



**Australian Government**  
**Australian Accounting Standards Board**



**Australian Government**  
**Auditing and Assurance Standards Board**

# **Australian Accounting Standards Board**

**and**

# **Auditing and Assurance Standards Board**

## **2016-2017 Annual Reports**



**Australian Accounting  
Standards Board**

**and**

**Auditing and Assurance  
Standards Board**

2016-2017 Annual Reports

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# LETTER OF TRANSMITTAL

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6 October 2017

The Hon Kelly O'Dwyer MP  
Minister for Revenue and Financial Services  
Parliament House  
CANBERRA ACT 2600

Dear Minister,

We have pleasure in presenting the annual reports for the year ended 30 June 2017 of the:

- Australian Accounting Standards Board (AASB) and the Office of the Australian Accounting Standards Board, and
- Auditing and Assurance Standards Board (AUASB) and the Office of the Auditing and Assurance Standards Board;

The reports have been prepared in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and have been combined into one publication.

Section 46 of the PGPA Act requires the Chair of the AASB and the Chair of the AUASB to respectively prepare a report of the operations of the AASB and its Office, and the, AUASB and its Office, during the year. The respective reports must be tabled in each House of the Parliament as soon as practicable.

Yours sincerely



Kris Peach  
Chair  
Australian Accounting Standards Board



Roger Simnett  
Chair  
Auditing and Assurance Standards Board

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## ABBREVIATIONS

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The following abbreviations are used by the AASB and AUASB in this report:

AASB	Australian Accounting Standards Board
ACNC	Australian Charities and Not-for-profits Commission
AICD	Australian Institute of Company Directors
ANAO	Australian National Audit Office
AOSSG	Asian-Oceanian Standard-Setters Group
APRA	Australian Prudential Regulation Authority
ASA	Australian Auditing Standard
ASAE	Australian Standard on Assurance Engagements
ASAF	Accounting Standards Advisory Forum
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASRE	Australian Standard on Review Engagements
AUASB	Auditing and Assurance Standards Board
AuASB	Auditing and Assurance Standards Board (to 30 June 2004)
BRLF	Business Reporting Leaders Forum
CA ANZ	Chartered Accountants Australia and New Zealand
CER	Clean Energy Regulator
CPAA	CPA Australia
FRC	Financial Reporting Council
GPFS	General Purpose Financial Statements
GST	Goods and Services Tax
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFASS	International Forum of Accounting Standard Setters (formerly NSS)
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IIRC	International Integrated Reporting Council
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standard on Auditing
NFP	Not-for-Profit
NSS	National Standards Setters
NZASB	New Zealand Accounting Standards Board
NZAuASB	New Zealand Auditing and Assurance Standards Board
OHSC	Occupational Health and Safety Committee
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PSA	<i>Public Service Act 1999</i>
RDR	Reduced disclosure requirements
SME	Small and Medium Enterprises
SMSF	Self-Managed Superannuation Fund



## CONTACT DETAILS

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# AASB AND AUASB WORKING TOGETHER

## WHAT WE ACHIEVED

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The Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB) – as well as the Financial Reporting Council (FRC) – play a role in facilitating the Australian economy by reducing the cost of capital, enabling Australian entities to compete effectively overseas, and ensuring accounting and auditing standards are clearly stated and easy to understand.

Underpinning these goals is the ultimate purpose of maintaining investor confidence in the Australian economy (including its capital markets).

Consolidation and collaboration were the AASB and AUASB's main objectives for 2017, following our major restructure in 2016.

During the year we held a joint Board and Staff Strategy Day to reflect on our common challenges and opportunities and how the Boards can better serve the Australian economy in an environment of significant technological change.

We collaborated to align strategies, visions and missions to ensure we gain maximum efficiencies from the joint operating model. The governance structures of the two Boards have been more closely aligned and updated to reflect leading practice, including a new combined AASB/AUASB Board Charter. This provides us with a solid platform for delivering on our respective remits as increasingly we work together to deliver robust, well-accepted standards.

The AASB and AUASB worked closely together to align our processes and roles to our new joint operating model. Stakeholder engagement was a particular focus, and the Boards introduced webcasts, podcasts and education sessions to help to reach new audiences. We also reinvigorated our regular newsletters, introduced Staff FAQs to assist with implementation issues and engaged more closely with national and specialist media. These initiatives have helped us work towards greater engagement with our stakeholder community.

This year also saw a major milestone for both Boards: the 50<sup>th</sup> anniversary of accounting and auditing standard setting in Australia. Together with 155 of our alumni and friends from across the accounting, auditing and public sector communities, we held a celebratory gala evening with speakers reminding us of how much we have achieved, and how much we have ahead of us.

**aligned  
strategies,  
visions and  
missions**

**reinvigorated  
stakeholder  
engagement**

**celebrated  
50 years of  
standard  
setting**

## VISION AND MISSION

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In May 2017 the AASB and the AUASB collaborated to revise their strategies at a Joint AASB/AUASB Strategy Day where the vision and mission for each Board was updated and aligned where possible, as set out below.

As a consequence, the vision and mission statements contained in this report differ to those outlined in the *2016-2017 Corporate Plan*.

AASB Vision	AUASB Vision
Contribute to stakeholder confidence in the Australian economy, including its capital markets, and trust in external reporting.	Contribute to stakeholder confidence in the Australian economy, including its capital markets, and trust in auditing and assurance.
AASB Mission	AUASB Mission
<p>Develop, issue and maintain principles-based Australian accounting and external reporting standards that meet user needs and enhance external reporting consistency and quality.</p> <p>Contribute to the development of a single set of accounting and external reporting standards for world-wide use.</p>	<p>Develop, issue and maintain in the public interest, best practice Australian auditing and assurance standards and guidance that meet user needs and enhance audit and assurance consistency and quality.</p> <p>Contribute to the development of a single set of auditing and assurance standards for world-wide use.</p>

## KEY ACHIEVEMENTS

Both agencies engaged extensively with stakeholders during 2016-2017. Outreach activities, such as roundtables, forums, presentation and Q&A sessions, as well as surveys and webinars facilitated the development, issuance and maintenance of standards and supporting materials such and Frequently Asked Questions documents and submissions to international bodies as outlined in the table below.

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AASB	AUASB
<b>New Standards issued</b>	
<ul style="list-style-type: none"> <li>• AASB 1058 <i>Income of Not-for-Profit Entities</i></li> <li>• AASB 1059 <i>Service Concession Arrangements: Grantors</i></li> <li>• AASB 17 <i>Insurance Contracts</i></li> </ul>	<ul style="list-style-type: none"> <li>• ASA 800 <i>Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks</i></li> <li>• ASA 805 <i>Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i></li> <li>• ASA 810 <i>Engagements to Report on Summary Financial Statements</i></li> <li>• ASA 250 <i>Consideration of Laws and Regulations in an Audit of a Financial Report</i></li> <li>• ASAE 3100 <i>Compliance Engagements</i></li> </ul>
<b>Guidance material/webinars/FAQs</b>	
<ul style="list-style-type: none"> <li>• Draft guidance on voluntary tax disclosures</li> <li>• Webinar: AASB 1058 <i>Income for NFP Entities</i></li> <li>• Webinar: AASB 1056 <i>Superannuation Entities</i> Improving and rationalising disclosures</li> <li>• FAQs: AASB 1056 <i>Superannuation Entities</i></li> <li>• FAQs: Tax Transparency Code</li> </ul>	<ul style="list-style-type: none"> <li>• Guidance Statement GS 001 <i>Concise Financial Reports Under the Corporations Act 2001</i></li> <li>• FAQs: Enhanced Auditor Reporting</li> </ul>
<b>Submissions</b>	
<ul style="list-style-type: none"> <li>• Submission to IASB: <ul style="list-style-type: none"> <li>○ <i>Prepayment Features with Negative Compensation</i></li> </ul> </li> <li>• Thought Leadership Presentations to ASAF: <ul style="list-style-type: none"> <li>○ <i>Digital currency – A case for standard setting activity. A perspective by the AASB</i></li> <li>○ <i>Country by country reporting: Update on AASB Approach</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• IAASB Discussion Paper Submissions: <ul style="list-style-type: none"> <li>○ <i>Survey Consultation on Work Plan</i></li> <li>○ <i>Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Assurance Challenges (including Integrated Reporting)</i></li> <li>○ <i>Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics</i></li> <li>○ <i>Exploring the Demand for Agreed-Upon Procedures Engagements; and Other Services, and the Implications for the IAASB's International Standards</i></li> </ul> </li> </ul>
<b>Material published</b>	
<ul style="list-style-type: none"> <li>• <i>Review of Adoption of International Financial Reporting Standards in Australia</i></li> <li>• <i>The impact of IFRS Adoption in Australia: Evidence from Academic Research</i></li> <li>• <i>Accounting Judgments on Terms of Likelihood in IFRS: Korea and Australia</i></li> <li>• <i>Australian Accounting Standards Board and International Public Sector Accounting Standards Board Pronouncements – A Comparison</i></li> <li>• <i>Modifications to Australian Accounting Standards for Not-for-Profit Entities</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Audit Committees: A Guide to Good Practice – 3<sup>rd</sup> Edition</i></li> </ul>

## AASB CHAIR'S REVIEW

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### OUR PERFORMANCE IN 2017

This year saw the achievement of some key milestones in the AASB's strategic priorities.

### MAINTAINING OUR INTERNATIONAL INFLUENCE

It remains critical that we are able to influence international developments to ensure future accounting standards meet the needs of the Australian community. We maintain our role on the IASB's premier advisory body, the Accounting Standards Advisory Forum (ASAF) and our involvement with the Asian-Oceania Standards-Setters Group (AOSSG). This year we also conducted a joint board session with the New Zealand Accounting Standards Board to further our partnership in enabling for-profit entities in Australia and New Zealand to report seamlessly between the two jurisdictions.

Our ongoing relationship with the IASB was also strengthened this year by the appointment of the AASB's Research Director and former Board member Ann Tarca to the IASB. This prestigious appointment recognises Ann's international reputation and extensive experience, and the strength of accounting standard setting expertise in Australia.

In issuing IFRS 17/AASB 17 *Insurance Contracts*, the last of the major outstanding international projects has now been completed. Australia has led the way with insurance accounting and it's a great tribute to our influence that the rest of the world is finally catching up.

We also maintain our international reputation by conducting robust research on emerging issues, and collaborating with external experts to ensure our work is authoritative. Our position paper on digital currency, published in December 2016, shows how effective this can be. As the first to tackle the issue of accounting for bitcoin and other digital currencies, the paper has received media coverage and set the agenda around the world for discussions on the issue.

### DELIVERY ON OUR STANDARD-SETTING AGENDA

The AASB issued two critical pieces of domestic guidance in 2017, both of which were the culmination of years of work:

- AASB 1058 *Income of Not-for-Profit Entities* was issued in December 2016 and represents a major step towards financial reporting that better meets the needs of not-for-profit entities and the users of their reports

**“We maintain our international reputation by conducting robust research on emerging issues, and collaborating with external experts to ensure our work is authoritative.”**

Australian Accounting Standards Board and Australian Auditing and Assurance Standards Board  
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- AASB 1059 *Service Concession Arrangements: Grantors* was issued in July 2017, and sets out how governments should account for agreements with the private sector to construct and/or operate infrastructure assets.

