

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 2014-15 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 programme, 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 2014-15 as at Budget May 2014

	Estimate of prior year amounts available in 2014-15 \$'000	Proposed at Budget 2014-15 \$'000	Total estimate 2014-15 \$'000	Actual available appropriation 2013-14 \$'000
Ordinary annual services				
Departmental				
Prior year departmental appropriation	538 ⁴	-	538	-
Departmental appropriation ³	-	2,226 ¹	2,226	2,243
Receipts from other sources (s31)	-	35 ²	35	33
Total ordinary annual services	A 538	2,261	2,799	2,276
Other services				
Departmental non-operating				
Equity injections	588 ⁴	-	588	-
Total other services	B 588	-	588	-
Total net resourcing for AUASB (A+B)	1,126	2,261	3,387	2,276

1. Appropriation Bill (No. 1) 2014-15.

2. Receipts received under section 31 of the *Financial Management and Accountability Act 1997*.

3. Includes \$0.04 million in 2014-15 for the departmental capital budget (also refer to Table 3.2.5).

4. Estimated adjusted balance carried forward from previous year.

1.3 Budget measures

Budget measures relating to the AUASB are summarised below.

Table 1.2: Office of the Auditing and Assurance Standards Board 2014-15 Budget measures

	2013-14	2014-15	2015-16	2016-17	2017-18
Programme	\$'000	\$'000	\$'000	\$'000	\$'000
Expense measures					
Efficiency Dividend -					
temporary increase in rate ¹	1.1	-	(22)	(51)	(79)
Efficiency Dividend - a further					
temporary increase of					
0.25 per cent	1.1	-	(6)	(11)	(17)
Public Service efficiencies ²	1.1	(1)	(3)	(7)	(10)
Reforms to APS management and					
efficient procurement of agency					
software ¹	1.1	-	(3)	(6)	(9)
Total expense measures		(1)	(34)	(75)	(115)

1. This measure was included in the *Economic Statement 2013* and has not previously appeared in a portfolio statement.

2. This measure was included in Budget Paper No. 2, *Budget Measures 2013-14* and has not previously appeared in a portfolio statement.

Prepared on a Government Finance Statistics (fiscal) basis.

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 programmes are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programmes which contribute to Government outcomes over the budget and forward years.

The AUASB's outcome is described below, specifying the strategy, programme objective, programme deliverables and programme 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, the auditor's responsibility relating to other information accompanying the financial report, auditing financial report disclosures, and the 'innovation needs and future opportunities' project.

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	2013-14 Estimated actual expenses \$'000	2014-15 Estimated expenses \$'000
Programme 1.1: Auditing and Assurance Standards Board		
Departmental expenses		
Departmental appropriation	2,240	2,224
Expenses not requiring appropriation in the budget year	114	113
Total expenses for Outcome 1	2,354	2,337
	2013-14	2014-15
Average staffing level (number)	7	7

Contributions to Outcome 1

Programme 1.1: Auditing and Assurance Standards Board

Programme 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 informal and formal feedback to the IAASB;
- monitoring the revision of IAASB International Standards on Auditing and considering the implications for the following equivalent AUASB standards:
 - auditor reporting;
 - the auditor’s responsibility relating to other information accompanying the financial report;
 - auditing financial report disclosures; and
 - the ‘innovation needs and future opportunities’ project;

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- 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 controls;
- assurance on compliance engagements; and
- assurance on 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:

- 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 auditing Australian Financial Services Licence audit reports;
- auditing self-managed superannuation funds;
- using the work of actuaries; and
- assurance on combined reporting frameworks, including audits of 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:

- 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; 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.

Programme expenses

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

Table 2.2 Programme expenses

	2013-14 Revised budget \$'000	2014-15 Budget \$'000	2015-16 Forward year 1 \$'000	2016-17 Forward year 2 \$'000	2017-18 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	2,354	2,337	2,323	2,266	2,269
Total departmental expenses	2,354	2,337	2,323	2,266	2,269

Programme 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 as required; and
- contribute to the development of international auditing and assurance standards.

Programme key performance indicators

The AUASB has the following key performance indicators:

- 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;

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- 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.

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 2014-15. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations, programme 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

The AUASB does not have any special accounts.

