

# OFFICE OF THE AUDITING AND ASSURANCE STANDARDS BOARD

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# OFFICE OF THE AUDITING AND ASSURANCE STANDARDS BOARD

## Section 1: Agency overview and resources

### 1.1 STRATEGIC DIRECTION STATEMENT

The Office of the Auditing and Assurance Standards Board (AUASB) is an Australian Government agency 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 2012-13 include to:

- develop auditing and assurance standards and guidance;
- identify emerging auditing and assurance issues;
- contribute to and influence the development of international auditing standards; and
- promote awareness and understanding of the AUASB role and work program, auditor responsibilities, and the role of auditing and assurance services.

## 1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources for the AUASB.

**Table 1.1: Office of the Auditing and Assurance Standards Board resource statement — Budget estimates for 2012-13 as at Budget May 2012**

	Estimate of prior year amounts available in 2012-13 \$'000	+	Proposed at Budget 2012-13 \$'000	=	Total estimate 2012-13 \$'000	=	Actual available appropriation 2011-12 \$'000
<b>Ordinary annual services</b>							
<b>Departmental</b>							
Prior year departmental appropriation	677	<sup>4</sup>	-		677		-
Departmental appropriation <sup>3</sup>	-		2,249	<sup>1</sup>	2,249		2,315
Receipts from other sources (s31)	-		32	<sup>2</sup>	32		31
<b>Total ordinary annual services</b>	<b>A</b>		<b>2,281</b>		<b>2,958</b>		<b>2,346</b>
<b>Other services</b>							
<b>Departmental non-operating</b>							
Equity injections	579	<sup>4</sup>	-		579		-
<b>Total other services</b>	<b>B</b>		<b>-</b>		<b>579</b>		<b>-</b>
<b>Total net resourcing for AUASB (A+B)</b>	<b>1,256</b>		<b>2,281</b>		<b>3,537</b>		<b>2,346</b>

1. Appropriation Bill (No. 1) 2012-13.

2. Receipts received under s31 of the *Financial Management and Accountability Act 1997*.

3. Includes \$0.04 million in 2012-13 for the Departmental Capital Budget (also refer to Table 3.2.5).

4. Estimated adjusted balance carried from previous year for annual appropriations.

## 1.3 BUDGET MEASURES

The AUASB does not have any budget measures for 2012-13.

## Section 2: Outcomes and planned performance

### 2.1 OUTCOMES AND PERFORMANCE INFORMATION

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 agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the Budget and forward years.

The AUASB's outcome is described below, specifying the strategy, program objective, program deliverables and program key performance indicators used to assess and monitor the performance of the AUASB.

**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**

#### Outcome 1 Strategy

The key strategies to achieve Outcome 1 are:

- making auditing standards under section 336 of the *Corporations Act 2001* 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, audit quality, International Standards on Auditing implementation monitoring and review engagements.

## Outcome Expense Statement

Table 2.1 provides an overview of the total expenses for Outcome 1

**Table 2.1: Budgeted expenses 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	2011-12 Estimated actual expenses \$'000	2012-13 Estimated expenses \$'000
<b>Program 1.1: Auditing and Assurance Standards Board</b>		
Departmental expenses		
Departmental appropriation	2,301	2,244
Special accounts	-	-
Expenses not requiring appropriation in the budget year	93	98
less Revenue to be carried forward	(163)	-
<b>Total expenses for Outcome 1</b>	<b>2,231</b>	<b>2,342</b>
	2011-12	2012-13
<b>Average staffing level (number)</b>	<b>8</b>	<b>8</b>

## Contributions to Outcome 1

### Program 1.1: Auditing and Assurance Standards Board

#### Program objective

Formulate and maintain Auditing Standards that are legally enforceable under the *Corporations Act 2001* and contribute to the development of international auditing standards.

Contribute to the ongoing implementation of Australian Auditing Standards, including:

- monitoring the implementation of Australian Auditing Standards and providing periodic and formal feedback to the IAASB, which has established a project monitoring task force for this purpose;
- monitoring the revision of IAASB International Standards on Auditing and considering the implications for the following equivalent AUASB standards:
  - Auditor Reporting; and
  - Standard on review engagements.
- developing articles that will highlight key principles in auditing standards; and
- presenting at various public forums, conferences and information sessions.

