts; and • appropriate input is provided to the IAASB. 	<ul style="list-style-type: none"> • An increase in engagement of Australian constituents in the standard setting process; • Responses made to all significant IAASB exposure drafts; and • All standards and guidance are issued in accordance with published AUASB strategic and work program timelines. <p>The AUASB expects to meet all its targets and expectations implied by performance criteria in 2015-16.</p>

Purposes (a)	<p>The functions of the AUASB are to:</p> <ul style="list-style-type: none">• make auditing standards under section 336 of the <i>Corporations Act 2001</i> for the purposes of the corporations legislation;• formulate auditing and assurance standards for other purposes;• formulate guidance on auditing and assurance matters;• participate in and contribute to the development of a single set of auditing standards for world-wide use; and• advance and promote the main objectives of part 12 of the <i>Australian Securities and Investments Commission Act 2001</i>.
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(a) Refers to updated purposes that will be reflected in the 2016-17 Corporate Plan.

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot the AUASB's finances for the 2016-17 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences between entity resourcing and financial statements

There are no material differences between entity resourcing and the financial statements.

3.1.2 Explanatory notes and analysis of budgeted financial statements

The AUASB is budgeting for a surplus operating result for 2015-16 after adding back non-appropriated depreciation and amortisation expenses.

The forward years show reduced spending on suppliers, reflecting lower accommodation costs due to a move to smaller office premises, offset to some extent by more resources being allocated to stakeholder outreach.

Depreciation is also projected to be lower in the forward years because the AUASB is utilising shared office improvements and office systems in its new premises.

Own-source revenue is projected to be lower in the forward years because a sub-lease arrangement in the previous premises will expire.

The financial statements have been prepared on an Australian accounting standards basis.

3.1.3 Budgeted financial statements tables

Table 3.1: Comprehensive income statement (showing net cost of services) for the period ended 30 June

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
EXPENSES					
Employee benefits	1,276	1,474	1,498	1,516	1,537
Suppliers	752	657	661	661	655
Depreciation and amortisation	101	57	40	40	40
Other expenses	4	2	-	-	-
Total expenses	2,133	2,190	2,199	2,217	2,232
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Other	36	3	-	-	-
Total own-source revenue	36	3	-	-	-
Gains					
Other	24	24	24	24	24
Total gains	24	24	24	24	24
Total own-source income	60	27	24	24	24
Net (cost of)/contribution by services	(2,073)	(2,163)	(2,175)	(2,193)	(2,208)
Revenue from Government	2,161	2,126	2,142	2,154	2,169
Surplus/(deficit) attributable to the Australian Government	88	(37)	(33)	(39)	(39)
Total comprehensive income/(loss)	88	(37)	(33)	(39)	(39)
Total comprehensive income/(loss) attributable to the Australian Government	88	(37)	(33)	(39)	(39)

Note: Impact of net cash appropriation arrangements

	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
Total comprehensive income/(loss) excluding depreciation/amortisation expenses previously funded through revenue appropriations.	189	20	7	1	1
less depreciation/amortisation expenses previously funded through revenue appropriations (a)	101	57	40	40	40
Total comprehensive income/(loss) - as per the statement of comprehensive income	88	(37)	(33)	(39)	(39)

(a) From 2010-11, the Government introduced net cash appropriation arrangements where Bill 1 revenue appropriations for the depreciation/amortisation expenses of non-corporate Commonwealth entities (and select corporate Commonwealth entities) were replaced with a separate capital budget (the Departmental Capital Budget, or DCB) provided through Bill 1 equity appropriations. For information regarding DCBs, please refer to Table 3.5 Departmental Capital Budget Statement.

Prepared on Australian Accounting Standards basis.

