

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;
- 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 2011-12 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 from all sources. The table summarises how resources will be applied by outcome and departmental classification.

Table 1.1: Office of the Auditing and Assurance Standards Board resource statement — Budget estimates for 2011-12 as at Budget May 2011

	Estimate of prior year amounts + available in 2011-12 \$'000	Proposed at Budget 2011-12 \$'000	= Total estimate 2011-12 \$'000	Actual available appropriation 2010-11 \$'000
Ordinary annual services				
Departmental				
Prior year departmental appropriation	429 ⁴	-	429	-
Departmental appropriation ³	-	2,315 ¹	2,315	1,151
Receipts from other sources (s31)	-	31 ²	31	1,130
Total ordinary annual services	A 429	2,346	2,775	2,281
Other services				
Departmental non-operating				
Equity injections	579 ⁴	-	579	-
Total other services	B 579	-	579	-
Total net resourcing for AUASB (A+B)	1,008	2,346	3,354	2,281

1. Appropriation Bill (No. 1) 2011-12.

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

3. Includes an amount of \$0.05 million in 2011-12 for the departmental capital budget (refer to Table 3.2.5 for further details).

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

1.3 BUDGET MEASURES

Budget measures relating to the AUASB are detailed in Budget Paper No. 2, *Budget Measures 2011-12* and are summarised below.

Table 1.2: Office of the Auditing and Assurance Standards Board 2011-12 Budget measures

	Program	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
Expense measures						
Australian Accounting Standards Board and Auditing and Assurance Standards Board - additional funding	1.1	-	1,110	1,121	1,132	1,142
Efficiency dividend - temporary increase in the rate	1.1	-	(6)	(23)	(29)	(35)
Total expense measures		-	1,104	1,098	1,103	1,107
Related Capital						
Efficiency dividend - temporary increase in the rate	1.1	-	-	-	(1)	(1)
Total related capital		-	-	-	(1)	(1)

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 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 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	2010-11 Estimated actual expenses \$'000	2011-12 Estimated expenses \$'000
Program 1.1: Auditing and Auditing Assurance Board		
Departmental expenses		
Departmental appropriation	1,642	2,301
Special accounts	594	-
Expenses not requiring appropriation in the budget year	50	96
Revenue to be carried forward	(136)	-
Total expenses for Outcome 1	2,150	2,397
	2010-11	2011-12
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 that commenced on or after 1 January 2010, including:

- development of articles that will highlight key principles;
- presenting at various public forums, conferences and 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:

- assurance framework;

- assurance engagements other than on historical financial statements;
- engagements to perform agreed-upon procedures;
- fundraising engagements including prospective financial information;
- comfort letter engagements;
- assurance on greenhouse gas emissions reports;
- assurance on water accounting reports;
- standards on review engagements; 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:

- the Australian Prudential Regulation Authority and the 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;
- private 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 AUASB Bulletins on various current topics relating to the Board's areas of interest;

- preparation of a discussion paper on internal control;
- promoting thought leadership on the importance of achieving and heightening audit quality; and
- track local and international auditing and assurance 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

	2010-11 Revised budget \$'000	2011-12 Budget \$'000	2012-13 Forward year 1 \$'000	2013-14 Forward year 2 \$'000	2014-15 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	2,150	2,397	2,409	2,435	2,449
Total departmental expenses	2,150	2,397	2,409	2,435	2,449

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;

- 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 agency finances for the 2011-12 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, special accounts and government Indigenous expenditure.

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 2011-12 2010-11	Receipts 2011-12 2010-11	Payments 2011-12 2010-11	Adjustments 2011-12 2010-11	Closing balance 2011-12 2010-11
	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						
2011-12 Budget estimate		-	-	-	-	-
Total special accounts 2010-11 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 2011-12 after adding back non-appropriated depreciation and amortisation expenses.

