

# 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 2013-14 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 2013-14 as at Budget May 2013**

	Estimate of prior year amounts available in 2013-14 \$'000	Proposed at Budget 2013-14 \$'000	Total estimate 2013-14 \$'000	Actual available appropriation 2012-13 \$'000
<b>Ordinary annual services</b>				
<b>Departmental</b>				
Prior year departmental appropriation	931 <sup>4</sup>	-	931	-
Departmental appropriation <sup>3</sup>	-	2,244 <sup>1</sup>	2,244	2,239
Receipts from other sources (s31)	-	33 <sup>2</sup>	33	32
<b>Total ordinary annual services</b>	<b>A</b> 931	2,277	3,208	2,271
<b>Other services</b>				
<b>Departmental non-operating</b>				
Equity injections	579 <sup>4</sup>	-	579	-
<b>Total other services</b>	<b>B</b> 579	-	579	-
<b>Total net resourcing for AUASB (A+B)</b>	<b>1,510</b>	<b>2,277</b>	<b>3,787</b>	<b>2,271</b>

1. Appropriation Bill (No. 1) 2013-14.

2. Receipts received under section 31 (s31) of the *Financial Management and Accountability Act 1997*.

3. Includes \$0.04 million in 2013-14 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

Budget measures relating to the AUASB are summarised below.

**Table 1.2: Office of the Auditing and Assurance Standards Board 2013-14 Budget measures**

Program	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000
<b>Expense measures</b>					
Targeted savings – public service efficiencies <sup>1</sup>	1.1	(10)	(14)	(12)	(11)
<b>Total expense measures</b>		(10)	(14)	(12)	(11)

<sup>1</sup> This measure was included as a cross portfolio measure in the *Mid-Year Economic and Fiscal Outlook 2012-13*.

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 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	2012-13	2013-14
	Estimated actual expenses \$'000	Estimated expenses \$'000
<b>Program 1.1: Auditing and Assurance Standards Board</b>		
Departmental expenses		
Departmental appropriation	2,234	2,241
Expenses not requiring appropriation in the budget year	103	120
<b>Total expenses for Outcome 1</b>	<b>2,337</b>	<b>2,361</b>
	2012-13	2013-14
<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:

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- 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:

- 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

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- 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**

	2012-13 Revised budget \$'000	2013-14 Budget \$'000	2014-15 Forward year 1 \$'000	2015-16 Forward year 2 \$'000	2016-17 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	2,337	2,361	2,380	2,391	2,372
<b>Total departmental expenses</b>	<b>2,337</b>	<b>2,361</b>	<b>2,380</b>	<b>2,391</b>	<b>2,372</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;
- 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;

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- 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 2013-14. 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**

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 2013-14 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 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
<b>EXPENSES</b>					
Employee benefits	1,542	1,541	1,591	1,645	1,701
Supplier expenses	713	721	688	655	623
Depreciation and amortisation	79	96	98	88	45
Finance costs	3	3	3	3	3
<b>Total expenses</b>	<b>2,337</b>	<b>2,361</b>	<b>2,380</b>	<b>2,391</b>	<b>2,372</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sale of goods and rendering of services	32	33	35	36	37
<b>Total revenue</b>	<b>32</b>	<b>33</b>	<b>35</b>	<b>36</b>	<b>37</b>
<b>Gains</b>					
Other	24	24	24	24	24
<b>Total gains</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
<b>Total own-source income</b>	<b>56</b>	<b>57</b>	<b>59</b>	<b>60</b>	<b>61</b>
<b>Net cost of (contribution by) services</b>	<b>2,281</b>	<b>2,304</b>	<b>2,321</b>	<b>2,331</b>	<b>2,311</b>
Appropriation revenue	2,202	2,208	2,223	2,243	2,266
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>(79)</b>	<b>(96)</b>	<b>(98)</b>	<b>(88)</b>	<b>(45)</b>

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

	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000
<b>Total Comprehensive Income</b>					
<b>(loss) less depreciation/amortisation expenses previously funded through revenue appropriations</b>	-	-	-	-	-
plus depreciation/amortisation expenses previously funded through revenue appropriations	(79)	(96)	(98)	(88)	(45)
<b>Total Comprehensive Income (loss) - as per the Statement of Comprehensive Income</b>	<b>(79)</b>	<b>(96)</b>	<b>(98)</b>	<b>(88)</b>	<b>(45)</b>