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	340	438	468	490	473
Trade and other receivables	970	937	930	1,039	892
Total financial assets	1,310	1,375	1,398	1,529	1,365
Non-financial assets					
Property, plant and equipment	35	20	22	20	33
Intangibles	4	-	16	49	53
Total non-financial assets	39	20	38	69	86
Total assets	1,349	1,395	1,436	1,598	1,451
LIABILITIES					
Payables					
Suppliers	52	46	44	35	27
Other payables	65	64	46	63	80
Total payables	117	110	90	98	107
Provisions					
Employee provisions	378	429	485	639	482
Other provisions	95	97	97	97	97
Total provisions	473	526	582	736	579
Total liabilities	590	636	672	834	686
Net assets	759	759	764	764	765
EQUITY*					
Contributed equity	237	274	312	351	391
Reserves	38	38	38	38	38
Retained surplus (accumulated deficit)	484	447	414	375	336
Total equity	759	759	764	764	765

*'Equity' is the residual interest in assets after deduction of liabilities.

Prepared on Australian Accounting Standards basis.

Table 3.3: Departmental statement of changes in equity — summary of movement (Budget year 2016-17)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2016				
Balance carried forward from previous period	484	38	237	759
Opening balance	484	38	237	759
Comprehensive income				
Surplus/(deficit) for the period	(37)	-	-	(37)
Total comprehensive income	(37)	-	-	(37)
Transactions with owners				
Contributions by owners				
Departmental capital budget (DCB)	-	-	37	37
Total transactions with owners	-	-	37	37
Estimated closing balance as at 30 June 2017	447	38	274	759
Closing balance attributable to the Australian Government	447	38	274	759

Prepared on Australian Accounting Standards basis.

**Table 3.4: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,230	2,280	2,268	2,194	2,398
Sale of goods and rendering of services	36	3	-	-	-
Other	72	16	-	-	-
Total cash received	2,338	2,299	2,268	2,194	2,398
Cash used					
Employees	1,283	1,413	1,443	1,362	1,693
Suppliers	758	680	677	653	638
Other	21	10	88	135	101
Total cash used	2,062	2,103	2,208	2,150	2,432
Net cash from/(used by) operating activities	276	196	60	44	(34)
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	37	37	38	39	40
Total cash used	37	37	38	39	40
Net cash from/(used by) investing activities	(37)	(37)	(38)	(39)	(40)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	37	37	38	39	40
Total cash received	37	37	38	39	40
Net cash from/(used by) financing activities	37	37	38	39	40
Net increase/(decrease) in cash held	138	98	30	22	(17)
Cash and cash equivalents at the beginning of the reporting period	202	340	438	468	490
Cash and cash equivalents at the end of the reporting period	340	438	468	490	473

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement (for the period ended 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	37	37	38	39	40
Total new capital appropriations	37	37	38	39	40
<i>Provided for:</i>					
Purchase of non-financial assets	37	37	38	39	40
Total items	37	37	38	39	40
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations (a)	37	37	38	39	40
TOTAL	37	37	38	39	40
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	37	37	38	39	40
Total cash used to acquire assets	37	37	38	39	40

(a) Includes both current Bill 2 and prior Act 2/4/6 appropriations and special capital appropriations.
Prepared on Australian Accounting Standards basis.

Table 3.6: Statement of departmental asset movements (Budget year 2016-17)

	Property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2016			
Gross book value	632	92	724
Accumulated depreciation/amortisation and impairment	(601)	(83)	(684)
Opening net book balance	31	9	40
Capital asset additions			
Estimated expenditure on new or replacement assets			
By purchase - appropriation ordinary annual services (a)	24	13	37
Total additions	24	13	37
Other movements			
Depreciation/amortisation expense	(35)	(22)	(57)
Total other movements	(35)	(22)	(57)
As at 30 June 2017			
Gross book value	656	105	761
Accumulated depreciation/ amortisation and impairment	(636)	(105)	(741)
Closing net book balance	20	-	20

(a) 'Appropriation ordinary annual services' refers to funding provided through Appropriation Bill (No.1) 2016-17 for depreciation/amortisation expenses, DCBs or other operational expenses.

Prepared on Australian Accounting Standards basis.

