

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

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; and
- participate in and contribute to the development of a single set of auditing standards for world-wide use; and to 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 2010-11 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 AUASB for 2010-11.

Table 1.1: Office of the Auditing and Assurance Standards Board resource statement — Budget estimates for 2010-11 as at Budget May 2010

	Estimate of prior year amounts available in 2010-11 \$'000	Proposed at Budget 2010-11 \$'000	Total estimate 2010-11 \$'000	Actual available appropriation 2009-10 \$'000
Ordinary annual services				
Departmental				
Prior year departmental carried forward	340 ⁴	-	340	-
Departmental appropriation ³	-	1,151 ¹	1,151	1,115
Receipts from other sources (s31)	-	1,130 ²	1,130	1,190
Total ordinary annual services	A 340	2,281	2,621	2,305
Other services				
Departmental non-operating				
Equity injections	579	-	579	-
Total other services	B 579	-	579	-
Special accounts				
Opening balance ⁵	-	-	-	-
Non-appropriation receipts to Special Accounts	-	594	594	594
Total special account	C -	594	594	594
Total resourcing (A+B+C)	919	2,875	3,794	2,899
Less receipts from other sources credited to special accounts	-	594	594	594
Total net resourcing for AUASB	919	2,281	3,200	2,305

1. Appropriation Bill (No. 1) 2010-11.

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

3. Includes \$0.05 million in 2010-11 for the Departmental Capital Budget (also refer to Table 3.2.5).

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

5. Estimated opening balance for special accounts. For further information on special accounts see Table 3.1.2.

1.3 BUDGET MEASURES

The AUASB does not have any Budget measures for 2010-11.

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. Agencies deliver programs which are the Government actions taken to deliver the stated outcomes. 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, deliverables and 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 revised 'Clarity' 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;
- providing Australian participation in, and contribution to, the development of a single set of auditing standards for world-wide use; and
- the AUASB continuing its role in the development of auditing and assurance standards guidance, identifying emerging auditing and assurance issues and contributing to and influencing the development of international auditing standards.

Outcome 1 Budgeted expenses and resources

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

Table 2.1: Budgeted expenses and resources 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	2009-10 Estimated actual expenses \$'000	2010-11 Estimated expenses \$'000
Program 1.1: Auditing and Auditing Assurance Board		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	1,115	1,106
Revenues from independent sources (s31)	596	536
Special accounts	594	594
Expenses not requiring appropriation in the Budget year	17	49
less Revenue to be carried forward	159	-
Total expenses for Outcome 1	2,163	2,285
	2009-10	2010-11
Average staffing level (number)	8	8

Contributions to Outcome 1

Program 1.1: Auditing and Assurance Standards Board

Program objective

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

Contribute to the successful implementation of the 'Clarity' Auditing Standards applicable to financial reporting periods commencing on or after 1 January 2010, including:

- development of articles that will highlight key principles;
- presenting at various information sessions; and
- monitoring the implementation of the revised 'Clarity' Australian Auditing Standards and providing periodic and formal feedback to the International Auditing and Assurance Standards Board (IAASB), which has established a project monitoring task force for this purpose.

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

- engagements to perform specified assurance procedures;

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- fundraising engagements including prospective financial information;
- comfort letter engagements;
- assurance on greenhouse gas emissions reports;
- assurance on water accounting reports;
- standards on review engagements (due to *Corporations Act* changes); and
- assurance on internal control.

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:

- Australian Prudential Regulation Authority and Australian Securities and Investments Commission regulated areas;
- application of auditing standards to audits and reviews of smaller entities – for example, small not for profit entities;
- auditing complex financial instruments;
- 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, including working more closely with the New Zealand Professional Standards Board to maximise consistency in 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, communications 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 an AUASB Bulletin on the audit implications of sustainability reporting;
- development of a an AUASB Bulletin on the audit implications of Standard Business Reporting and Extensible Business Reporting Language;

- preparation of a discussion paper on internal control;
- preparation of a publication which explains and differentiates audits and reviews; and
- track local and international research projects and consider implications for the AUASB.

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

	2009-10 Revised budget \$'000	2010-11 Budget \$'000	2011-12 Forward year 1 \$'000	2012-13 Forward year 2 \$'000	2013-14 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	2,163	2,285	2,344	2,349	2,359
Total departmental expenses	2,163	2,285	2,344	2,349	2,359

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 of the highest quality, developed on a timely basis, are consistent with those developed by the IAASB and are based on the 'Clarity' versions of International Standards on Auditing;
- issued assurance standards and standards on review engagements are of the highest quality and are 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 AUASB's finances for the budget year 2010-11. 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 2010-11 <i>2009-10</i>	Receipts 2010-11 <i>2009-10</i>	Payments 2010-11 <i>2009-10</i>	Adjustments 2010-11 <i>2009-10</i>	Closing balance 2010-11 <i>2009-10</i>
	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	-	594	594	-	-
Total special accounts						
2010-11 Budget estimate		-	594	594	-	-
Total special accounts 2009-10 estimate actual		-	594	594	-	-

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 differences between agency resourcing and financial statements.

3.2.2 Analysis of budgeted financial statements

The AUASB is budgeting for a break-even operating result for 2010-11.