The Board also issued draft guidance on how to implement the Board of Taxation's Voluntary Tax Transparency Code. The guidance promotes consistency and comparability of key information about entities' tax positions, in particular, their effective tax rate relative to the corporate tax rate.

I have been particularly pleased to see how the relationships between the AASB and other agencies has strengthened. We worked closely with the Australian Charities and Not-for-profits Commission (ACNC) on providing education and implementation assistance for AASB 1058 and improving the clarity of reporting requirements for small charities. We also built stronger relationships with the Australian Tax Office (ATO), issuing a media release with our Minister, Kelly O'Dwyer, the ATO and the Australian Securities and Investments Commission (ASIC) urging companies in dispute with the ATO to ensure their disclosures on uncertain tax positions were appropriate.

I was delighted to host our first Academic Research Forum. Held at the University of Technology Sydney in November 2016, the forum was a resounding success in bringing together a wide range of financial reporting stakeholders – including policy makers, preparers, auditors, analysts, directors, academics and standard-setters – to discuss implications from recent academic research and its contribution to future financial reporting.

Another key achievement in 2017 was completing the benchmarking of IPSASB and AASB standards to identify differences and their possible impact on public sector accounting, to inform consideration of the adoption of IPSASB standards in future.

## LOOKING TOWARD 2018

The results of our extensive consultation on International Financial Reporting (IFRS) Standards in Australia was consolidated and reported back to our stakeholders in November last year. The feedback reflected challenges for not-for-profit (NFP) and public sector entities in applying IFRS Standards, and we will continue to engage closely with the ACNC, the public sector and other stakeholders in 2018 to look for ways to address those issues, while remaining aligned to IFRS and maintaining the principle of transaction neutrality where beneficial to users.

The results of that review are also being used to inform the Australian Reporting Framework project, which aims to simplify reporting requirements by working with other policy-makers and regulators to clarify public reporting criteria and thresholds. This will be a key focus for the AASB in 2018 and we will continue to consult extensively with our stakeholders.

Other topics on the agenda for 2018 include: fair value measurement in not-for-profit public sector entities, accounting by grantors for public sector licences, research and benchmarking on senior executive remuneration reporting, sector-specific guidance for co-operatives and mutual entities, and research on long-term discount rates and the impact of the volatility of spot discount rates on defined benefit liabilities of the public sector.

## FINANCIAL RESULTS

The AASB has recognised a Total Comprehensive Surplus of \$388,038 (2016: Deficit of \$1,349,774) primarily as a result of the prior period reflecting a major restructure and in the current year moving to a new shared costs model with the AUASB.

The key reasons for the Surplus in the period compared to the Deficit in the prior year are the reduction of restructure costs, including redundancies to \$18,201 (2016: \$1,172,799) (refer to Note 3A to the Financial Statements), the reduction of Occupancy costs due to the move to shared premises to \$262,554 (2016: \$489,653) and an increase in management fees received from the AUASB to \$865,033 (2016: \$192,592) due to the new shared costs model per the Memorandum of Understanding (MoU) between the entities (refer to Note 2A and 2B to the Financial Statements). These reductions were partially offset by an increase in supplier expenses arising from the new model to \$1,284,405 (2016: 884,489) as the AASB now recognises all shared costs and recharges a management fee to the AUASB for their portion of the costs (refer to notes 2A & B to the Financial Statements). The reductions were further offset, as foreshadowed last year, by an increase in travel to \$220,479 (2016: \$161,110) to host more roundtables/education sessions and attend more international conferences and an increase in consulting costs to \$255,979 (2016: \$139,512) to improve operating IT and HR systems (refer to Note 3B to the Financial Statements).

Note 11 to the Financial Statements provides further details of variances from the reported budget numbers.

## ACKNOWLEDGEMENTS

This year saw a number of key appointments. Professor Stephen Taylor was appointed to the AASB: Stephen's extensive academic experience and strong history of research into reporting behaviour will be great assets to the Board in pursuing its research agenda and in building stronger relationships with academia.

I would like to thank Ann Tarca, Steve Mitsas, Peter Carlson and Anna Crawford for their valuable contributions, as they completed their terms with the Board this year.

It was very pleasing to announce the appointment of Kala Kandiah as AASB Technical Director, Clark Anstis as AASB Technical Principal, Susie Brown as Communications Manager and Kathleen John as Business Manager.

Particular thanks to Nikole Gyles, our outgoing Technical Director, who was instrumental in finishing AASB 1058; Chris Gillman, our Interim National Director; and the current and former Chairs of the AUASB, Roger Simnett AO and Merran Kelsall, who have been key enablers of our change agenda.

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I would also like to express my sincere appreciation of the efforts of all of our staff, Board members, advisory panel members, and those who provided feedback as they have made this a year of significant achievement for the AASB.

A handwritten signature in blue ink that reads "K. E. Peach".

Kris Peach  
Chair and CEO  
6 October 2017



# AASB ANNUAL PERFORMANCE STATEMENT 2016-2017

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I, Kris Peach, as the accountable authority of the Australian Accounting Standards Board, present the 2016-17 annual performance statement of the Australian Accounting Standards Board, as required under paragraph 39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act Entity Purpose.



## ENTITY PURPOSE

The AASB's purpose is to make accounting standards under the *Corporations Act 2001* for the purposes of the corporations legislation and for other purposes. We participate in and contribute to the development of a single set of accounting standards for world-wide use. In a financial reporting context, we enable Australian entities to compete effectively; and maintain investor confidence in the Australian economy, including its capital markets; having regard to the interests of Australian corporations raising capital in major international financial centres.

## AASB'S FIVE 2016/2017 STRATEGIES FOR ACHIEVING ITS PURPOSE

Strategy 1: Standard setting	Strategy 2: Australian reporting framework	Strategy 3: International influence	Strategy 4: Stakeholder engagement	Strategy 5: External reporting
Develop standards based on IFRS and the principle of transaction-neutrality, taking into account cost/benefit considerations and user needs	Take a leadership role in shaping the Australian Reporting Framework	Build international influence with the IASB and IPSASB	Facilitate and encourage active stakeholder participation in developing standards	Investigate the potential for standards to cover external reporting, beyond financial reporting

## RESULTS AND ANALYSIS

The AASB has completed a number of major domestic projects this year, and provided implementation support for completed projects through webinars; education sessions and frequently asked questions (FAQs). The AASB also considered feedback on its Agenda Consultation and added a number of domestic projects to its work program. This is in line with the AASB's continued focus on stakeholder feedback and engagement.

The AASB continued to improve its international profile and influence by presenting papers at international standard setters meetings on emerging issues and working collaboratively with the New Zealand Accounting Standards Board (NZASB).

The following key achievements assisted in maintaining investor confidence in the Australian economy for 2016-2017:

- **AASB 1058 *Income of Not-for-Profit Entities* issued (December 2016).** This standard simplifies income recognition for not-for-profit entities and aligns the accounting to more closely reflect economic reality. Revenue from grants and donations will be recognised when any associated performance obligation to provide goods or services is satisfied, and not immediately upon receipt as usually occurs with current standards. More assets will also be recorded on the balance sheet under the new requirements, including leases with significantly below-market terms and conditions. This will help entities to better manage the resources they have been provided with and users to have a better understanding of the entity's dependence on donated assets. The Standard also has extensive application guidance to help entities implement the new requirements.
- **AASB 1059 *Service Concession Arrangements: Grantors* issued (July 2017).** The requirements of the standard provide for better transparency regarding the impact of Public to Private Partnerships (PPPs) to construct and/or maintain key infrastructure and whether they are the best use of taxpayers' money. More infrastructure projects will be recognised on balance sheets, with a consequential increase in both assets and liabilities. This practice encourages increased accountability and better management.
- **AASB 17 *Insurance Contracts* issued (July 2017 – within two months of the issuance of the international Standard).** AASB 17 will provide Australian insurance analysts and preparers with improved international comparability and significant benefits of a more level international playing field. Australian investors will also appreciate the greater granularity provided by IFRS 17, as it reduces opportunities to combine unprofitable and profitable business within one portfolio, resulting in earlier recognition of losses. As the existing Australian standards on insurance are consistent with AASB 17, Australian entities are well-positioned for transition into AASB 17.
- **Draft guidance on voluntary tax disclosures issued (May 2017).** The AASB's draft guidance helps entities implement the Board of Taxation's Voluntary Tax Transparency Code (the Code). The draft guidance also promotes consistency and comparability of key information about entities' tax positions, in particular, their effective tax rate (ETR) relative to the corporate tax rate. The intention is to revisit the guidance after considering its

application during the 30 June 2017 and 31 December 2017 reporting periods and further consultation with preparers and users.

- **AASB Staff Report *AASB and IPSASB Pronouncements – A comparison (May 2017)***. This report is a comprehensive analysis of how Australia's accounting standards (AASBs) differ from International Public Sector Accounting Standards (IPSASs). This report is a valuable resource to identify further improvements to not-for-profit (NFP) financial reporting, particularly the public sector.
- **Influencing international views through active participation and contribution at the Accounting Standards Advisory Forum (ASAF), International Forum of Accounting Standard Setters (IFASS) and Asia Oceanic Standard Setters Group (AOSSG).**

Examples of AASB's significant contribution on a number of key topics:

- **IASB's insurance project** – numerous discussions organised between IASB Board members and staff and AASB Insurance Project Advisory Panel members. The AASB also hosted a presentation and Q&A session on the Standard where participants had the opportunity to speak directly with IASB Vice-Chair Sue Lloyd.
- **Digital currency** – creating awareness amongst national standard setters about the emerging issue of accounting for digital currency by presenting a position paper at the ASAF December 2016 and IFASS March 2017 meetings
- **Country-by-country reporting** – promoting discussion amongst standard setters about improving tax disclosures for users of financial statements by presenting a position paper at the ASAF December 2016 meeting
- **Financial Instruments with Characteristics of Equity (FICE)** – leading the AOSSG working group on Financial Instruments and presenting on this topic at the AOSSG Annual meeting in November 2016.
- **Principles of Disclosure (POD)** – organising roundtables in collaboration with IASB staff to gather feedback from Australian constituents on this topic.
- **Completing a review of the implementation of IFRS in Australia.** Extensive stakeholder outreach across all sectors was performed, including identifying relevant academic research on the impact of adopting IFRS. As a result of this review the following research reports were published:
  - **AASB Research Report No 3 *The impact of IFRS adoption in Australia: Evidence from academic research (October 2016)***. This report assists the AASB and Financial Reporting Council assess the impact of IFRS adoption in Australia, with the general conclusion that for the for-profit sector IFRS has benefited the Australian economy.
  - **AASB Research Report No 4 *Review of Adoption of International Financial Reporting Standards in Australia (March 2017)***. The findings of the Report indicate that while IFRS Standards are currently an appropriate basis for AASB Standards developed for NFP entities, further modifications are needed to

improve the quality and the cost-efficiency of financial reporting. The outcomes of this review will inform the AASB's Australian Financial Reporting Framework project and the AASB's work program.