3.2.3 Budgeted financial statements tables

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

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
EXPENSES					
Employee benefits	1,338	1,519	1,566	1,615	1,664
Supplier expenses	743	797	753	725	697
Depreciation and amortisation	65	77	86	91	83
Finance costs	4	4	4	4	5
Total expenses	2,150	2,397	2,409	2,435	2,449
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	30	31	32	34	35
Other revenue	1,100	-	-	-	-
Total revenue	1,130	31	32	34	35
Gains					
Other	18	19	20	20	21
Total gains	18	19	20	20	21
Total own-source income	1,148	50	52	54	56
Net cost of (contribution by) services	1,002	2,347	2,357	2,381	2,393
Appropriation revenue	1,106	2,270	2,271	2,290	2,310
Surplus (deficit) attributable to the Australian Government	104	(77)	(86)	(91)	(83)
Note: Reconciliation of operating result attributable to the agency					
	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
Operating result attributable to the Australian Government	104	(77)	(86)	(91)	(83)
Plus non-appropriated expenses depreciation and amortisation expenses	65	77	86	91	83
Operating result attributable to the AUASB	169	-	-	-	-

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
ASSETS					
Financial assets					
Cash and equivalents	200	200	200	200	200
Trade and other receivables	1,027	1,000	984	970	955
Total financial assets	1,227	1,200	1,184	1,170	1,155
Non-financial assets					
Infrastructure, plant and equipment	265	233	195	152	116
Intangibles	16	15	11	8	8
Other	11	11	11	11	11
Total non-financial assets	292	259	217	171	135
Total assets	1,519	1,459	1,401	1,341	1,290
LIABILITIES					
Provisions					
Employees	212	234	257	281	306
Other	122	130	132	136	140
Total provisions	334	364	389	417	446
Payables					
Suppliers	234	176	133	91	48
Other	25	25	25	25	25
Total payables	259	201	158	116	73
Total liabilities	593	565	547	533	519
Net assets	926	894	854	808	771
EQUITY					
Contributed equity	45	90	136	182	229
Retained surpluses or accumulated deficits	881	804	718	626	542
Total equity	926	894	854	808	771
Current assets	1,238	1,210	1,193	1,180	1,165
Non-current assets	281	249	208	161	125
Current liabilities	253	265	286	310	336
Non-current liabilities	340	300	261	223	183

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services					
Appropriations	1,106	2,271	2,270	2,287	2,306
Other	1,130	48	48	48	48
Total cash received	2,236	2,319	2,318	2,335	2,354
Cash used					
Employees	1,349	1,475	1,520	1,566	1,614
Suppliers	767	844	798	769	740
Other	77	-	-	-	-
Total cash used	2,193	2,319	2,318	2,335	2,354
Net cash from (used by) operating activities	43	-	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	45	45	46	45	46
Total cash used	45	45	46	45	46
Net cash from (used by) investing activities	(45)	(45)	(46)	(45)	(46)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	45	45	46	45	46
Total cash received	45	45	46	45	46
Net cash from (used by) financing activities	45	45	46	45	46
Net increase (decrease) in cash held	43	-	-	-	-
Cash at the beginning of the reporting period	157	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 2011-12)

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2011					
Balance carried forward from previous period	881	-	-	45	926
Adjusted opening balance	881	-	-	45	926
Comprehensive income					
Surplus (deficit) for the period	(77)	-	-	-	(77)
Total comprehensive income recognised directly in equity	(77)	-	-	-	(77)
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 2012	804	-	-	90	894

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget (DCB) statement

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 - DCB	45	45	46	45	46
Total capital appropriations	45	45	46	45	46
Represented by:					
Purchase of non-financial assets	45	45	46	45	46
Total represented by	45	45	46	45	46
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB	45	45	46	45	46
TOTAL	45	45	46	45	46
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	45	45	46	45	46
Total cash used to acquire assets	45	45	46	45	46

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 2011				
Gross book value	-	546	44	590
Accumulated depreciation/amortisation and impairment	-	282	28	310
Opening net book balance	-	264	16	280
Capital asset additions				
By purchase - appropriation ordinary annual services	-	35	10	45
Total additions	-	35	10	45
Other movements				
Depreciation/amortisation expense	-	66	11	77
Total other movements	-	66	11	77
As at 30 June 2012				
Gross book value	-	581	54	635
Accumulated depreciation/amortisation and impairment	-	348	39	387
Closing net book balance	-	233	15	248

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.