Formulate and maintain other auditing and assurance standards, ensuring quality and complete coverage of relevant auditing and assurance topics including:

- standards on review engagements;
- assurance engagements other than on historical financial statements;
- assurance on water accounting reports;
- assurance on internal control; and
- assurance on compliance and performance engagements.

Formulate and maintain guidance pronouncements, ensuring that guidance is high quality, timely and provides appropriate coverage through pronouncements that supplement standards and address emerging issues including:

- auditing under National Greenhouse and Energy Reporting and Clean Energy schemes;
- the Australian Prudential Regulation Authority including superannuation, general insurance, approved deposit taking institutions and life insurance companies;
- the Australian Securities and Investments Commission regulated areas, including managed investment schemes;
- auditing self-managed superannuation funds;
- privity letter requests; and
- auditing grant acquittals.

Influence the development of international and national standards by liaising with the IAASB and other national standard-setting organisations to contribute to improving the quality of global auditing and assurance standards. This includes working with the New Zealand Auditing and Assurance Standards Board to harmonise Australian and New Zealand auditing standards and undertake joint projects where possible, consistent with the Outcome Proposals agreed in August 2009 by the Australian and New Zealand Prime Ministers.

Through research, communication and consultations to identify and respond to emerging issues on a timely basis, including participating in the early stages of the development of legislation and regulation to better define audit requirements, including:

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- development of AUASB Bulletins on various current topics relating to the Board’s areas of interest, including the value of using the AUASB auditing framework;
- updating the Audit Committees Guide; and
- promoting thought leadership on the importance of achieving and heightening audit quality.

Through a detailed communication and consultation plan, the AUASB strategy is to increase awareness of the AUASB’s work among its stakeholders, and to ensure that stakeholders’ views are appropriately considered in the AUASB activities and initiatives.

**Program expenses**

There are no significant changes to estimates across the forward years.

**Table 2.2 Program expenses**

	2011-12 Revised budget \$'000	2012-13 Budget \$'000	2013-14 Forward year 1 \$'000	2014-15 Forward year 2 \$'000	2015-16 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	2,231	2,342	2,376	2,397	2,408
<b>Total departmental expenses</b>	<b>2,231</b>	<b>2,342</b>	<b>2,376</b>	<b>2,397</b>	<b>2,408</b>

**Program deliverables**

The AUASB has the following deliverables:

- prepare and issue auditing standards under section 336 of the *Corporations Act 2001*;
- prepare and issue new and revised assurance standards, standards on review engagements and related guidance; and
- contribute to the development of international auditing and assurance standards.

**Program key performance indicators**

The AUASB has the following key performance indicators:

- issued auditing standards are high quality, developed 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 on a timely basis;



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- relevant guidance is issued to auditors, assurance practitioners and other users, as appropriate, on a 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.

## Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of the agency finances for the budget year 2012-13. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations, program expenses, and special accounts.

### 3.1 EXPLANATORY TABLES

#### 3.1.1 Movement of administered funds between years

The AUASB does not have any administered funds.

#### 3.1.2 Special accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's Determination under the *Financial Management and Accountability Act 1997* or under separate enabling legislation. Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by the AUASB.

**Table 3.1.2: Estimates of special account cash flows and balances**

		Opening balance <b>2012-13</b> 2011-12	Receipts <b>2012-13</b> 2011-12	Payments <b>2012-13</b> 2011-12	Adjustments <b>2012-13</b> 2011-12	Closing balance <b>2012-13</b> 2011-12
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Office of the Auditing and Assurance Standards Board Services for Other Entities and Trust Moneys Special Account	1	-	-	-	-	-
Office of the Auditing and Assurance Standards Board Special Account	1	-	-	-	-	-
<b>Total special accounts</b>						
<b>2012-13 Budget estimate</b>		-	-	-	-	-
Total special accounts						
2011-12 estimate actual		-	-	-	-	-

#### 3.1.3 Australian Government Indigenous Expenditure

The AUASB does not have any Australian Government Indigenous Expenditure.

## **3.2 BUDGETED FINANCIAL STATEMENTS**

### **3.2.1 Differences in agency resourcing and financial statements**

There are no material differences between agency resourcing and financial statements.