- **Progressing the key domestic project on the Australian Financial Reporting Framework to inform policy makers of cost beneficial reforms, including reviewing criteria and thresholds for preparing and lodging financial reports.** A research report on *Financial Reporting Requirements for Charities* is expected to be finalised in October 2017 and a consultative paper on *Possible Options for Improving the Financial Reporting Framework Applicable to Australian Charities Registered with the ACNC* is expected to be finalised in October 2017, in time for ACNC's legislative review.
- **Providing education and implementation support for AASB's recent major standards.** For example, education and implementation support for AASB 1058 and AASB 1056 *Superannuation Entities*, by conducting webinars, targeted education sessions and publishing frequently asked questions (FAQs).
- **Updating the AASB work program for 2017-2019 as a result of the AASB's Agenda Consultation.** The projects added to the AASB's work program include:
  - application of AASB 13 *Fair Value Measurement* to not-for-profit public sector
  - accounting for revenue from licences issued by public sector entities
  - research and a benchmarking exercise on senior executive remuneration reporting for both the public and private sectors
  - preliminary research on long-term discount rates and the impact of the volatility of spot discount rates on defined benefit liabilities of the public sector.
- **Continuing to increase engagement with stakeholders to improve the amount and quality of feedback provided to the AASB.** Such feedback assists the AASB to maintain and improve its ability to influence the IASB and other key international standard setting bodies. AASB initiatives with positive feedback from stakeholders include:
  - Project Advisory Panels – comprising recognised technical experts with one or more assigned AASB members – established to provide practical and technical input to the AASB on key issues
  - conducting webinars and targeted education sessions on key domestic projects
  - publishing frequently asked questions (FAQs) on AASB 1056 to help with its implementation
  - delivering forums such as the Directors' Forum, Research Forum and Investor Forum
  - working in collaboration with ACNC and the Board of Taxation on the Financial Reporting Framework project and the draft guidance on voluntary tax disclosures respectively

- forging strong relationships with ATO, ASIC and our Minister, Kelly O'Dwyer, as illustrated by the issuance of a joint media release on reporting amounts in dispute with the ATO.

## 2016-17 AASB ACTIVITIES AND RELATED KEY PERFORMANCE INDICATORS

The table below identifies the activities the AASB identified in its Corporate Plan and Parliamentary Budget Statement (PBS) as contributing to the five strategies above, for the 2016-17 reporting period. This table also indicates whether or not the activities were achieved and, if not, why not.

Activities	Strategy	KPI	Achieved/not achieved	Explanation
Headline KPIs				
1. IASB equivalent Standards issued concurrently with the release of the IFRS.	Strategy 1 PBS Outcome 1, Program 1 Deliverables 1,3, KPI 1	All IFRS equivalent standards to be issued within 2 months of issue by the IASB.	Achieved.	The Output Structure on page 29 identifies the standards issued for the 2016-17 reporting period.
2. Results of Post-Implementation Reviews (PIR) support issuance of Standards (and amendments thereto) based on assessing benefits and costs.	Strategy 1	9. Conduct PIR for suite of IFRS equivalent standards through targeted outreach, and literature review of IFRS adoption impacts to determine stakeholder views on: <ul style="list-style-type: none"> <li>• transaction neutrality;</li> <li>• use of the <i>Process for Modifying IFRSs FOR NFP</i> guidelines; and</li> <li>• tiers of general purpose financial statements.</li> </ul>	Partially achieved.	Completed review of IFRS implementation in Australia and published the following reports supporting issuance of IFRS based standards: <ul style="list-style-type: none"> <li>○ AASB Research Report No.3 <i>The impact of IFRS adoption in Australia: Evidence from academic research</i>; and</li> <li>○ AASB Research Report No.4 <i>Review of Adoption of International Financial Reporting Standards in Australia</i>,</li> <li>○ see supporting KPI 10 on revision of the <i>Process for Modifying IFRSs FOR NFP</i> guidelines</li> <li>○ PIR of Tier 2 RDR indicated that further work is required and subsequently issued PIR findings as part of ED 277 (see also 9 below)</li> </ul>

Activities	Strategy	KPI	Achieved/not achieved	Explanation
3. Standards for not-for-profit (NFP) entities in the private and public sectors are consistent with IFRS to the extent feasible, based on assessing benefits and costs in each case.	Strategy 1 PBS Outcome 1, Program 1 Deliverable 2	<ol style="list-style-type: none"> <li>1. Modify IFRS using <i>Process for Modifying IFRSs FOR NFP</i> policy in all instances.</li> <li>2. Obtain stakeholder feedback on suitability of modifications for NFP use (see KPI 2.1).</li> <li>3. Benchmark NFP amendments to International Public Sector Standards Board (IPSASB) amendments to IFRS and NZASB public sector standards.</li> </ol>	<ol style="list-style-type: none"> <li>1. Achieved.</li> <li>2. Achieved.</li> <li>3. Achieved for IPSASB standards and in progress for benchmarking with NZASB standards</li> </ol>	<ol style="list-style-type: none"> <li>1. The AASB has applied the <i>Process for Modifying IFRSs for NFP</i> policy for all issued documents.</li> <li>2. See KPI 2.1 comments.</li> <li>3. Benchmarking report on NFP amendments to IPSASB standards (<i>AASB and IPSASB Pronouncements – A comparison</i>) was completed in May 2017. The benchmarking for NZASB standards will be progressed in light of feedback from the benchmarking report with IPSASB standards.</li> </ol>
4. Financial reporting reforms recommended to policymakers. Includes working with Treasury on reforms for corporate General Purpose Financial Statements (GPFS). Subsequent work will involve policymakers responsible for non-corporate entities.	Strategy 2	<ol style="list-style-type: none"> <li>1. Briefing paper to Treasury on corporate issues by 30 June 2017.</li> <li>2. Progress research report on reporting requirements for NFP private sector entities in Australia and Internationally</li> <li>3. Progress consultation paper on possible options on reporting requirements for charities registered with ACNC.</li> </ol>	<ol style="list-style-type: none"> <li>1. Not achieved.</li> <li>2. in progress –</li> <li>3. in progress -</li> </ol>	<ol style="list-style-type: none"> <li>1. The progress of the research report on charities and consultation paper for charities (KPI 4.2 and 4.3) was prioritised above the briefing paper to Treasury due to upcoming legislative review of ACNC.</li> <li>2. Research report on Charities expected to be finalised by October 2017, sooner than anticipated.</li> <li>3. Draft consultation paper expected to be available for consideration by ACNC policy makers by October 2017, sooner than anticipated.</li> </ol>

Activities	Strategy	KPI	Achieved/not achieved	Explanation
5. Changes to IASB proposals achieved on issues of key significance to Australian stakeholders and as identified by the AASB.	Strategies 1 & 3	Resolution by IASB of key issues in AASB submissions considered appropriate for more than 50% of the time.	Achieved.	Key issues resolved as advocated by AASB for the insurance project (90%).
6. High level of stakeholder satisfaction achieved (per survey) such that the AASB has a thorough awareness of ideas and concerns of Australian stakeholders.	Strategies 4 PBS Outcome 1, Program 1, KPI 4	Conduct a stakeholder satisfaction survey to obtain a starting point in which to benchmark for performance improvement.	n/a – For 2016-17 assessed as part of Headline KPI 2.1 PIR of IFRS.	n/a
7. Identify and evaluate other non-accounting standard setting opportunities, such as remuneration reporting.	Strategy5	For 2016-17 assessed as part of Supporting KPI 7 agenda consultation.	n/a	n/a



Activities	Strategy	KPI	Achieved/not achieved	Explanation
Supporting KPIs				
1. Maintain membership of the Accounting Standards Advisory Forum (ASAF).	Strategy 3 PBS Outcome 1, Program 1, Deliverable 4, 5, KPI 3	To be reappointed to the IASB's ASAF.	Achieved.	The AASB in conjunction with the New Zealand Accounting Standards Board reappointed until July 2018.
2. Maintain leadership of Asian-Oceanian Standard-setters Group (AOSSG) Working Groups.	Strategy 3 PBS Outcome 1, Program 1, Deliverable 4, 5, KPI 3	Lead two working groups for the AOSSG.	Achieved.	The AASB leads three AOSSG working groups: <ul style="list-style-type: none"> <li>• Financial Instruments;</li> <li>• AOSSG Website; and</li> <li>• Centres of Excellence in Developing Countries.</li> </ul>
3. Present papers to ASAF, IFASS and/or AOSSG.	Strategies 1 & 3 PBS Outcome 1, Program 1, Deliverable 4, KPI 3	Present at least 2 papers.	Achieved.	<ul style="list-style-type: none"> <li>• Presented Digital Currency paper at ASAF December 2016 and IFASS March 2017, creating awareness amongst national standard setters about the emerging issue of accounting for digital currency.</li> <li>• presented position paper on Country by Country Reporting at ASAF December 2016, promoting discussion amongst standard setters about improving tax disclosures for users of financial statements</li> </ul>

Activities	Strategy	KPI	Achieved/not achieved	Explanation
4. Meet with policymakers/regulators (incl. state treasuries) to help ensure they understand relevance and appropriateness of GPFs for entities they regulate.	Strategy 2	4 meetings held with policymakers/regulators.	Achieved.	Presentations/ meetings with Treasury, Fair Work Commission, Australian Charities and Not-for-Profit Commission (ACNC), Australian Taxation Office (ATO) and Board of Taxation.
5. Publish AASB research (Research Reports, Occasional Papers, Essays and staff papers) relevant to the international community to lead debate on key issues.	Strategies 2, 3, 4 & 5 PBS Outcome 1, Program 1, Deliverable 4,	Publish 2 research papers.	Achieved.	Published the following Research Reports: <ul style="list-style-type: none"> <li>• October 2016 – AASB Research Report No.3 <i>The impact of IFRS adoption in Australia: Evidence from academic research</i>; and</li> <li>• March 2017 – AASB Research Report No.4 <i>Review of Adoption of International Financial Reporting Standards in Australia</i>,</li> </ul>
6. Engage in staff exchanges/collaborations with peer national standard setters.	Strategy 3 PBS Outcome 1, Program 1, Deliverable 5	1 staff exchange.	Not Achieved.	Restructuring activities and staff movements impacted achievement of this KPI.
7. Conduct an agenda consultation – although ongoing, the AASB periodically seeks formal input, usually in connection with IASB agenda consultation.	Strategies 4 PBS Outcome 1, Program 1, KPI 4	Formal domestic agenda consultation conducted every 3 years.	Achieved.	ITC 34 <i>AASB Agenda Consultation 2017-2019</i> issued for comment November 2015. Next Agenda Consultation to be conducted in FY 2018/2019.
8. Extend database of lodged financial statements for research purposes.	Strategies 2 & 5	Database established by June 2016.	Not achieved.	Difficulties in contract negotiations between the other parties involved in the project have not yet been resolved.