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 2014-15 and the forward years 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 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
EXPENSES					
Employee benefits	1,584	1,536	1,508	1,474	1,489
Supplier expenses	677	709	716	725	734
Depreciation and amortisation	90	89	96	64	43
Finance costs	3	3	3	3	3
Total expenses	2,354	2,337	2,323	2,266	2,269
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	33	35	36	37	39
Total revenue	33	35	36	37	39
Gains					
Other	24	24	24	24	24
Total gains	24	24	24	24	24
Total own-source income	57	59	60	61	63
Net cost of (contribution by) services	2,297	2,278	2,263	2,205	2,206
Appropriation revenue	2,207	2,189	2,167	2,141	2,163
Surplus (deficit) attributable to the Australian Government	(90)	(89)	(96)	(64)	(43)
Note: Impact of Net Cash Appropriation Arrangements					
	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Total Comprehensive Income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations	-	-	-	-	-
plus depreciation/amortisation expenses previously funded through revenue appropriations	(90)	(89)	(96)	(64)	(43)
Total Comprehensive Income (loss) - as per the Statement of Comprehensive Income	(90)	(89)	(96)	(64)	(43)

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
ASSETS					
Financial assets					
Cash and equivalents	200	200	200	200	200
Trade and other receivables	945	926	899	903	947
Total financial assets	1,145	1,126	1,099	1,103	1,147
Non-financial assets					
Infrastructure, plant and equipment	172	112	54	43	41
Intangibles	19	27	25	12	8
Other	4	4	4	4	4
Total non-financial assets	195	143	83	59	53
Total assets	1,340	1,269	1,182	1,162	1,200
LIABILITIES					
Provisions					
Employees	160	199	239	280	323
Other	140	142	143	140	140
Total provisions	300	341	382	420	463
Payables					
Suppliers	36	36	36	36	36
Other	161	101	32	1	1
Total payables	197	137	68	37	37
Total liabilities	497	478	450	457	500
Net assets	843	791	732	705	700
EQUITY					
Contributed equity	163	200	237	274	312
Asset Revaluation Reserve	39	39	39	39	39
Retained surpluses or accumulated deficits	641	552	456	392	349
Total equity	843	791	732	705	700
Current assets	1,147	1,129	1,101	1,107	1,151
Non-current assets	191	139	80	54	49
Current liabilities	341	380	418	454	495
Non-current liabilities	154	97	31	2	5

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services					
Appropriations	2,207	2,189	2,167	2,141	2,163
Other	355	55	62	37	39
Total cash received	2,562	2,244	2,229	2,178	2,202
Cash used					
Employees	1,572	1,498	1,468	1,433	1,446
Suppliers	980	746	761	733	711
Other	-	-	-	12	45
Total cash used	2,552	2,244	2,229	2,178	2,202
Net cash from (used by) operating activities	10	-	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	38	37	37	37	38
Total cash used	38	37	37	37	38
Net cash from (used by) investing activities	(38)	(37)	(37)	(37)	(38)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	38	37	37	37	38
Total cash received	38	37	37	37	38
Net cash from (used by) financing activities	38	37	37	37	38
Net increase (decrease) in cash held	10	-	-	-	-
Cash at the beginning of the reporting period	190	200	200	200	200
Cash at the end of the reporting period	200	200	200	200	200

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2014-15)

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2014					
Balance carried forward from previous period	731	39	-	127	897
Adjusted opening balance	731	39	-	127	897
Comprehensive income					
Surplus (deficit) for the period	(90)	-	-	-	(90)
Total comprehensive income recognised directly in equity	(90)	-	-	-	(90)
Transactions with owners					
<i>Contributions by owners</i>					
Appropriation (departmental capital budget)	-	-	-	36	36
Total transactions with owners	-	-	-	36	36
Estimated closing balance as at 30 June 2015	641	39	-	163	843

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget (DCB) statement

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 - DCB	36	37	37	37	38
Total new capital appropriations	36	37	37	37	38
Provided for:					
Purchase of non-financial assets	36	37	37	37	38
Total Items	36	37	37	37	38
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB	38	37	37	37	38
TOTAL	38	37	37	37	38
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	38	37	37	37	38
Total cash used to acquire assets	38	37	37	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
As at 1 July 2014					
Gross book value	-	615	72	-	687
Accumulated depreciation/amortisation and impairment	-	443	53	-	496
Opening net book balance	-	172	19	-	191
Capital asset additions					
By purchase - appropriation ordinary annual services	-	19	18	-	37
Total additions	-	19	18	-	37
Other movements					
Depreciation/amortisation expense	-	79	10	-	89
Total other movements	-	79	10	-	89
As at 30 June 2015					
Gross book value	-	634	90	-	724
Accumulated depreciation/amortisation and impairment	-	522	63	-	585
Closing net book balance	-	112	27	-	139

Prepared on Australian Accounting Standards basis.