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and equivalents	200	200	200	200	200
Trade and other receivables	1,265	1,235	1,206	1,168	1,185
<b>Total financial assets</b>	<b>1,465</b>	<b>1,435</b>	<b>1,406</b>	<b>1,368</b>	<b>1,385</b>
<b>Non-financial assets</b>					
Infrastructure, plant and equipment	208	148	82	24	33
Intangibles	8	12	10	12	5
Other	5	5	5	5	5
<b>Total non-financial assets</b>	<b>221</b>	<b>165</b>	<b>97</b>	<b>41</b>	<b>43</b>
<b>Total assets</b>	<b>1,686</b>	<b>1,600</b>	<b>1,503</b>	<b>1,409</b>	<b>1,428</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	563	594	625	657	690
Other	85	88	90	93	96
<b>Total provisions</b>	<b>648</b>	<b>682</b>	<b>715</b>	<b>750</b>	<b>786</b>
<b>Payables</b>					
Suppliers	50	51	50	49	45
Other	244	183	115	37	31
<b>Total payables</b>	<b>294</b>	<b>234</b>	<b>165</b>	<b>86</b>	<b>76</b>
<b>Total liabilities</b>	<b>942</b>	<b>916</b>	<b>880</b>	<b>836</b>	<b>862</b>
<b>Net assets</b>	<b>744</b>	<b>684</b>	<b>623</b>	<b>573</b>	<b>566</b>
<b>EQUITY</b>					
Contributed equity	595	499	401	313	268
Asset Revaluation Reserve	22	22	22	22	22
Retained surpluses or accumulated deficits	127	163	200	238	276
<b>Total equity</b>	<b>744</b>	<b>684</b>	<b>623</b>	<b>573</b>	<b>566</b>
<b>Current assets</b>	<b>1,470</b>	<b>1,440</b>	<b>1,411</b>	<b>1,373</b>	<b>1,390</b>
<b>Non-current assets</b>	<b>216</b>	<b>160</b>	<b>92</b>	<b>36</b>	<b>38</b>
<b>Current liabilities</b>	<b>340</b>	<b>372</b>	<b>402</b>	<b>432</b>	<b>462</b>
<b>Non-current liabilities</b>	<b>602</b>	<b>544</b>	<b>478</b>	<b>404</b>	<b>400</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 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services					
Appropriations	2,254	2,211	2,217	2,236	2,275
Other	80	61	70	78	37
<b>Total cash received</b>	<b>2,334</b>	<b>2,272</b>	<b>2,287</b>	<b>2,314</b>	<b>2,312</b>
<b>Cash used</b>					
Employees	1,512	1,512	1,560	1,613	1,668
Suppliers	743	757	733	708	606
Other	-	-	-	-	29
<b>Total cash used</b>	<b>2,255</b>	<b>2,269</b>	<b>2,293</b>	<b>2,321</b>	<b>2,303</b>
<b>Net cash from (used by) operating activities</b>	<b>79</b>	<b>3</b>	<b>(6)</b>	<b>(7)</b>	<b>9</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	89	39	31	31	47
<b>Total cash used</b>	<b>89</b>	<b>39</b>	<b>31</b>	<b>31</b>	<b>47</b>
<b>Net cash from (used by) investing activities</b>	<b>(89)</b>	<b>(39)</b>	<b>(31)</b>	<b>(31)</b>	<b>(47)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Contributed equity	37	36	37	38	38
<b>Total cash received</b>	<b>37</b>	<b>36</b>	<b>37</b>	<b>38</b>	<b>38</b>
<b>Net cash from (used by) financing activities</b>	<b>37</b>	<b>36</b>	<b>37</b>	<b>38</b>	<b>38</b>
<b>Net increase (decrease) in cash held</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash at the beginning of the reporting period	173	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 2013-14)**

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2013</b>					
Balance carried forward from previous period	595	22	-	127	744
<b>Adjusted opening balance</b>	595	22	-	127	744
<b>Comprehensive income</b>					
Surplus (deficit) for the period	(96)	-	-	-	(96)
<b>Total comprehensive income recognised directly in equity</b>	(96)	-	-	-	(96)
<b>Transactions with owners</b>					
<i>Contributions by owners</i>					
Appropriation (departmental capital budget)	-	-	-	36	36
<b>Total transactions with owners</b>	-	-	-	36	36
<b>Estimated closing balance as at 30 June 2014</b>	499	22	-	163	684

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
<b>NEW CAPITAL APPROPRIATIONS</b>					
Capital budget - Bill 1 - DCB	37	36	37	38	38
<b>Total new capital appropriations</b>	37	36	37	38	38
<b>Provided for:</b>					
Purchase of non-financial assets	37	36	37	38	38
<b>Total Items</b>	37	36	37	38	38
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation - DCB	89	39	31	31	47
<b>TOTAL</b>	89	39	31	31	47
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	89	39	31	31	47
<b>Total cash used to acquire assets</b>	89	39	31	31	47

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 2013</b>					
Gross book value	-	589	50	-	639
Accumulated depreciation/amortisation and impairment	-	380	42	-	422
<b>Opening net book balance</b>	-	209	8	-	217
<b>Capital asset additions</b>					
By purchase - appropriation ordinary annual services	-	25	14	-	39
<b>Total additions</b>	-	25	14	-	39
<b>Other movements</b>					
Depreciation/amortisation expense	-	86	10	-	96
<b>Total other movements</b>	-	86	10	-	96
<b>As at 30 June 2014</b>					
Gross book value	-	614	64	-	678
Accumulated depreciation/amortisation and impairment	-	466	52	-	518
<b>Closing net book balance</b>	-	148	12	-	160

Prepared on Australian Accounting Standards basis.