Activities	Strategy	KPI	Achieved/not achieved	Explanation
9. Revise the AASB's Reduced Disclosure Requirements (Tier 2 RDR) principles.	Strategy 2	PIR of RDR by June 2017 Joint project with NZASB to issue ED on RDR by June 2017.	Achieved	Joint project progressing with NZASB. ED 277 <i>Reduced Disclosure Requirements for Tier 2 Entities</i> issued in January 2017 and includes PIR of existing RDR.
10. Revise the AASB's Transaction Neutrality policy [Process or Modifying IFRS for Not-for-profit Entities].	Strategies 1 & 2	Prepare Standard Setting Framework for for-profit entities and not-for-profit entities by June 2017.	Achieved	Standard Setting Framework for For-Profit Entities and Standard Setting Framework for Not-for-Profit Entities prepared by June 2017. The documents will be shared with FRC for their comments in September 2017 FRC meeting.
11. Benchmark AASB transaction neutrality policy outcomes with New Zealand approach for adopting IFRS/IPSASs, benchmark to IPSASs, and report findings.	Strategy 2 PBS Outcome 1, Program 1, Deliverable 4	Benchmark AASB amendments for not-for-profit entities to International Public Sector Standards Board (IPSASB) amendments to IFRS and NZASB public sector standards.	Achieved for IPSASB standards and in progress for benchmarking with NZASB standards	<i>AASB and IPSASB Pronouncements – A comparison</i> , a report which analyses how Australia's accounting standards (AASBs) differ from International Public Sector Accounting Standards (IPSASs) was issued in May 2017. Benchmarking with NZASB standards will be progressed in light of feedback from <i>AASB and IPSASB Pronouncements – A comparison</i> report.
12. Determine the need for a third tier of general purpose financial reporting.	Strategy 2	For 2016-17 assessed as part of Headline KPI 2 and Headline KPI 4.	n/a	n/a
13. Maintain Australia/New Zealand convergence in accordance with Trans-Tasman requirements for for-profit entities.	Strategies 1 & 2 PBS Outcome 1, Program 1, Deliverable 5,	For profit entities financial reports issued in Australia able to be lodged with NZ regulators with no changes.	Achieved	

Activities	Strategy	KPI	Achieved/not achieved	Explanation
14. Maintain close relationships with IPSASB and assist in IPSASB projects.	Strategy 3 PBS Outcome 1, Program 1, Deliverable 4 and 5	<ol style="list-style-type: none"> <li>1. Involvement in at least 1 IPSASB project.</li> <li>2. AASB board member on IPSASB.</li> <li>3. AASB provides technical adviser to IPSASB member.</li> <li>4. Australian member on IPSASB Consultative Advisory Group.</li> </ol>	Achieved.	<ol style="list-style-type: none"> <li>1. AASB member of IFASS NFP working group and providing significant input to Revenue from Non-exchange transactions project through NZASB.</li> <li>2. AASB board member Mike Blake appointed to IPSASB 1/1/16.</li> <li>3. Technical adviser provided.</li> <li>4. Karen Sanderson appointed to IPSASB CAG July 2016.</li> </ol>
15. Respond to all significant IASB and IPSASB consultation documents.	Strategy 3 PBS Outcome 1, Program 1, Deliverable 4, KPI 5	Submission lodged for all significant IASB and IPSASB consultation documents.	n/a	No significant consultative documents issued by the IASB and IPSASB in FY 2016/2017

Activities	Strategy	KPI	Achieved/not achieved	Explanation
16. High-level stakeholder engagement, measured based on participation at roundtables, formal/informal submissions, targeted meetings, numbers of LinkedIn, Twitter and Facebook followers, year-on-year.	Strategy 4 PBS Outcome 1, Program 1, KPI 4	Increase in: - number of engagements; - LinkedIn followers; - Twitter followers; - formal/informal submissions received; - roundtables and education sessions; and - webinars.	- not achieved - achieved - achieved - not achieved - achieved - achieved	Engagements: 402 (2016: 602. Linked in followers: 3,959 (2015: 3549) Twitter followers: 686 (2015: 596) Formal submissions received: 22 (2015: 73). The number of formal submissions has decreased as constituents now provide more informal feedback and there were fewer significant documents open for comment during the year. Roundtables: 9 (2015:9) CFO Forum, Director Forum, Research Forum, RDR (4) and Disclosure initiative Education sessions: 8 (2015: 6) income of NFP Entities (5), Leases and Insurance (3) Webinars: 5 (2015: 2) Income of Not-for-Profit entities (2), Superannuation entities, AASB Guidance on the Voluntary Tax Transparency Code and Reduced Disclosure Regulations for Tier 2 Entities

Activities	Strategy	KPI	Achieved/not achieved	Explanation
17. Conduct stakeholder satisfaction survey, use initial year results to obtain benchmark for performance improvement including of Board and staff.	Strategy 4 PBS Outcome 1, Program 1, KPI 4	For 2016-17 assessed as part of Headline KPI 2 – PIR of IFRS.	n/a	n/a
18. Create and maintain a database for stakeholder management with a comprehensive database of contacts and related information.	Strategy 4	Database created by June 2017.	In progress, Not achieved by June 2017.	Expected to be completed by December 2017. Project delayed due to staff movements. .

## OUTPUT STRUCTURE

The AASB's standards, exposure drafts and other research reports are listed in the tables below.

Standards	
AASB 1058	<i>Income of Not-for-Profit Entities</i> (December 2016)
AASB 2016-5	<i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i> (July 2016)
AASB 2016-6	<i>Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts</i> (October 2016)
AASB 2016-7	<i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i> (December 2016)
AASB 2016-8	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i> (December 2016)
AASB 2017-1	<i>Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i> (February 2017)
AASB 2017-2	<i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i> (February 2017)
Exposure Drafts	
ED 276	<i>Annual Improvements to Australian Accounting Standards 2015-2017 Cycle</i> (January 2017)
ED 277	<i>Reduced Disclosure Requirements for Tier 2 Entities</i> (January 2017)
ED 278	<i>Improvements to AASB 8 Operating Segments</i> (April 2017)
ED 279	<i>Prepayment Features with Negative Compensation</i> (April 2017)
ED 280	<i>Property, Plant and Equipment – Proceeds before Intended Use</i> (June 2017)
Invitations to Comment	
ITC 35	<i>Disclosure Initiative – Principles of Disclosure</i> (April 2017)
ITC	<i>Draft Appendix to the Tax Transparency Code</i> (May 2017)
ITC 36	<i>Request for Comment on IASB Request for Information on Post-implementation Review – IFRS 13 Fair Value Measurement</i> (June 2017)
Research Reports	
No. 2	<i>Accounting Judgements on Terms of Likelihood in IFRS: Korea and Australia</i> (July 2016)
No. 3	<i>The impact of IFRS Adoption in Australia: Evidence from Academic Research</i> (October 2016)
No. 4	<i>Review of Adoption of International Financial Reporting Standards in Australia</i> (March 2017)

AASB Authoritative Pronouncements can be accessed via [www.aasb.gov.au/Pronouncements.aspx](http://www.aasb.gov.au/Pronouncements.aspx).

The Standard Setting and Research Centre Work Programs can be accessed via [www.aasb.gov.au/Work-In-Progress/AASB-Work-Program.aspx](http://www.aasb.gov.au/Work-In-Progress/AASB-Work-Program.aspx).

## AUASB CHAIR'S REVIEW

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### OUR PERFORMANCE IN 2017



I am very pleased to present this, my first Annual Report as Chair of the Australian Auditing and Assurance Standards Board.

My first order of business is to acknowledge and thank the outgoing Chair, Merran Kelsall. Merran led the AUASB for the past 13 years, bringing her wealth of experience and

international reputation to the role for the benefit of the Board and the Australian community. Merran has built an impressive legacy; not only strong auditing and assurance standards, but an international reputation for Australian standard setters that gives us a very strong footing for facing the challenges of a changing world. I would also like to add my personal thanks to Merran; the board will miss her wise counsel and calm good sense.

At the same time I welcome Matthew Zappulla as our incoming Technical Director into what will be a challenging and – I believe – rewarding role. Thanks are due too, to retiring Board members Caithlin Mc Cabe and Jane Meade for their significant contribution over a number of years. In their places, I welcome Gareth Bird and Justin Reid, and look forward to working closely with both of them.

The transition between the Chairs represents an excellent opportunity to review the AUASB's current processes and increase engagement with our stakeholders. As the number of new auditing and assurance standards in the pipeline settles for the first time in many years, we will also look to new areas where the AUASB can have a positive influence across the Australian and international external reporting environment.

With regards achievements, this year saw the continued delivery on a number of key strategic objectives of the AUASB.

### DELIVERING ON OUR STANDARD-SETTING AGENDA

We delivered a number of important standards and guidance this year.

In delivering on our strategy to align where appropriate with International Auditing and Assurance Standards:

“... the two Boards have worked closely together to align our processes and roles to more efficiently and effectively achieve our common goals of building confidence in the Australian economy by producing high quality accounting and auditing and assurance standards.”



- *ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report* was updated to reflect changes to the code of ethics for professional accountants. This significant revision rearticulates and updates how the auditor should respond to instances of non-compliance with laws and regulations, was achieved in close cooperation with the Australian Professional Ethical Standards Board.
- We revised our ASA 800 series of auditing and assurance standards, *ASA 800 Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*, *ASA 805 Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, and *ASA 810 Engagements to Report on Summary Financial Statements*, to further update for the IAASB's 2016 auditor reporting changes.

In delivering on our strategy of issuing standards and guidance which address local issues:

- *ASAE 3100 Compliance Engagements* was issued to reflect best practice and thought leadership on how to scope, conduct and report on an assurance engagement on compliance with regulatory requirements.
- Answers to frequently asked questions on enhanced auditor reporting requirements were published and updated, in particular in response to requests for further guidance from practitioners and firms. This is a complex area, and the AUASB has made every effort to be responsive to our stakeholders to assist them in the application of the new requirements.
- Auditor's Responsibilities Statements were updated following requests from practitioners for coverage of a wider range of circumstances.
- A new exposure draft for *ASAE 3500 Performance Engagements* was issued. This proposed standard establishes requirements for the conduct of and reporting on assurance engagements on performance performed by Auditors-General and other public sector assurance practitioners.

## INTERNATIONAL DEVELOPMENTS

As a member of the International Auditing and Assurance Standards Board (IAASB), Merran Kelsall has been instrumental in building Australia's reputation and influence on international standards. With her retirement, we will need to enhance and develop innovative ways of engaging, to maintain that standing. Australia and New Zealand continue to be well represented on the Board of the IAASB. Fiona Campbell is the EY Partner member of the IAASB, and Lyn Provost, formerly the Auditor-General of New Zealand, was appointed to the IAASB at the beginning of 2017. The region is well represented by these two outstanding individuals, and we will continue to engage with both these members as appropriate.

An important part of maintaining our profile is active engagement in the IAASB's work. During this financial year we responded to all of the issued IAASB discussion papers and exposure drafts. Of particular note has been the extensive consultation activities

**“During this financial year we responded to all of the issued IAASB discussion papers and exposure drafts.”**

undertaken in preparing the AUASB response to the exposure draft of ISA 540 *Auditing Accounting Estimates and Related Disclosures*. In addition, AUASB Board member Justin Reid attended the IAASB's Small and Medium Practices and Entities conference in Paris in January 2017. At the same time we continue to build our reputation as a leading national standard setter, and reach out to work with other national standard setters on important topics.