3.2.3 Budgeted financial statements tables

Table 3.2.1: Budgeted departmental comprehensive income statement (for the period ended 30 June)

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
EXPENSES					
Employee benefits	1,346	1,396	1,439	1,482	1,527
Supplier expenses	758	822	837	795	767
Depreciation and amortisation	56	63	64	68	61
Finance costs	3	4	4	4	4
Total expenses	2,163	2,285	2,344	2,349	2,359
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	30	30	31	32	34
Other revenue	1,160	1,100	1,100	1,100	1,100
Total revenue	1,190	1,130	1,131	1,132	1,134
Gains					
Other	17	18	19	20	20
Total gains	17	18	19	20	20
Total own-source income	1,207	1,148	1,150	1,152	1,154
Net cost of (contribution by) services	956	1,137	1,194	1,197	1,205
Appropriation revenue	1,115	1,106	1,163	1,164	1,175
Surplus (deficit) attributable to the Australian Government	159	(31)	(31)	(33)	(30)
Note: Reconciliation of operating result attributable to the agency					
	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000
Operating result attributable to the Australian Government	159	(31)	(31)	(33)	(30)
Plus non-appropriated expenses depreciation and amortisation expenses	-	31	31	33	30
Operating result attributable to the AUASB	159	-	-	-	-

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
ASSETS					
Financial assets					
Cash and equivalents	200	200	200	200	200
Trade and other receivables	937	944	961	979	996
Total financial assets	1,137	1,144	1,161	1,179	1,196
Non-financial assets					
Infrastructure, plant and equipment	267	232	222	208	191
Intangibles	2	19	10	1	1
Other	5	5	5	5	5
Total non-financial assets	274	256	237	214	197
Total assets	1,411	1,400	1,398	1,393	1,393
LIABILITIES					
Provisions					
Employees	232	252	274	297	320
Other	127	125	130	133	137
Total provisions	359	377	404	430	457
Payables					
Suppliers	277	234	191	148	106
Other	25	25	25	25	25
Total payables	302	259	216	173	131
Total liabilities	661	636	620	603	588
Net assets	750	764	778	790	805
EQUITY					
Contributed equity	-	45	90	135	180
Retained surpluses or accumulated deficits	750	719	688	655	625
Total equity	750	764	778	790	805
Current assets	1,142	1,149	1,166	1,184	1,201
Non-current assets	269	251	232	209	192
Current liabilities	249	263	286	308	332
Non-current liabilities	412	373	334	295	256

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	1	-	-	-	-
Appropriations	1,115	1,106	1,163	1,164	1,175
Other	1,189	1,130	1,131	1,132	1,134
Total cash received	2,305	2,236	2,294	2,296	2,309
Cash used					
Employees	1,340	1,376	1,417	1,460	1,504
Suppliers	755	847	861	818	788
Other	206	13	16	18	17
Total cash used	2,301	2,236	2,294	2,296	2,309
Net cash from (used by) operating activities	4	-	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	2	45	45	45	45
Total cash used	2	45	45	45	45
Net cash from (used by) investing activities	(2)	(45)	(45)	(45)	(45)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	-	45	45	45	45
Total cash received	-	45	45	45	45
Net cash from (used by) financing activities	-	45	45	45	45
Net increase (decrease) in cash held	2	-	-	-	-
Cash at the beginning of the reporting period	198	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 2010-11)

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2010					
Balance carried forward from previous period	750	-	-	-	750
Adjusted opening balance	750	-	-	-	750
Comprehensive income					
Surplus (deficit) for the period	(31)	-	-	-	(31)
Total comprehensive income recognised directly in equity	(31)	-	-	-	(31)
Transactions with owners					
<i>Contributions by owners</i>					
Appropriation (departmental capital budget)	-	-	-	45	45
Total transactions with owners	-	-	-	45	45
Estimated closing balance as at 30 June 2011	719	-	-	45	764

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 - DCB	-	45	45	45	45
Total capital appropriations	-	45	45	45	45
Represented by:					
Purchase of non-financial assets	-	45	45	45	45
Total represented by	-	45	45	45	45
ACQUISITION OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB	-	45	45	45	45
Funded internally from departmental resources	2	-	-	-	-
TOTAL	2	45	45	45	45

Note: Under the net cash appropriation arrangements implemented as part of Operation Sunlight, agencies are no longer funded for depreciation, amortisation or make good expenses. Funding for these expenses have been replaced with a Departmental Capital Budget (DCB).

Prepared on Australian Accounting Standards basis.

Table 3.2.6: Statement of asset movements — departmental

	Buildings \$'000	Other infrastructure, plant & equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2010				
Gross book value	-	491	23	514
less Accumulated depreciation/amortisation	-	224	21	245
Opening net book balance	-	267	2	269
Asset movements				
Additions	-	17	28	45
less Depreciation/amortisation expense	-	52	11	63
Total asset movements	-	(35)	17	(18)
As at 30 June 2011				
Gross book value	-	508	51	559
less Accumulated depreciation/amortisation	-	276	32	308
Closing net book balance	-	232	19	251

Prepared on Australian Accounting Standards basis.

3.2.4 Notes to the financial statements

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