

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 strategic directions of the AUASB are:

- develop, issue and maintain high quality Australian auditing and assurance standards that meet the needs of report users;
- with the Australian Accounting Standards Board (AASB), play a leading role in reshaping the Australian external reporting framework;
- actively influence international auditing and assurance standards and guidance;
- attain significant levels of key stakeholder engagement;
- influence initiatives to develop assurance standards and guidance that meet user needs for external reporting beyond financial reporting;
- monitor and respond to emerging issues impacting the development of auditing and assurance standards and guidance; and
- develop guidance and education initiatives to enhance consistent application of auditing and assurance standards and guidance.

The vision of the AUASB is to contribute to stakeholder confidence in the Australian economy, including its capital markets, and enhanced creditability in external reporting through independence auditing and assurance.

This is achieved by developing, issuing and maintaining in the public interest high quality Australian auditing and assurance standards and guidance that meet user needs and enhanced audit and assurance consistency and quality.

We use our expertise and influence to contribute to the development of a single set of auditing and assurance standards and guidance for worldwide use.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total funding from all sources available to the entity 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 departmental (for the entity's operations) classification.

Information in this table is presented on a resourcing (that is, appropriations/cash available) basis, whilst the 'Budgeted expenses by Outcome 1' tables 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 2018-19 as at Budget May 2018

	<i>2017-18 Estimated actual \$'000</i>	2018-19 Estimate \$'000
Departmental		
Annual appropriations - ordinary annual services (a)		
Prior year appropriations available (b)	796	716
Departmental appropriation (c)	2,090	2,079
Departmental capital budget (d)	37	38
Total departmental annual appropriations	<u>2,923</u>	<u>2,833</u>
Total departmental resourcing	2,923	2,833
Total resourcing for entity AUASB	2,923	2,833
	<i>2017-18</i>	2018-19
Average staffing level (number)	<u>7</u>	<u>7</u>

Prepared on a resourcing (that is, appropriations available) basis.

Note: All figures shown above are GST exclusive — these may not match figures in the cash flow statement.

(a) Appropriation Bill (No.1) 2018-19.

(b) Adjusted appropriation carried forward from previous year.

(c) Excludes departmental capital budget (DCB).

(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 Part 1 relating to the Office of the Auditing and Assurance Standards Board are detailed in Budget Paper No. 2 and are summarised below.

Table 1.2: Entity 2018-19 Budget measures

Part 1: Measures announced since the 2017-18 Mid-Year Economic and Fiscal Outlook (MYEFO)

The Auditing and Assurance Standards Board has no new budget measures.

Part 2: Other measures not previously reported in a portfolio statement

		2017-18	2018-19	2019-20	2020-21
	Program	\$'000	\$'000	\$'000	\$'000
Expense measures					
Treasury Portfolio - efficiencies (a)	1.1				
Departmental expenses		(6)	(6)	(6)	(6)
Total		(6)	(6)	(6)	(6)

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.

(a) The lead entity for measure 'Treasury Portfolio — efficiencies' is Treasury. The full measure description and package details appear in Budget Paper No. 2 under the Treasury portfolio.

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 programs. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the enhanced Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. 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 – to provide an entity's complete performance story.

The most recent corporate plan for AUASB can be found at:
www.auasb.gov.au/About-the-AUASB/AUASB-Strategy-and-Corporate-Plan.aspx

The most recent annual performance statement can be found in the latest Annual Report at: www.auasb.gov.au/About-the-AUASB/Annual-reports.aspx

2.1 BUDGETED EXPENSES AND PERFORMANCE 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, as well as by Administered and Departmental funding sources.

Table 2.1: Budgeted expenses for Outcome 1

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
Program 1.1: Auditing and Assurance Standards Board					
Departmental expenses					
Departmental appropriation	2,090	2,079	2,080	2,095	2,107
Expenses not requiring appropriation in the Budget year (a)	118	131	133	134	136
Departmental total	2,208	2,210	2,213	2,229	2,243
Total expenses for program 1.1	2,208	2,210	2,213	2,229	2,243
Total expenses for Outcome 1	2,208	2,210	2,213	2,229	2,243

	2017-18	2018-19
Average staffing level (number)	7	7

(a) Expenses not requiring appropriation in the Budget year are made up of depreciation expenses, amortisation expenses, audit fees and waived board member 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

Table 2.2 below details the performance criteria for each program associated with Outcome 1. It also summarises how each program is delivered and where 2018-19 Budget measures have created new programs or materially changed existing programs.