Our relationship with New Zealand has never been stronger, and I thank the Chair of the New Zealand Accounting Standards Board (NZAuASB), Robert Buchanan, for the warm greeting that he has extended to both Matthew and myself. Our technical staff are currently collaborating with the NZAuASB technical staff on research on the impacts of the auditor reporting standards and the work they are doing will place us in good stead as we move into the post implementation review stage of this important development. I see this as the first of a number of joint projects with NZAuASB and other leading national and international standard setters.

## STAKEHOLDER ENGAGEMENT AND COMMUNICATION

To achieve our vision of having a much stronger and more resilient Australian economy, we realise that we are only one contributing party. It is important that we not only develop high-quality auditing and assurance standards, but that we listen and respond appropriately to the concerns of our constituents, and ensure that our standards and guidance are appropriately understood and implemented. We are keen to maintain and build these key relationships. The AASB and the AUASB are also developing a combined stakeholder management strategy and, with the appointment of our joint Communications Manager, Susie Brown, we are already making strides in improving our outreach.

Stakeholder engagement undertaken activities this year included:

- Contribution of sections on auditing and directors' responsibilities *to Audit Committees: A Guide to Good Practice – 3<sup>rd</sup> edition*, a joint initiative with the Australian Institute of Company Directors (AICD) and the Institute of Internal Auditors (IIA).
- Panel discussions on practical issues arising from implementation of enhanced auditor reporting standards. Guest speaker was Jim Sylph, former Technical Standards Director, International Federation of Accountants (IFAC) and now co-Chair of the IAASB Auditor Reporting Implementation Working Group and the audiences included audit firms, preparers, audit committee members and professional bodies.
- Stakeholder roundtables and panels on changes to auditor reporting, the exposure draft of ISA 540 *Audit of Accounting Estimates* and other topics.
- We also jointly hosted roundtable events in Melbourne and Sydney with the Business Reporting Leaders Forum on the assurance challenges posed by emerging forms of external reporting, such as integrated reporting.

The 50 year celebration of formal accounting and auditing standard setting in Australia was held in Melbourne on 29 May 2017 and was a memorable evening that brought together current staff, Board members and key stakeholders with alumni from across the years.

## LOOKING FORWARD

The next couple of years are potentially a time of significant change with respect to international standard setting for public interest Boards such as the IAASB. We will keep a keen eye on any developments in this area, and at the same time continue to build our reputation as a leading national standard setter. We will identify and work with other national standard setters on topics of importance.

**“We will keep a keen eye on any [international] developments in this area, and at the same time continue to build our reputation as a leading national standard setter.”**

We look forward to working closely with the AASB on the Reporting Framework and other projects. We will also focus on a number of new strategic priorities, including Assurance for emerging forms of external reporting, public sector audit, auditing for small and medium practices and entities and charities, and ensuring we fully understand and capitalise on the benefits of the Implementation of the recent auditor reporting initiative. We also will be doing all we can to keep abreast of the latest data analytics/digitisation of the audit initiatives and the implications that these initiatives have on auditing and assurance standards.

## FINANCIAL RESULTS

The AUASB has recognised a Total Comprehensive Surplus of \$134,893 (2016: Deficit of \$388,544) primarily as a result of the prior period reflecting a major restructure and in the current year moving to a new shared costs model with the AASB.

The key reasons for the Surplus in the period compared to the Deficit in the prior year are the reduction of restructure costs, including redundancies to \$0 (2016: \$407,891) (refer to Note 3A to the Financial Statements), the reduction of Employee wages and salaries post restructure to \$829,517 (2016: \$1,089,246) (refer to Note 3A to the Financial Statements), and due to the new shared costs model with the AASB per the MoU between the entities a reduction of Occupancy costs to \$0 (2016: \$298,745) and a reduction of Common expenses to \$0 (2016: \$193,176) (refer to Note 3B to the Financial Statements. These reductions have been partially offset by an increase in management fee to the AASB to \$865,033 (2016: \$192,592) (refer to Note 2A and 2B to the Financial Statements) due to the new shared costs model.

The savings have allowed the AUASB to focus costs more effectively on its core standard setting activities as evidenced by an increase in travel to \$102,320 (2016: \$52,162) (refer to Note 3B to the Financial Statements) and to host more roundtables/education sessions and attend more international standard-setting events.

Note 11 to the Financial Statements provides further details of variances from the reported budget numbers.

## **ACKNOWLEDGEMENTS**

The achievements over the year could not be realised without the dedicated AUASB technical staff, capably supported by the administrative team. I would like to express my personal thanks to AASB Chair and CEO Kris Peach and FRC Chair Bill Edge for their support and guidance in my first few months in the role. Finally, my sincere appreciation goes to all current AUASB Board members for their dedication and expertise, and all others who have supported us during this transitional year of significant achievements for the AUASB.



Roger Simnett  
Chairman  
6 October 2017

## AUASB ANNUAL PERFORMANCE STATEMENT 2016-2017

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I, Roger Simnett, as the accountable authority of the Auditing and Assurance Standards Board, present the 2016-17 annual performance statement of the Auditing and Assurance Standards Board, (AUASB) as required under paragraph 39(1)(a) of the Public Governance Performance and Accountability Act 2013 (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act.



### ENTITY PURPOSE

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
- advance and promote the main objectives of part 12 of the *Australian Securities and Investments Commission Act 2001*.

## AUASB'S FIVE STRATEGIES FOR ACHIEVING ITS PURPOSE

Strategy 1: Standard setting	Strategy 2: Australian assurance issues	Strategy 3: Thought leadership	Strategy 4: Stakeholder engagement	Strategy 5: Harmonisation of AU/NZ standards
Increase confidence in assurance on external reporting by contributing to the development of and converging with one set of robust international auditing and assurance standards.	Be recognised by key stakeholders as the standard setting body in Australia that formulates and maintains auditing and assurance standards and guidance pronouncements that address local issues.	Provide thought leadership, identify and respond to emerging issues.	Communicate and engage with stakeholders to promote audit quality and increase engagement in developing standards and promote consistency in the application of AUASB pronouncements.	Harmonise Australian and New Zealand auditing and assurance standards.

## RESULTS AND ANALYSIS

In 2016-17 the AUASB's inaugural Chair, Merran Kelsall, concluded her term, handing over the role to the new Chair, Roger Simnett, on 31<sup>st</sup> March 2017. Merran left the AUASB with a tremendous legacy and we celebrate and recognise the considerable achievements she oversaw in her time both as the AUASB Chair and as an IAASB member.

The transition between the Chairs represented an excellent opportunity to review the AUASB's current processes, increase engagement with our stakeholders and, for the first time in many years as the number of new auditing and assurance standards in the pipeline settles, look to new areas where the AUASB can have a positive influence across the Australian and International external reporting environment.

Nonetheless whilst there is now a strong focus looking beyond the past year, the AUASB Board and Technical Group were still very busy in 2016-17 addressing a number of ongoing issues and completing the projects that were included in the AUASB's 2016-17 technical work program. Throughout the reporting period the AUASB continued to perform a wide array of activities intended to influence the direction of and locally implement a number of International Auditing Standards and related pronouncements; and identify and develop important domestic projects to address local needs.

Key achievements and priorities to highlight for 2016-17 include:

- **ASA 800 *Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* approved (July 2016)**

- **ASA 805 Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement approved (July 2016)**

**ASA 810 Engagements to Report on Summary Financial Statements approved (July 2016).** This final series of new auditor reporting standards comprises the new Auditing Reporting Requirements, including the introduction of key audit matters (KAMs) and came into effect for the December 2016 reporting season. To assist with implementation the AUASB released a number of FAQs to address implementation issues highlighted to date in respect of Auditor Reporting, new Auditor's Responsibilities Statements, as well as an Exposure Draft to amend ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* to clarify some matters impacting local implementation of the new requirements in Australia.
- **Auditor reporting panel events hosted (November 2016; February and May 2017).** Mr Jim Sylph, former IFAC Technical Standards Director, visited Australia in November 2016 when the AUASB hosted panel events in both Melbourne and Sydney that included audit firms, preparers, audit committee members and professional bodies in relation to practical issues arising from implementation of the auditor reporting standards. Similar auditor reporting panels were then presented by AUASB board members or Technical Group staff in Perth and Brisbane in February and May 2017 respectively.
- **ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report approved (May 2017).** This new Standard was approved at the May 2017 AUASB meeting. The standard has been updated to include updates to APES 110 *Code of Ethics for Professional Accountants* resulting from new standards issued by the APESB on 30 May 2017. Finalisation of these standards was undertaken in close cooperation with the APESB.
- **ASAE 3100 Compliance Engagements – revised version released (February 2017)**
- **ASAE 3500 Performance Engagements – new exposure draft released (April 2017)**

Both these standards represent pronouncements designed for Australian purposes and were developed in consultation with local stakeholders.
- **Audit Committees: A Guide to Good Practice – 3<sup>rd</sup> Edition launched (June 2017).** This project was a joint initiative with the AUASB, the Australian Institute of Company Directors and the Institute of Internal Auditors.
- **ED ISA 540 Auditing Accounting Estimates submission made (July 2017).** The IAASB released a new exposure draft in April 2017 for ED ISA 540 *Auditing Accounting Estimates*. The AUASB prepared this submission following roundtables with local stakeholders on this topic held in Brisbane, Melbourne and Sydney in May/June 2017.
- **Responded to three IAASB Discussion Papers.** Following a series of roundtable events to gather local feedback the AUASB provided responses to IAASB Discussion Papers on:
  - *Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Assurance Challenges (including Integrated Reporting)*
  - *Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics and Exploring the Demand for Agreed-Upon Procedures Engagements*

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- *Other Services, and the Implications for the IAASB's International Standard.*
- **International representation.** New AUASB Board Member, Justin Reid represented Australia at the IAASB SMP/SME Conference in Paris in January 2017.
- **Collaboration with NZAuASB.** Our excellent relationship with the NZAuASB Chair, Board and Technical Staff continues, with the AUASB and NZAuASB collaborating on a number of pronouncements and developments, such as Auditor Reporting and the new NZ auditing standard on service reporting information.



## 2016-2017 AUASB ACTIVITIES AND RELATED KEY PERFORMANCE INDICATORS

The table below identifies the activities the AUASB identified in its Corporate Plan and Parliamentary Budget Statement (PBS) as contributing to the five strategies above, for the 2015-16 reporting period. This table also indicates whether or not the activities were achieved and if not, why not.

