

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 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 2015-16 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, audit quality, and the role of auditing and assurance services.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Office of the Auditing and Assurance Standards Board resource statement — Budget estimates for 2015-16 as at Budget May 2015

	<i>Actual Available Appropriation 2014-15 \$'000</i>	Estimate of prior year amounts available in 2015-16 \$'000	Proposed at 2015-16 Budget \$'000	Total 2015-16 estimate \$'000
Ordinary annual services (a)				
Departmental appropriation				
Prior year appropriations (b)	1,233	1,229	-	1,229
Departmental appropriations (c)	2,226	-	2,198	2,198
s 74 Retained revenue receipts (d)	35		36	36
Total	3,494	1,229	2,234	3,463
Total ordinary annual services [A]	3,494	1,229	2,234	3,463
Total available annual appropriations [A]	3,494	1,229	2,234	3,463

(a) Appropriation Bill (No. 1) 2015-16.

(b) Estimated adjusted balance carried forward from previous year.

(c) Includes an amount of \$0.04m for the Departmental Capital Budget (refer to Table 3.2.5 for further details). For accounting purposes this amount has been designated as 'contributions by owners'.

(d) Estimated Retained revenue receipts under section 74 of the PGPA Act.

Reader note: All figures are GST exclusive.

1.3 BUDGET MEASURES

The AUASB does not have any budget measures for 2015-16.

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 programmes are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programmes which contribute to government outcomes over the Budget and forward years.

Each outcome is described below together with its related programmes, specifying the performance indicators and targets used to assess and monitor the performance of the AUASB in achieving government outcomes.

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, 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.

Outcome expense statement

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

Table 2.1: Budgeted expenses for Outcome 1

	2014-15 Estimated actual expenses \$'000	2015-16 Estimated expenses \$'000
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		
Programme 1.1: Auditing and Assurance Standards Board		
Departmental expenses		
Departmental appropriation (a)	2,223	2,197
Expenses not requiring appropriation in the Budget year (b)	113	128
Total expenses for Outcome 1	2,336	2,325
	2014-15	2015-16
Average staffing level (number)	7	7

(a) Departmental Appropriation combines 'Ordinary annual services (Appropriation Bill No. 1)' and 'Revenue from independent sources (s 74)'.

(b) Expenses not requiring appropriation in the Budget year are made up of depreciation expenses, amortisation expenses, makegood expenses, 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.

Contributions to Outcome 1

Programme 1.1: Auditing and Assurance Standards Board

Programme 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 informal and formal feedback to the IAASB;
- monitoring the revision of IAASB International Standards on Auditing and considering the implications for the following equivalent AUASB standards:
 - auditor reporting;
 - the auditor's responsibility relating to other information accompanying the financial report; and
 - auditing financial report disclosures.
- participation in the IAASB's Innovation and Integrated Reporting Working Groups;

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- consulting and liaising with stakeholders to promote audit quality and understand emerging issues;
- 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:

- standards on review engagements;
- assurance engagements other than on historical financial statements;
- assurance on controls;
- assurance on compliance engagements; and
- assurance on 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:

- the Australian Prudential Regulation Authority regulated areas, including superannuation, general insurance, approved deposit taking institutions and life insurance companies;
- the Australian Securities and Investments Commission regulated areas, including auditing AFSL entities;
- auditing self-managed superannuation funds; and
- assurance on grant acquittals and multi-scope engagements.

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 articulate audit requirements, including:

- development of AUASB Bulletins on various current topics relating to the AUASB’s areas of interest, including the importance of using the AUASB auditing and assurance standards ; and
- 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.

Programme expenses

There are no significant changes to estimates across the forward years.

Table 2.2: Programme expenses

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
Annual departmental expenses:					
Departmental item	2,336	2,325	2,245	2,251	2,263
Total Programme expenses	2,336	2,325	2,245	2,251	2,263

Programme 1.1 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 as required; and
- contribute to the development of international auditing and assurance standards.

Programme 1.1 key performance indicators

The AUASB has the following key performance indicators:

- 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;

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- issued assurance standards and standards on review engagements are high quality and developed and/or revised as required on a timely basis;
- 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.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2015-16 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and programme 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

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 entity resourcing and financial statements

There are no material differences between entity 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 2015-16 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

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
EXPENSES					
Employee benefits	1,503	1,479	1,502	1,524	1,547
Suppliers	741	739	690	686	678
Depreciation and amortisation	89	104	53	41	38
Finance costs	3	3	-	-	-
Total expenses	2,336	2,325	2,245	2,251	2,263
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	34	36	37	39	40
Total own-source revenue	34	36	37	39	40
Gains					
Other	24	24	24	24	24
Total gains	24	24	24	24	24
Total own-source income	58	60	61	63	64
Net cost of/(contribution by) services	2,278	2,265	2,184	2,188	2,199
Revenue from Government	2,189	2,161	2,131	2,147	2,161
Surplus/(deficit) attributable to the Australian Government	(89)	(104)	(53)	(41)	(38)
Total comprehensive income/(loss)	(89)	(104)	(53)	(41)	(38)
Total comprehensive income/(loss) attributable to the Australian Government	(89)	(104)	(53)	(41)	(38)
Note: Impact of net cash appropriation arrangements					
	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000
Total comprehensive income/(loss) excluding depreciation/ amortisation expenses previously funded through revenue appropriations.	-	-	-	-	-
Less depreciation/amortisation expenses previously funded through revenue appropriations (a)	89	104	53	41	38
Total comprehensive income/(loss) - as per the statement of comprehensive income	(89)	(104)	(53)	(41)	(38)

(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 3.2.5 Departmental Capital Budget Statement.