<p>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</p>	
<p>Program 1.1 The key strategies to achieve Outcome 1 are:</p> <ul style="list-style-type: none"> • Develop, issue and maintain in the public interest, high quality Australian auditing and assurance standards and guidance that meet user needs and enhance audit and assurance consistency and quality. • Contribute to the development of a single set of auditing and assurance standards and guidance for world-wide use. 	
<p>Delivery</p>	<ul style="list-style-type: none"> • Develop, issue and maintain high quality Australian auditing and assurance standards that meet the needs of report users. Use IAASB3 Standards — where they exist, modified as necessary — or develop Australian-specific standards and guidance. • With the AASB, play a leading role in reshaping the Australian external reporting framework by working with regulators to develop objective criteria on: <ul style="list-style-type: none"> ○ who prepares external reports (including financial reports) ○ the nature and extent of assurance required on external reports. • Actively influence international auditing and assurance standards and guidance by demonstrating thought leadership and enhancing key international relationships. • Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach. • Influence initiatives to develop assurance standards and guidance that meet user needs for external reporting beyond financial reporting. • Monitor and respond to emerging issues impacting the development of auditing and assurance standards and guidance, including changing technologies. • Develop guidance and education initiatives, or promote development by others, to enhance consistent application of auditing and assurance standards and guidance.

Performance information		
Year	Performance criteria (a)	Targets
2017-18	<ul style="list-style-type: none"> • Issue Australian Auditing and Assurance Standards (ASAs, ASREs, ASAEs and ASRSs) based on IAASB equivalent standards in accordance with AUASB legislative drafting and registration requirements. • Develop, update and maintain Australian specific Standards and/or Guidance Statements for topics not specifically addressed by IAASB Standards as required. • Monitor the Assurance Environment, considering the implications for Australian auditing and assurance standards and guidance and responding as appropriate. • Build, maintain and enhance key international relationships around key focus areas with both global (e.g. IAASB, IFAC, IIRC) and national standard setters and professional bodies (e.g. FRC, PCAOB, CPAC, IRBA). • Maintain harmonisation of auditing and assurance standards in Australia and New Zealand in accordance with relevant agreements and protocols. • Complete a number of strategic projects addressing current areas of auditing and assurance thought leadership and emerging issues, in particular the areas of external reporting beyond financial reporting (e.g. EER) and the impact of changing technologies (e.g. Data Analytics) • Achieve a high level of stakeholder satisfaction through increased engagement (i.e. events and publications) that demonstrate the AUASB has a thorough awareness of ideas and concerns of Australian stakeholders. • Conduct awareness initiatives, such as webinars and presentations for new major Standards issued, and promote the development of education initiatives by others (for example professional bodies, regulators, accounting firms and tertiary institutions) by providing, technical input to their initiatives and co-presenting at their education sessions. • Analyse regulator inspection findings to identify AUASB actions that help improve audit quality and the consistency of audit execution, predominately through the development of new publications (such as AUASB Bulletins and frequently asked questions ('FAQs')) that facilitate the consistent application of auditing and assurance standards. 	<ul style="list-style-type: none"> • Timely release of relevant standards. • An increase in engagement of Australian constituents in the standard setting process, • Responses made to all significant IAASB exposure drafts. • Guidance reviewed and released according to the Annual Plan • Monitor audit quality issues and review standards where required. • Implement a research strategy and program of work to inform, educate and influence domestic and international standards setting. <p>The AUASB expects to meet all its targets and expectations implied by performance criteria in 2018-19.</p>

Performance information		
Year	Performance criteria (a)	Targets
2018-19	As per 2017-18	As per 2017-18
2019-20 and beyond	As per 2018-19	As per 2018-19
Purposes	The functions of the AUASB are to: <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>. 	
Material changes to Program 1.1 resulting from the following measures:		
No Budget Measures in 2017-18 impact on this program.		

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2018-19 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 financial statements.

3.1.2 Explanatory notes and analysis of budgeted financial statements

The AUASB and the Office of the Australian Accounting Standards Board (AASB) have an arrangement where the AASB provides corporate services for both entities. Under the arrangement, AASB charges AUASB a management fee for providing corporate support.

The comprehensive income statement is comprised mainly of employee expenses relating to technical staff and supplier expenses relating to AASB management fee. These items are projected to be steady over the budget and forwarded years.

The balance sheet is predominantly comprised of receivables and provisions relating to the accounting of unspent appropriation and employees.

Other financial items are immaterial in movements.