Activities	Strategy No.	KPI	Achieved/not achieved	Explanation
1. Participate in IAASB activities.	Strategy 1 PBS Outcome 1 PBS Program 3 PBS Deliverable 3 PBS Performance Criteria 6	<ul style="list-style-type: none"> <li>Attend and actively contribute to <u>quarterly</u> IAASB meetings;</li> <li>Participate and present at the <u>annual</u> IAASB-NSS meeting;</li> <li>Contribute to relevant IAASB projects and as appropriate, participate in IAASB Working Groups; and</li> <li>Provide AUASB submissions to the IAASB on <u>all</u> exposure drafts and discussion and consultation papers by the due date.</li> </ul>	Achieved.	<ul style="list-style-type: none"> <li>All IAASB meetings attended by an AUASB Chair or staff member</li> <li>AUASB Chair and Technical Director attended and presented at the IAASB NSS Meeting in New York in June 2017.</li> <li>The AUASB has responded by the required deadline to all IAASB exposure drafts and consultation papers issued in the 2016-17 reporting period.</li> </ul>

Activities	Strategy No.	KPI	Achieved/not achieved	Explanation
2. AUASB international-related initiatives.	Strategy 1 PBS Outcome 1 PBS Programs 1, 2, 3 PBS Deliverables 1, 2, 3 PBS Performance Criteria 1, 2, 5, 6	<ul style="list-style-type: none"> <li>Issue IAASB related Australian equivalent Exposure Drafts in a timely manner (by the later of, within 3 months of PIOB clearance or within 1 month of AUASB approval);</li> <li>IAASB equivalent, or ISA plus, standards adopted by the AUASB with the same application dates; and</li> <li>Conduct post-implementation reviews of IAASB equivalent issued AUASB Standards.</li> </ul>	Partly Achieved	<ul style="list-style-type: none"> <li>ASA's issued for all IAASB standards / exposure drafts issued in 2016-17.</li> <li>ASA 250 not formally issued until September 2017 (i.e. more than a month after being approved by the AUASB in May 2017) due to issues associated with processing conforming amendments to other ASA's.</li> <li>No post-implementation reviews of IAASB equivalent issued AUASB Standards required in 2016-17.</li> </ul>
3. Increase awareness and acceptance of AUASB Pronouncements, in particular, their application to government agencies and other bodies.	Strategy 2 PBS Outcome 1 PBS Programs 1, 2 PBS Deliverables 1, 2 PBS Performance Criteria 3, 4	<ul style="list-style-type: none"> <li>Actively liaise and engage with regulatory agencies, including ASIC, APRA, ACNC, CER, and ATO, to encourage their audit and other assurance requirements to be aligned with AUASB pronouncements.</li> <li>Periodic presentations to Commonwealth and State Based Legislative drafters.</li> </ul>	Achieved	<ul style="list-style-type: none"> <li>Regular engagement held with AUASB regulatory stakeholders to ensure AUASB pronouncements are being appropriately applied.</li> </ul>
4. Formulate and maintain high quality Australian Auditing and Assurance Standards that conform with their IAASB equivalents, address local regulatory issues and promote consistency in application.	Strategy 2 PBS Outcome 1 PBS Programs 1, 2 PBS Deliverables 1, 2 PBS Performance Criteria 2, 4	<ul style="list-style-type: none"> <li>Consider Australian legislative and other regulatory requirements when considering adoption of IAASB standards and identify any changes that may be consequentially required to the Auditing and Assurance Standards via the compelling reasons test.</li> </ul>	Achieved	<ul style="list-style-type: none"> <li>Australian legislative and other regulatory requirements incorporated into all AUASB pronouncements issued during the 2016-17 reporting period.</li> </ul>

Activities	Strategy No.	KPI	Achieved/not achieved	Explanation
5. Formulate and maintain high quality Standards and Guidance Statements and other pronouncements that address gaps in the suite of international standards as well as local regulatory and other issues and promote consistency in application.	Strategy 2 PBS Outcome 1 PBS Programs 1, 2, 3 PBS Deliverables 1, 2, 3 PBS Performance Criteria 3, 4, 6	<ul style="list-style-type: none"> <li>Develop and revise, as appropriate, AUASB Guidance Statements which will provide practical guidance to auditors and assurance practitioners on industry related areas, such as those regulated by ASIC, APRA, ATO, CER and other regulators.</li> </ul>	Achieved	<ul style="list-style-type: none"> <li>Australian specific standards and guidance issued for Compliance Engagements (ASAE 3100) and an updated Guidance Statement on Concise Financial Reports under the Corporations Act 2001 (GS 001).</li> </ul>
6. Proactively monitor international developments on auditing and assurance.	Strategy 3 PBS Outcome 1 PBS Program 3 PBS Deliverable 3 PBS Performance Criteria 5, 6	<ul style="list-style-type: none"> <li>Monitor the activities of other auditing standard setting bodies (including Canada, France, Germany, Netherlands, United Kingdom, United States and South Africa) and the work of other international regulatory bodies (including IOSCO, PCAOB and IFIAR), and consider any matters they have considered that may potentially impact on AUASB pronouncements;</li> <li>Monitor and promote the work of other international bodies, such as FEE and the IIRC; and</li> <li>Prepare International Auditing and Assurance Update e publication covering IAASB and other national auditing standard setters' activities for AUASB meetings and for publishing on the AUASB website.</li> <li>Communication with stakeholders (refer to strategic objective 4).</li> </ul>	Achieved	<ul style="list-style-type: none"> <li>Through direct engagement or at the IAASB National Standards Setters meeting in June 2017 we continued to monitor and engage with other standard setters on a range of auditing and assurance issues, and consider their impact for the local environment.</li> <li>Continued to monitor developments of other international standard setting bodies and consider their impact through local forums such as the Business Reporting Leaders Forum (BRLF).</li> <li>International updates provided in all AUASB newsletters issued during the reporting period, and major international developments communicated on the AUASB website when required.</li> </ul>

Activities	Strategy No.	KPI	Achieved/not achieved	Explanation
7. Actively engage with stakeholders.	Strategy 4 PBS Outcome 1 PBS Programs 1, 2 PBS Deliverables 1, 2 PBS Performance Criteria 3, 4	<ul style="list-style-type: none"> <li>• Engage with Australian stakeholders, regulatory bodies, professional accounting bodies, practitioners, preparers, users and other stakeholders (including Australian Treasury, ASIC, APRA, ACNC, CER and ATO) to promote Audit Quality and consistency in the application of AUASB pronouncements.               <ul style="list-style-type: none"> <li>○ engage directly with key stakeholders on a timely basis on topical issues;</li> <li>○ conduct topic-specific Roundtable meetings to gather feedback (IAASB survey/Auditing Accounting Estimates/Risk Assessment);</li> <li>○ consult with stakeholder either by conducting surveys or consultative meeting to identify the needs of stakeholders and other users of auditing and assurance services; and</li> <li>○ conduct a strategy session to review the strategic plan and discuss priorities and significant projects and to obtain input on the AUASB's work plan priorities.</li> </ul> </li> <li>• Engage with regulators on the application of the auditing standards to identify issues arising on application.</li> </ul>	Achieved	<ul style="list-style-type: none"> <li>- Regular meetings and attendance at professional forums with key stakeholders in the regulatory and professional space.</li> <li>- Numerous AUASB Roundtables and panels on auditor reporting and other key topics held during the reporting period, with excellent attendance by all key stakeholders.</li> <li>- Key stakeholders consulted on the update of the AUASB strategy</li> <li>- Continued open and constructive dialogue with ASIC, APRA, the CER and other relevant regulators on audit inspection and accreditation matters.</li> <li>- No post implementation reviews of any AUASB/IAASB issued standards required in the 2016-17 year.</li> <li>- Regular reporting to FRC of AUASB developments and key issues, with very constructive and positive feedback received from FRC members.</li> </ul>

Activities	Strategy No.	KPI	Achieved/not achieved	Explanation
		<ul style="list-style-type: none"> <li>• Conduct informal post-implementation reviews of all issued AUASB standards as and when standards are revised by the IAASB;</li> <li>• Engage with practitioners, professional bodies and regulators to assist with consistent understanding and implementation, of the principles underlying standards and the resultant work effort and evidence requirements; and</li> <li>• Engage with the FRC through the AUASB Chairman's active involvement, including through membership of the Audit Quality Committee.</li> <li>• Participate in public debate, conferences and seminars on topics relevant to global auditing and assurance standards and strategic audit and assurance issues; and</li> <li>• Contribute articles for relevant professional publications that highlight key principles of, or major changes to, the AUASB pronouncements.</li> </ul>		

Activities	Strategy No.	KPI	Achieved/not achieved	Explanation
8. Identify AUASB stakeholders and understand their needs and expectations.	Strategy 4 PBS Outcome 1 PBS Programs 1, 2 PBS Deliverables 1, 2 PBS Performance Criteria 3, 4	<ul style="list-style-type: none"> <li>• Conduct stakeholder satisfaction survey and use feedback results to obtain benchmark for performance improvement;</li> <li>• Create and maintain a key stakeholders contacts database; and</li> <li>• Increase media mentions, social media activity and level of participation at AUASB events.</li> </ul>	Partly Achieved	<ul style="list-style-type: none"> <li>- Formal stakeholder satisfaction survey process delayed until the 2017-18 – to be performed in conjunction with the AASB.</li> <li>- New AASB/AUASB Communications Manager role created and new stakeholder engagement database, communications strategy and social media policies either in development or substantially complete.</li> </ul>
9. Harmonise, wherever possible given the different regulatory environments, Australian and New Zealand Auditing and Assurance Standards through working actively with the NZAuASB.	Strategy 5 PBS Outcome 1 PBS Programs 1, 2, 3 PBS Deliverables 1, 2, 3 All PBS Performance Criteria	<ul style="list-style-type: none"> <li>• Engage with the NZAuASB Chair, NZAuASB staff and relevant board members when drafting auditing and assurance standards that will be adopted jointly to understand if there are likely to be any harmonisation differences; and</li> <li>• Collate and reconcile any differences between Australian and New Zealand standards, and the reasons therefor: <ul style="list-style-type: none"> <li>○ prepare compelling reasons test documentation to explain all differences, including with any underlying IAASB standard(s).</li> </ul> </li> </ul>	Achieved	<ul style="list-style-type: none"> <li>- International and locally developed standards all issued in accordance with AUASB/NZAuASB harmonisation principles.</li> <li>- Excellent collaboration with NZAuASB on a number of pronouncements and developments, including Auditor Reporting, Compliance Engagements and the new exposure draft New Zealand have developed on auditing service reporting information.</li> </ul>

## OUTPUT STRUCTURE

The AUASB's standards and exposure drafts are listed in the tables below.

