

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 setter and a global centre of excellence.

The mission of the AUASB is to develop, in the public interest, high quality auditing and assurance standards and related guidance that meet user needs.

Key strategies during 2017-18 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;

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- 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; 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 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 2017-18 as at Budget May 2017

	2016-17 <i>Estimated actual \$'000</i>	2017-18 Estimate \$'000
Departmental		
Annual appropriations - ordinary annual services (a)		
Prior year appropriations available (b)	1,169	757
Departmental appropriation	2,126	2,096
s 74 retained revenue receipts (c)	1	-
Departmental capital budget (d)	37	37
<i>Total departmental annual appropriations</i>	<u>3,333</u>	<u>2,890</u>
Total departmental resourcing	3,333	2,890
Total resourcing for AUASB	3,333	2,890
	<u>2016-17</u>	<u>2017-18</u>
Average staffing level (number)	<u>7</u>	<u>7</u>

Prepared on a resourcing (that is, 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) 2017-18.
- (b) Adjusted appropriation carried forward from previous year.
- (c) Estimated retained revenue receipts under section 74 of the 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

AUASB does not have any new budget measures.

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:

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 the AUASB can be found at: Corporate Plan.

The most recent annual performance statement can be found at: [Annual Performance Statement](#).

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 and Departmental funding sources.

Table 2.1: Budgeted expenses for Outcome 1

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
Program 1.1: Auditing and Assurance Standards Board					
Departmental expenses					
Departmental appropriation	2,126	2,096	2,083	2,084	2,095
s 74 Retained revenue receipts (a)	1	-	-	-	-
Expenses not requiring appropriation in the Budget year (b)	24	24	24	24	24
Departmental total	2,151	2,120	2,107	2,108	2,119
Total expenses for program 1.1	2,151	2,120	2,107	2,108	2,119
Outcome 1 Totals by appropriation type					
Departmental expenses					
Departmental appropriation	2,126	2,096	2,083	2,084	2,095
s74 Retained revenue receipts (a)	1	-	-	-	-
Expenses not requiring appropriation in the Budget year (b)	24	24	24	24	24
Departmental total	2,151	2,120	2,107	2,108	2,119
Total expenses for Outcome 1	2,151	2,120	2,107	2,108	2,119
	2016-17	2017-18			
Average staffing level (number)	7	7			

(a) Estimated expenses incurred in relation to receipts retained under section 74 of the PGPA Act 2013.

(b) Expenses not requiring appropriation in the Budget year are made up of 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 each program is delivered and where 2017-18 Budget measures have 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 – Office of the 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>Year</p>	<p>Performance criteria</p>	<p>Targets</p>
<p>2016-17</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. 	<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. <p>The AUASB expects to meet all its targets and expectations implied by performance criteria in 2016-17.</p>

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Year	Performance criteria	Targets
	<ul style="list-style-type: none"> • 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. 	
2017-18	As per 2016-17	As per 2016-17
2018-19 and beyond	As per 2017-18	As per 2017-18
Purposes	<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>. 	

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2017-18 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

In 2015-16 there was a restructure between AUASB and the Office of the Australian Accounting Standards Board (AASB) with an arrangement for AASB to provide 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 forward 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

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
EXPENSES					
Employee benefits	1,474	1,455	1,450	1,455	1,469
Suppliers	653	658	656	652	650
Depreciation and amortisation	57	40	40	40	40
Total expenses	2,184	2,153	2,146	2,147	2,159
LESS:					
OWN-SOURCE INCOME					
Gains	-	-	-	-	-
Other	24	24	24	24	24
Total gains	24	24	24	24	24
Total own-source income	24	24	24	24	24
Net (cost of)/contribution by services	(2,160)	(2,129)	(2,122)	(2,123)	(2,135)
Revenue from Government	2,126	2,096	2,083	2,084	2,095
Surplus/(deficit) attributable to the Australian Government	(34)	(33)	(39)	(39)	(40)
Total comprehensive income/(loss) attributable to the Australian Government	(34)	(33)	(39)	(39)	(40)