3.2 BUDGETED FINANCIAL STATEMENTS TABLES

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

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
EXPENSES					
Employee benefits	1,047	1,168	1,190	1,214	1,238
Suppliers	1,121	1,002	983	975	965
Depreciation and amortisation	40	40	40	40	40
Total expenses	2,208	2,210	2,213	2,229	2,243
LESS:					
OWN-SOURCE INCOME					
Gains					
Other	78	91	93	94	96
Total gains	78	91	93	94	96
Total own-source income	78	91	93	94	96
Net (cost of)/contribution by services	(2,130)	(2,119)	(2,120)	(2,135)	(2,147)
Revenue from Government	2,090	2,079	2,080	2,095	2,107
Surplus/(deficit) attributable to the Australian Government	(40)	(40)	(40)	(40)	(40)

Note: Impact of net cash appropriation arrangements

	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000
Total comprehensive income/(loss) excluding depreciation/amortisation expenses previously funded through revenue appropriations	-	-	-	-	-
less depreciation/amortisation expenses previously funded through revenue appropriations (a)	40	40	40	40	40
Total comprehensive income/(loss) - as per the statement of comprehensive income	(40)	(40)	(40)	(40)	(40)

(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)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	297	194	335	335	335
Trade and other receivables	357	468	323	326	329
Total financial assets	654	662	658	661	664
Non-financial assets					
Property, plant and equipment	14	23	37	46	56
Intangibles	3	24	25	15	5
Total non-financial assets	17	47	62	61	61
Total assets	671	709	720	722	725
LIABILITIES					
Payables					
Suppliers	181	172	164	164	164
Other payables	1	21	41	44	47
Total payables	182	193	205	208	211
Provisions					
Employee provisions	91	120	121	121	121
Total provisions	91	120	121	121	121
Total liabilities	273	313	326	329	332
Net assets	398	396	394	393	393
EQUITY*					
Parent entity interest					
Contributed equity	311	349	387	426	466
Retained surplus (accumulated deficit)	87	47	7	(33)	(73)
Total equity	398	396	394	393	393

*'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 2018-19)

	Retained earnings	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000
Opening balance as at 1 July 2018			
Balance carried forward from previous period	87	311	398
Adjusted opening balance	87	311	398
Comprehensive income			
Surplus/(deficit) for the period	(40)	-	(40)
Total comprehensive income	(40)	-	(40)
Transactions with owners			
Contributions by owners			
Departmental Capital Budget (DCB)	-	38	38
Sub-total transactions with owners	-	38	38
Estimated closing balance as at 30 June 2019	47	349	396
Closing balance attributable to the Australian Government	47	349	396

Prepared on Australian Accounting Standards basis.

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

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,517	1,970	2,227	2,095	2,107
Other	(17)	-	1	-	-
Total cash received	2,500	1,970	2,228	2,095	2,107
Cash used					
Employees	1,037	1,139	1,189	1,214	1,238
Suppliers	1,196	952	915	881	869
Other	-	(18)	(17)		
Total cash used	2,233	2,073	2,087	2,095	2,107
Net cash from/(used by) operating activities	267	(103)	141	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	37	38	38	39	40
Total cash used	37	38	38	39	40
Net cash from/(used by) investing activities	(37)	(38)	(38)	(39)	(40)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	37	38	38	39	40
Total cash received	37	38	38	39	40
Net cash from/(used by) financing activities	37	38	38	39	40
Net increase/(decrease) in cash held	267	(103)	141	-	-
Cash and cash equivalents at the beginning of the reporting period	30	297	194	335	335
Cash and cash equivalents at the end of the reporting period	297	194	335	335	335

Prepared on Australian Accounting Standards basis.

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

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	37	38	38	39	40
Total new capital appropriations	37	38	38	39	40
<i>Provided for:</i>					
Purchase of non-financial assets	37	38	38	39	40
Total items	37	38	38	39	40
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations (a)	37	38	38	39	40
TOTAL	37	38	38	39	40
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	37	38	38	39	40
Total cash used to acquire assets	37	38	38	39	40

(a) Does not include annual finance lease costs. Includes purchases from current and previous years' Departmental capital budgets (DCBs).

Prepared on Australian Accounting Standards basis.

Table 3.6: Statement of asset movements (Budget year 2018-19)

	Other property, plant and equipment \$'000	Computer software and intangibles \$'000	Total \$'000
As at 1 July 2018			
Gross book value	115	47	162
Accumulated depreciation/ amortisation and impairment	(101)	(44)	(145)
Opening net book balance	14	3	17
Capital asset additions			
Estimated expenditure on new or replacement assets			
By purchase - appropriation equity (a)	28	10	38
Total additions	28	10	38
Other movements			
Depreciation/amortisation expense	(30)	(10)	(40)
Total other movements	(30)	(10)	(40)
As at 30 June 2019			
Gross book value	154	78	232
Accumulated depreciation/amortisation and impairment	(131)	(54)	(185)
Closing net book balance	23	24	47

(a) 'Appropriation equity' refers to equity injections appropriations provided through Appropriation Bill (No. 2) 2018-19.

Prepared on Australian Accounting Standards basis.