Standards	
ASA 800	<i>Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks</i> (July 2016)
ASA 805	<i>Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i> (July 2016)
ASA 810	<i>Engagements to Report on Summary Financial Statements</i> (September 2016)
ASAE 3100	<i>Compliance Engagements</i> (February 2017)
ASA 250	<i>Consideration of Laws and Regulations in an Audit of a Financial Report</i> (May 2017)
ASA 2017-1	<i>Amendments to Australian Auditing Standards</i> (May 2017)
ASA 2017-2	<i>Amendments to Australian Auditing Standards</i> (May 2017)

Exposure drafts	
ED 03/16	<i>Proposed Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements</i> (July 2016)
ED 04/16	<i>Proposed Standard on Assurance Engagements ASAE 3100 Compliance Engagements</i> (August 2016)
ED 05/16	<i>Proposed Auditing Standard ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report</i> (December 2016)
ED 06/16	<i>Proposed Auditing Standard ASA 2016-1 Amendments to Australian Auditing Standards</i> (December 2016)
ED 07/16	<i>Proposed Auditing Standard ASA 2016-2 Amendments to Australian Auditing Standards</i> (December 2016)
ED 01/17	<i>Proposed Standard on Assurance Engagements ASAE 3500 Performance Engagements</i> (May 2017)

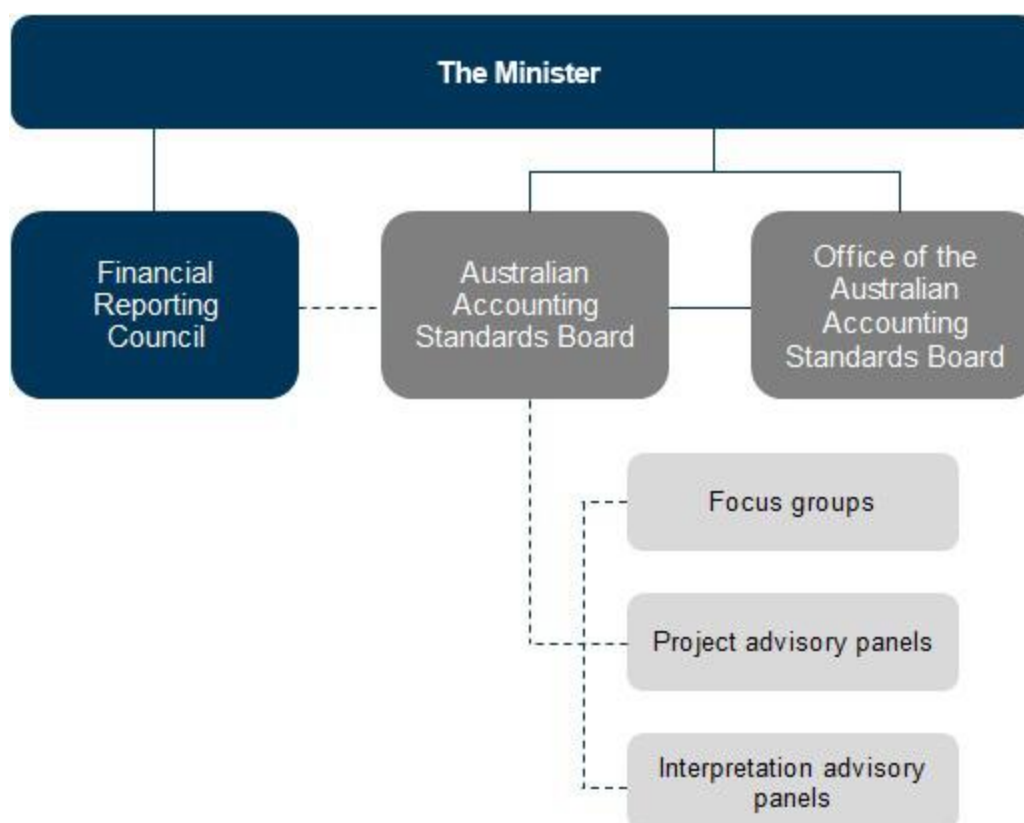
AUASB Authoritative Pronouncements can be accessed via [www.auasb.gov.au/Pronouncements.aspx](http://www.auasb.gov.au/Pronouncements.aspx).

The Standard Setting and Research Centre Work Programs can be accessed via [www.auasb.gov.au/Work-In-Progress/Work\\_Program](http://www.auasb.gov.au/Work-In-Progress/Work_Program)

## MANAGEMENT AND ACCOUNTABILITY

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### HOW THE AASB WORKS



The Chair is appointed by the Minister, while other Board members are appointed by the Financial Reporting Council (FRC).

To be eligible for appointment as a member of the AASB, a person must have knowledge of, or experience in, business, accounting, law or government. Appointments may be made for a period of up to five years and retiring members are eligible for reappointment.

The members of the AASB during 2016-17 are listed below. The Board held 6 meetings for a total of 10 meeting days during the year. Attendance of members at these meetings is set out in Appendix B.

### The Minister

The Minister appoints the Chair of the AASB. The Chair of the AASB is accountable to the Minister regarding the operations of the AASB and the Office of the AASB.



## Financial Reporting Council

Responsible to the Minister, the FRC provides broad strategic direction and advice to the AASB and has oversight of the process for setting accounting standards in Australia. The FRC appoints Board members to the AASB.

## AASB

The AASB is an Australian Government Entity responsible for making accounting standards under section 334 of the *Corporations Act 2001*. The AASB participates in, and contributes to, the development of a single set of international accounting standards for worldwide use.

## Office of the AASB

The Office of the AASB provides technical and administrative services, information and advice to the AASB. The Chair of the AASB is also the Chief Executive Officer of the Office of the AASB.

## Membership

### Kris Peach, Chair

Kris Peach was appointed as Chair of the AASB and CEO of the Office of the AASB for a five-year term from 1 November 2014 to 31 October 2019.

The duties of the Chair and CEO of the AASB are outlined in sections 235D to 235J of the *Australian Securities and Investments Commission Act 2001*.

As Chair of the AASB, she is also a member of the FRC and a member of NZASB. Ms Peach is also a member of ASAF.

The members of the AASB holding office during the year ended 30 June 2017 were:

Board Member	Qualification	Appointment end date
Mike Blake	Auditor General Tasmania	December 2017
Kimberley Crook	Chair of the New Zealand Accounting Standards Board	Reciprocal member from 1 July 2014
Regina Fikkers	PricewaterhouseCoopers	December 2018 (2 <sup>nd</sup> term)
Peter Gibson	Commonwealth Department of Finance	December 2018
Andrew Kearnan	Non-Executive Director	December 2017
Carmen Ridley	Australian Financial Reporting Solutions	December 2017 (2 <sup>nd</sup> term)
Taryn Rulton	Monash College	December 2019 (2 <sup>nd</sup> term)
Marc Smit	National Australia Bank	December 2018 (2 <sup>nd</sup> term)
Stephen Taylor	University of Technology Sydney	December 2019
Megan Wilson	EY	December 2017

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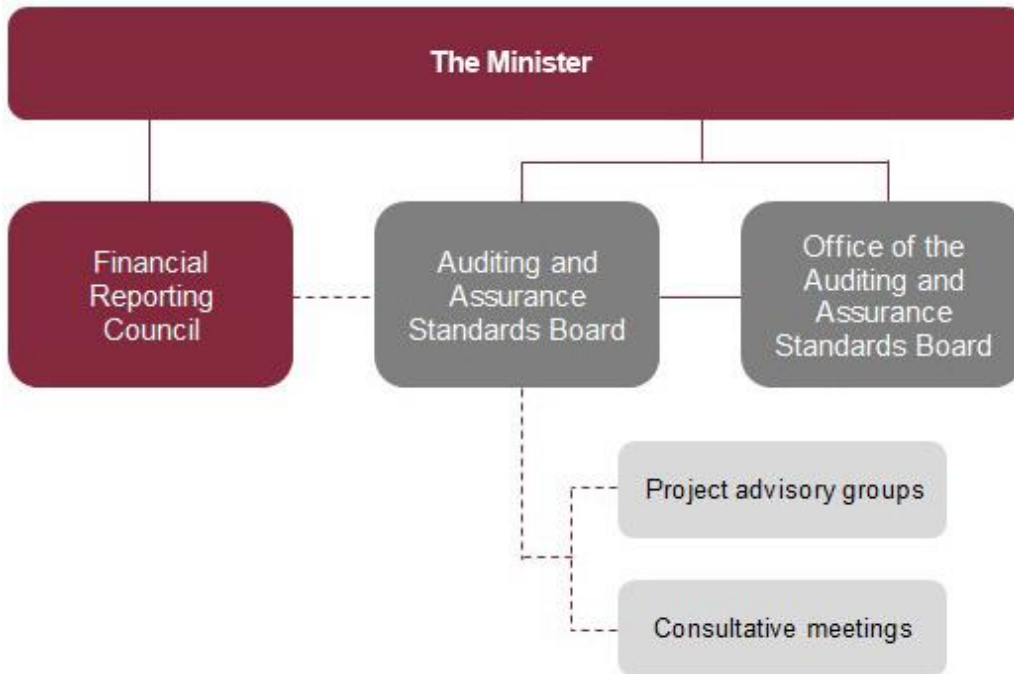
<b>Board Member</b>	<b>Qualification</b>	<b>Appointment end date</b>
<b>Retirements</b>		
Peter Carlson	KPMG	Retired December 2016
Anna Crawford	Deloitte Touché Tohmatsu	Retired December 2016
Steve Mitsas	Victorian Department of Treasury and Finance	Retired December 2016
Ann Tarca	University of Western Australia	Retired February 2017

## **Observers**

The following had observer status during all or part of the year:

<b>Observer</b>	<b>Qualification</b>
John O'Grady	Member of the IASB IFRS Interpretations Committee

## HOW THE AUASB WORKS



The Chairman is appointed by the Minister, while other Board members are appointed by the FRC.

Appointments may be made for a period of up to three years and retiring members are eligible for reappointment for a maximum of three terms.

The Board met five times during the year. Attendance of members at these meetings is set out in Appendix B.

### The Minister

The Minister appoints the Chairman of the AUASB. The Chairman of the AUASB is accountable to the Minister regarding the operations of the AUASB and the Office of the AUASB.

### Financial Reporting Council

Responsible to the Minister, the FRC provides broad strategic direction and advice to the AUASB and has oversight of the process for setting auditing and assurance standards in Australia. The FRC appoints Board members to the AUASB for various terms.

### AUASB

The AUASB an Australian Government Entity responsible for making auditing standards under section 336 of the *Corporations Act 2001* for the purposes of the corporations legislation. The

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AUASB also formulates auditing and assurance standards for other purposes and participates in and contributes to the development of a single set of international auditing standards for worldwide use.

The Chairman of the AUASB reports to the Minister regarding the organisation's operations.

## Office of the AUASB

The Office of the AUASB provides technical support and administrative services, information and advice to the AUASB. The Chairman of the AUASB is also the Chief Executive Officer of the Office of the AUASB.

## Membership

### Roger Simnett, Chair

Roger Simnett was appointed as Chair of the AUASB and CEO of the Office of the AUASB for a five year term from 1 April 2017 until March 31, 2022.

The duties of the Chair and CEO of the AUASB are outlined in sections 235D to 235J of the *Australian Securities and Investments Commission Act 2001*.

As Chair of the AUASB, he is also a member of the FRC and a member of NZAuASB.

The AUASB comprised an independent part-time Chair (appointed by the Minister) and 10 part-time members (appointed by the FRC).

The members during 2016-17 were:

Board Member	Qualification	Appointment end date
Robin Low	Non-Executive Director	December 2020 (2 <sup>nd</sup> term)
Gareth Bird	Deloitte	December 2020
Robert Buchanan	Chair, NZAuASB	Reciprocal member from 1 July 2016
Jo Cain	Non-Executive Director	December 2018 (2 <sup>nd</sup> term)
Chris George	EY	December 2018 (2 <sup>nd</sup> term)
Nonna Martinov-Bennie	Macquarie University	December 2017 (2 <sup>nd</sup> term)
Colin Murphy	Auditor-General WA	December 2017 (3 <sup>rd</sup> term)
Carolyn Ralph	KPMG	December 2018
Justin Reid	J R Consulting	December 2020
Ashley Wood	PwC	December 2018
<b>Retirements</b>		
Merran Kelsall	AUASB Chair	Retired March 2017
Caithlin Mc Cabe	Deloitte	Retired December 2016
Jane Meade	ANAO	Retired December 2016

## **AASB AND AUASB'S CORPORATE GOVERNANCE**

The corporate governance practices of the AASB, AUASB and the Offices of the AASB and the AUASB comply with statutory and other external requirements, and aim to achieve sound administrative and financial management practice. They are designed to ensure the efficient, effective and ethical use of resources.