### **3.2.2 Analysis of budgeted financial statements**

The budgeted financial statements have been prepared on an Australian Accounting Standards Basis.

The AUASB is budgeting for a break-even operating result for 2012-13 after adding back non-appropriated depreciation and amortisation expenses.

### 3.2.3 Budgeted financial statements tables

**Table 3.2.1: Comprehensive income statement (Showing Net Cost of Services)  
(for the period ended 30 June)**

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
<b>EXPENSES</b>					
Employee benefits	1,472	1,493	1,540	1,587	1,636
Supplier expenses	685	771	748	720	694
Depreciation and amortisation	70	74	84	86	73
Finance costs	4	4	4	4	5
<b>Total expenses</b>	<b>2,231</b>	<b>2,342</b>	<b>2,376</b>	<b>2,397</b>	<b>2,408</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sale of goods and rendering of services	31	32	34	35	36
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>31</b>	<b>32</b>	<b>34</b>	<b>35</b>	<b>36</b>
<b>Gains</b>					
Other	23	24	25	26	27
<b>Total gains</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>26</b>	<b>27</b>
<b>Total own-source income</b>	<b>54</b>	<b>56</b>	<b>59</b>	<b>61</b>	<b>63</b>
<b>Net cost of (contribution by) services</b>	<b>2,177</b>	<b>2,286</b>	<b>2,317</b>	<b>2,336</b>	<b>2,345</b>
Appropriation revenue	2,270	2,212	2,233	2,250	2,272
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>93</b>	<b>(74)</b>	<b>(84)</b>	<b>(86)</b>	<b>(73)</b>

**Note: Impact of Net Cash Appropriation Arrangements**

	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000
<b>Total Comprehensive Income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations</b>	163	-	-	-	-
plus depreciation/amortisation expenses previously funded through revenue appropriations <sup>1</sup>	(70)	(74)	(84)	(86)	(73)
<b>Total Comprehensive Income (loss) - as per the Statement of Comprehensive Income</b>	<b>93</b>	<b>(74)</b>	<b>(84)</b>	<b>(86)</b>	<b>(73)</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.2: Budgeted departmental balance sheet  
(as at 30 June)**

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and equivalents	200	200	200	200	200
Trade and other receivables	1,279	1,268	1,254	1,241	1,228
<b>Total financial assets</b>	<b>1,479</b>	<b>1,468</b>	<b>1,454</b>	<b>1,441</b>	<b>1,428</b>
<b>Non-financial assets</b>					
Infrastructure, plant and equipment	222	185	141	96	61
Intangibles	19	19	15	12	12
Other	3	3	3	3	3
<b>Total non-financial assets</b>	<b>244</b>	<b>207</b>	<b>159</b>	<b>111</b>	<b>76</b>
<b>Total assets</b>	<b>1,723</b>	<b>1,675</b>	<b>1,613</b>	<b>1,552</b>	<b>1,504</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	318	342	367	393	420
Other	75	79	83	88	92
<b>Total provisions</b>	<b>393</b>	<b>421</b>	<b>450</b>	<b>481</b>	<b>512</b>
<b>Payables</b>					
Suppliers	48	52	51	51	50
Other	204	161	119	76	33
<b>Total payables</b>	<b>252</b>	<b>213</b>	<b>170</b>	<b>127</b>	<b>83</b>
<b>Total liabilities</b>	<b>645</b>	<b>634</b>	<b>620</b>	<b>608</b>	<b>595</b>
<b>Net assets</b>	<b>1,078</b>	<b>1,041</b>	<b>993</b>	<b>944</b>	<b>909</b>
<b>EQUITY</b>					
Contributed equity	90	127	163	200	238
Asset Revaluation Reserve	30	30	30	30	30
Retained surpluses or accumulated deficits	958	884	800	714	641
<b>Total equity</b>	<b>1,078</b>	<b>1,041</b>	<b>993</b>	<b>944</b>	<b>909</b>
<b>Current assets</b>	<b>1,482</b>	<b>1,471</b>	<b>1,457</b>	<b>1,444</b>	<b>1,431</b>
<b>Non-current assets</b>	<b>241</b>	<b>204</b>	<b>156</b>	<b>108</b>	<b>73</b>
<b>Current liabilities</b>	<b>307</b>	<b>335</b>	<b>360</b>	<b>386</b>	<b>412</b>
<b>Non-current liabilities</b>	<b>338</b>	<b>299</b>	<b>260</b>	<b>222</b>	<b>183</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.3: Budgeted departmental statement of cash flows  
(for the period ended 30 June)**