Note: Impact of net cash appropriation arrangements

	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000
Total comprehensive income/(loss) excluding depreciation/amortisation expenses previously funded through revenue appropriations	23	7	1	1	-
less depreciation/amortisation expenses previously funded through revenue appropriations (a)	57	40	40	40	40
Total comprehensive income/(loss) - as per the statement of comprehensive income	(34)	(33)	(39)	(39)	(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)

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	505	535	557	540	540
Trade and other receivables	763	756	865	718	718
Total financial assets	1,268	1,291	1,422	1,258	1,258
Non-financial assets					
Property, plant and equipment	3	20	50	65	64
Total non-financial assets	3	20	50	65	64
Total assets	1,271	1,311	1,472	1,323	1,322
LIABILITIES					
Provisions					
Employee provisions	699	755	909	752	752
Other provisions	338	318	326	335	335
Total provisions	1,037	1,073	1,235	1,087	1,087
Total liabilities	1,037	1,073	1,235	1,087	1,087
Net assets	234	238	237	236	235
EQUITY*					
Parent entity interest					
Contributed equity	274	311	349	387	426
Retained surplus (accumulated deficit)	(40)	(73)	(112)	(151)	(191)
Total parent entity interest	234	238	237	236	235
Total equity	234	238	237	236	235

*'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 2017-18)

	Retained earnings \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2017			
Balance carried forward from previous period	(40)	274	234
Adjusted opening balance	(40)	274	234
Comprehensive income			
Surplus/(deficit) for the period	(33)	-	(33)
Total comprehensive income	(33)	-	(33)
Transactions with owners			
Contributions by owners			
Departmental capital budget (DCB)	-	37	37
Sub-total transactions with owners	-	37	37
Estimated closing balance as at 30 June 2018	(73)	311	238
Closing balance attributable to the Australian Government	(73)	311	238

Prepared on Australian Accounting Standards basis.

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

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,236	2,212	2,123	2,349	2,095
Other	3	-	-	-	-
Total cash received	2,239	2,212	2,123	2,349	2,095
Cash used					
Employees	1,423	1,400	1,296	1,613	1,476
Suppliers	718	782	809	757	647
Total cash used	2,141	2,182	2,105	2,370	2,123
Net cash from/(used by) operating activities	98	30	18	(21)	(28)
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	37	37	38	38	39
Total cash used	37	37	38	38	39
Net cash from/(used by) investing activities	(37)	(37)	(38)	(38)	(39)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	37	37	38	38	(1)
Total cash received	37	37	38	38	(1)
Net cash from/(used by) financing activities	37	37	38	38	(1)
Net increase/(decrease) in cash held	98	30	18	(21)	(68)
Cash and cash equivalents at the beginning of the reporting period	407	505	535	553	2,006
Cash and cash equivalents at the end of the reporting period	505	535	553	532	1,938

Prepared on Australian Accounting Standards basis.

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

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	37	37	38	38	39
Total new capital appropriations	37	37	38	38	39
<i>Provided for:</i>					
Purchase of non-financial assets	37	37	38	38	39
Total items	37	37	38	38	39
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB (a)	37	37	38	38	39
TOTAL	37	37	38	38	39
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	37	37	38	38	39
Total cash used to acquire assets	37	37	38	38	39

(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 departmental asset movements (Budget year 2017-18)

	Other property, plant and equipment \$'000	Computer software and intangibles \$'000	Total \$'000
As at 1 July 2017			
Gross book value	656	-	656
Accumulated depreciation/amortisation and impairment	(636)	-	(636)
Opening net book balance	20	-	20
Capital asset additions			
Estimated expenditure on new or replacement assets			
By purchase - appropriation ordinary annual services (a)	18	22	40
Total additions	18	22	40
Other movements			
Depreciation/amortisation expense	(30)	(10)	(40)
Total other movements	(30)	(10)	(40)
As at 30 June 2018			
Gross book value	674	22	696
Accumulated depreciation/amortisation and impairment	(666)	(10)	(676)
Closing net book balance	8	12	20

'Appropriation ordinary annual services' refers to funding provided through Appropriation Bill (No.1) 2017-18 for depreciation/amortisation expenses, DCBs or other operational expenses.

Prepared on Australian Accounting Standards basis.