Prepared on Australian Accounting Standards basis.

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

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	200	200	200	200	200
Trade and other receivables	1,054	1,025	1,013	1,040	1,071
Total financial assets	1,254	1,225	1,213	1,240	1,271
Non-financial assets					
Property, plant and equipment	112	45	31	31	32
Intangibles	22	22	20	18	18
Other non-financial assets	7	7	7	7	7
Total non-financial assets	141	74	58	56	57
Assets held for sale					
Total assets	1,395	1,299	1,271	1,296	1,328
LIABILITIES					
Payables					
Suppliers	36	36	36	36	36
Other payables	101	40	1	1	1
Total payables	137	76	37	37	37
Provisions					
Employee provisions	151	180	210	240	271
Other provisions	141	144	141	139	139
Total provisions	292	324	351	379	410
Total liabilities	429	400	388	416	447
Net assets	966	899	883	880	881
EQUITY*					
Contributed equity	200	237	274	312	351
Reserves	38	38	38	38	38
Retained surplus (accumulated deficit)	728	624	571	530	492

*'Equity' is the residual interest in assets after deduction of liabilities.

Prepared on Australian Accounting Standards basis.

Table 3.2.3: Departmental statement of changes in equity — summary of movement (Budget year 2015-16)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2015					
Balance carried forward from previous period	728	38		200	966
Adjusted opening balance	728	38	-	200	966
Comprehensive income					
Other comprehensive income					-
Surplus/(deficit) for the period	(104)				(104)
Total comprehensive income	(104)	-	-	-	(104)
of which:					
Attributable to the Australian Government	(104)	-	-	-	(104)
Attributable to non-controlling interest					-
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 2016	624	38	-	237	899
Closing balance attributable to the Australian Government	624	38	-	237	899

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,189	2,161	2,131	2,149	2,161
Other	61	65	46	39	40
Total cash received	2,250	2,226	2,177	2,188	2,201
Cash used					
Employees	1,472	1,450	1,472	1,494	1,517
Suppliers	771	776	705	663	654
Other	-	-	-	31	30
Total cash used	2,243	2,226	2,177	2,188	2,201
Net cash from/(used by) operating activities	7	-	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	37	37	37	38	39
Total cash used	37	37	37	38	39
Net cash from/(used by) investing activities	37	37	37	38	39
FINANCING ACTIVITIES					
Cash received					
Contributed equity	37	37	37	38	39
Total cash received	37	37	37	38	39
Net cash from/(used by) financing activities	37	37	37	38	39
Net increase/(decrease) in cash held	81	74	74	76	78
Cash and cash equivalents at the beginning of the reporting period	193	200	200	200	200
Cash and cash equivalents at the end of the reporting period	193	200	200	200	200

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement (for the period ended 30 June)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	37	37	37	38	39
Total new capital appropriations	37	37	37	38	39
<i>Provided for:</i>					
<i>Purchase of non-financial assets</i>	37	37	37	38	39
Total Items	37	37	37	38	39
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations (a)	37	37	37	38	39
TOTAL	37	37	37	38	39
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	37	37	37	38	39
Total cash used to acquire assets	37	37	37	38	39

(a) Includes both current Bill 2 and prior Act 2/4/6 appropriations and special capital appropriations.
Prepared on Australian Accounting Standards basis.

Table 3.2.6: Statement of asset movements (Budget year 2015-16)

	Buildings \$'000	Other property, plant and equipment \$'000	Computer software and intangibles \$'000	L&B, IP&E held for sale \$'000	Total \$'000
As at 1 July 2015					
Gross book value	-	629	86	-	715
Accumulated depreciation/amortisation and impairment	-	(517)	(64)	-	(581)
Opening net book balance	-	112	22	-	134
Capital asset additions					
Estimated expenditure on new or replacement assets					
By purchase - appropriation equity (a)	-	19	18	-	37
Total additions	-	19	18	-	37
Other movements					
Depreciation/amortisation expense	-	(86)	(18)	-	(104)
Total other movements	-	(86)	(18)	-	(104)
As at 30 June 2016					
Gross book value	-	648	104	-	752
Accumulated depreciation/amortisation and impairment	-	(603)	(82)	-	(685)
Closing net book balance	-	45	22	-	67

(a) 'Appropriation equity' refers to equity injections appropriations provided through Appropriation Bill (No. 2) 2015-16, including CDABs.

Prepared on Australian Accounting Standards basis.