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services					
Appropriations	2,270	2,212	2,233	2,250	2,272
Other	31	48	48	48	48
<b>Total cash received</b>	<b>2,301</b>	<b>2,260</b>	<b>2,281</b>	<b>2,298</b>	<b>2,320</b>
<b>Cash used</b>					
Employees	1,426	1,469	1,515	1,562	1,609
Suppliers	704	791	766	736	711
Other	155	-	-	-	-
<b>Total cash used</b>	<b>2,285</b>	<b>2,260</b>	<b>2,281</b>	<b>2,298</b>	<b>2,320</b>
<b>Net cash from (used by) operating activities</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	45	37	36	37	38
<b>Total cash used</b>	<b>45</b>	<b>37</b>	<b>36</b>	<b>37</b>	<b>38</b>
<b>Net cash from (used by) investing activities</b>	<b>(45)</b>	<b>(37)</b>	<b>(36)</b>	<b>(37)</b>	<b>(38)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Contributed equity	45	37	36	37	38
<b>Total cash received</b>	<b>45</b>	<b>37</b>	<b>36</b>	<b>37</b>	<b>38</b>
<b>Net cash from (used by) financing activities</b>	<b>45</b>	<b>37</b>	<b>36</b>	<b>37</b>	<b>38</b>
<b>Net increase (decrease) in cash held</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash at the beginning of the reporting period	184	200	200	200	200
<b>Cash at the end of the reporting period</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2012-13)**

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2012</b>					
Balance carried forward from previous period	958	30	-	90	1,078
<b>Adjusted opening balance</b>	958	30	-	90	1,078
<b>Comprehensive income</b>					
Surplus (deficit) for the period	(74)	-	-	-	(74)
<b>Total comprehensive income recognised directly in equity</b>	(74)	-	-	-	(74)
<b>Transactions with owners</b>					
<i>Contributions by owners</i>					
Appropriation (departmental capital budget)	-	-	-	37	37
<b>Total transactions with owners</b>	-	-	-	37	37
<b>Estimated closing balance as at 30 June 2013</b>	884	30	-	127	1,041

Prepared on Australian Accounting Standards basis.

**Table 3.2.5: Departmental capital budget (DCB) statement**

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
<b>NEW CAPITAL APPROPRIATIONS</b>					
Capital budget - Bill 1 - DCB	45	37	36	37	38
<b>Total new capital appropriations</b>	45	37	36	37	38
<b>Provided for:</b>					
Purchase of non-financial assets	45	37	36	37	38
<b>Total Items</b>	45	37	36	37	38
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation - DCB	45	37	36	37	38
<b>TOTAL</b>	45	37	36	37	38
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	45	37	36	37	38
<b>Total cash used to acquire assets</b>	45	37	36	37	38

Prepared on Australian Accounting Standards basis.

**Table 3.2.6: Statement of asset movements — departmental**

	Buildings \$'000	Other infrastructure, plant & equipment \$'000	Intangibles \$'000	L&B, IP&E held for sale \$'000	Total \$'000
<b>As at 1 July 2012</b>					
Gross book value		539	54		593
Accumulated depreciation/amortisation and impairment		317	35		352
<b>Opening net book balance</b>	-	222	19	-	241
<b>Capital asset additions</b>					
By purchase - appropriation ordinary annual services		27	10		37
<b>Total additions</b>	-	27	10	-	37
<b>Other movements</b>					
Depreciation/amortisation expense		64	10		74
<b>Total other movements</b>	-	64	10	-	74
<b>As at 30 June 2013</b>					
Gross book value	-	566	64	-	630
Accumulated depreciation/amortisation and impairment	-	381	45	-	426
<b>Closing net book balance</b>	-	185	19	-	204

Prepared on Australian Accounting Standards basis.