As part of its ongoing focus on effective governance arrangements, the Offices of the AASB and AUASB periodically consider a range of issues, including:

- clear accountability mechanisms
- leadership, culture and communication
- appropriate governance and committee structures
- effectiveness of work with stakeholders
- comprehensive risk management, compliance and assurance systems
- strategic planning, performance monitoring and evaluation.

### **Audit Committee**

The AASB and AUASB Audit Committee's role is to provide independent assurance and assistance to the Chairs on their financial and performance reporting responsibilities, risk oversight and management, and system of internal control. The Committee is not responsible for the executive management of these functions. The Committee engages with management in discharging its advisory responsibilities and formulating its advice to the Chairs.

The Audit Committee follows the recommended best practice guidelines issued by the Australian National Audit Office (ANAO). The Audit Committee comprises an independent external Chair, and three external members. The ANAO also attends Audit Committee meetings as an observer, as do other AASB and AUASB management representatives.

### **Fraud**

Fraud control is regarded by the AASB and AUASB as a continuous process, and AASB and AUASB officers and staff maintain an awareness of fraud risk generally, and their responsibility to take any reasonable action to reduce the possibility and impact of losses through fraud.

The AASB and AUASB has in place a fraud risk assessment and fraud control plan. It has adequate fraud prevention, detection, investigation and reporting mechanisms that meet its specific needs.

I, Kris Peach, as the AASB accountable authority, certify that the AASB meets the obligations arising from section 10 of the *Public Governance, Performance and Accountability Rule 2014*. This legislation requires appropriate fraud risk, fraud assessment, fraud detection and subsequent reporting mechanisms to be in place.

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I, Roger Simnett, as the AUASB accountable authority, certify that the AUASB meets the obligations arising from section 10 of the *Public Governance, Performance and Accountability Rule 2014*. This legislation requires appropriate fraud risk, fraud assessment, fraud detection and subsequent reporting mechanisms to be in place.

## **Ethics**

The Offices of the AASB and AUASB staff are required to adhere to the Australian Public Service values and code of conduct under the *Public Service Act 1999*.

Australian Public Service values include performing functions impartially and professionally, the highest ethical standards, open accountability, providing frank, honest, comprehensive, accurate and timely advice to government and promoting communication, consultation, cooperation and input from employees.

The requirements of the code of conduct include honesty, care and diligence, courtesy, compliance with the law, avoiding conflicts of interest and proper use of Commonwealth resources and information.

## AASB PERSONNEL MANAGEMENT

**Table 1a: AASB Employees at 30 June 2017**

Classification	Persons	Ongoing	Non-ongoing	F/T	P/T	F/T Equivalents		
						Female	Male	Total
Senior executive	3	3	0	2	1	2.5	0	2.5
Technical	8	8	0	5	3	2.8	4.2	7
Non-Technical	4	4	0	4	0	4	0	4
<b>Total employees</b>	<b>15</b>	<b>15</b>	<b>0</b>	<b>11</b>	<b>4</b>	<b>9.3</b>	<b>4.2</b>	<b>13.5</b>

**Table 1b: AASB Employees at 30 June 2016**

Classification	Persons	Ongoing	Non-ongoing	F/T	P/T	F/T Equivalents		
						Female	Male	Total
Senior executive	5	3	2	4	1	4	1	5
Technical	11	8	3	9	3	3.8	6.8	10.6
Non-Technical	6	3	3	5	0	2.6	3	5.6
<b>Total employees</b>	<b>22</b>	<b>14</b>	<b>8</b>	<b>18</b>	<b>4</b>	<b>10.4</b>	<b>10.8</b>	<b>21.2</b>

As at 30 June 2017 no employees identified as Indigenous.

AASB employees are located in one office in Melbourne.

**Table 2: AASB Salary ranges as at 30 June 2017**

Salary Bands	Senior executive full time	Senior executive part time	Technical & non-technical full time	Technical & non-technical part time
\$ 15,000 to \$104,999	-	-	6	2
\$105,000 to \$194,999	1	1	3	1
\$195,000 to \$284,999	-	-	-	-
\$285,000 to \$374,999	-	-	-	-
\$375,000 to \$464,999	1	-	-	-

## AUASB PERSONNEL MANAGEMENT

**Table 3a: AUASB Employees at 30 June 2017**

Classification	Persons	F/T	P/T	F/T Equivalents		
				Female	Male	Total
Senior executives	2	1	1	0	1.6	1.6
Technical and support staff	4	1	3	2	1	3
<b>Total employees</b>	<b>6</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>2.6</b>	<b>4.6</b>

**Table 3b: AUASB Employees at 30 June 2016**

Classification	Persons	F/T	P/T	F/T Equivalents		
				Female	Male	Total
Senior executives	2	1	1	.8	1	1.8
Technical and support staff	5	2	3	3	1	4.0
<b>Total employees</b>	<b>7</b>	<b>3</b>	<b>4</b>	<b>3.8</b>	<b>2</b>	<b>5.8</b>

As at 30 June 2017, no employees identified as Indigenous.

AUASB employees are located in one office in Melbourne.

**Table 4: AUASB Salary ranges as at 30 June 2017**

Salary Bands	Senior executive full time	Senior executive part time	Technical & non-technical full time	Technical & non-technical part time
\$ 15,000 to \$194,999	-	-	1	3
\$195,000 to \$284,999	1	1	-	-

The Chairs are employed pursuant to a contract for services with the AASB or AUASB, with salary and other entitlements determined by the Commonwealth Remuneration Tribunal.

The salaries and other entitlements of the technical and non-technical employees are linked to comparable industry and market levels of remuneration.

Performance development meetings are held regularly.

Employees attend seminars, conferences and training programs as required on topics related to the technical, policy or administrative work of the AASB and AUASB.

The AASB and AUASB have the capacity to employ staff under the ASIC Act, as well as the *Public Service Act 1999* (PSA). As at 30 June 2017, all staff were employed under the *ASIC Act*.



## Management and Accountability

The AASB has continued to provide various support services to the Office of the AUASB.

Employees of the Offices of the AASB and AUASB do not receive performance bonuses.

The Chairs are confident that they have the well qualified employees and are continuously developing appropriate policies and procedures to enable them to achieve the AASB's and AUASB's strategies.

## FINANCIAL REPORTS

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## INDEPENDENT AUDITOR'S REPORT

To the Minister for Revenue and Financial Services

### Opinion

In my opinion, the financial statements of the Office of the Australian Accounting Standards Board for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Office of the Australian Accounting Standards Board as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Office of the Australian Accounting Standards Board, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Chairs;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and Forming Part of the Financial Report, comprising a Summary of Significant Accounting Policies and other explanatory information.

### Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Office of the Australian Accounting Standards Board in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of Matter – Joint Presentation of Financial Statements

Without modifying my opinion I draw your attention to the Financial Reporting and Organisation Structure section of the notes to the financial statements which describes the joint presentation of the Office of the Australian Accounting Standards Board's individual financial statements alongside those of the Office of the Auditing and Assurance Standards Board in a single report.

### Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Office of the Australian Accounting Standards Board the Chair is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Chair is also responsible for such internal control as the Chair determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the Chair is responsible for assessing the Office of the Australian Accounting Standards Board's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

**Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Serena Buchanan  
Senior Executive Director  
Delegate of the Auditor-General  
Canberra  
6 October 2017



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Revenue and Financial Services

#### Opinion

In my opinion, the financial statements of the Office of the Auditing and Assurance Standards Board for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Office of the Auditing and Assurance Standards Board as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Office of the Auditing and Assurance Standards Board, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Chairs;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and Forming Part of the Financial Report, comprising a Summary of Significant Accounting Policies and other explanatory information.

#### Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Office of the Auditing and Assurance Standards Board in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of Matter – Joint Presentation of Financial Statements

Without modifying my opinion I draw your attention to the Financial Reporting and Organisation Structure section of the notes to the financial statements which describes the joint presentation of the Office of the Australian Accounting Standards Board's individual financial statements alongside those of the Office of the Auditing and Assurance Standards Board in a single report.

#### Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Office of the Auditing and Assurance Standards Board the Chair is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Chair is also responsible for such internal control as the Chair determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the Chair is responsible for assessing the Office of the Auditing and Assurance Standards Board's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

**Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Serena Buchanan  
Senior Executive Director

Delegate of the Auditor-General

Canberra  
6 October 2017

## STATEMENTS BY THE CHAIRS

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### AASB

In my opinion, the attached Financial Statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In my opinion, at the date of this statement, there are reasonable grounds to believe that the Office of the Australian Accounting Standards Board will be able to pay its debts as and when they fall due.



Kris Peach  
Chair, CEO and Acting CFO - AASB

6 October 2017

### AUASB

In my opinion, the attached Financial Statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In my opinion, at the date of this statement, there are reasonable grounds to believe that the Office of the Auditing and Assurance Standards Board will be able to pay its debts as and when they fall due.



Roger Simnett  
Chair, CEO and Acting CFO – AUASB

6 October 2017

## Statements of Comprehensive Income

for the period ended 30 June 2017

	Notes	AASB		AUASB	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>EXPENSES</b>					
Employee and contractor costs	2, 3A	3,178,874	4,324,883	1,016,061	1,623,306
Supplier expenses	3B	1,284,405	884,489	204,355	439,523
Occupancy expenses	2, 10	262,554	489,653	-	298,745
Depreciation and amortisation	2	49,268	80,272	-	45,548
Finance costs		4,490	2,601	-	2,929
Management fee to AASB expenses	2	-	-	865,033	192,592
Write-down and impairment of assets		-	33,762	-	13,399
<b>Total expenses</b>		<b>4,779,591</b>	<b>5,815,660</b>	<b>2,085,449</b>	<b>2,616,042</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source revenue</b>					
Sale of goods and rendering of services		5,251	21,042	-	-
Management fee from AUASB revenue	2	865,033	192,592	-	-
Rental income		-	59,144	-	35,778
Resources received free of charge		199,345	102,865	94,342	69,715
Contributions from state and territories		500,000	500,000	-	-
<b>Total own-source revenue</b>		<b>1,569,629</b>	<b>875,643</b>	<b>94,342</b>	<b>105,493</b>
<b>Gains</b>					
Sale of assets		1,000	1,490	-	-
<b>Total gains</b>		<b>1,000</b>	<b>1,490</b>	<b>-</b>	<b>-</b>
<b>Total own-source income</b>		<b>1,570,629</b>	<b>877,133</b>	<b>94,342</b>	<b>105,493</b>
<b>Net cost of services &amp; cost of outcome delivery</b>		<b>(3,208,962)</b>	<b>(4,938,527)</b>	<b>(1,991,107)</b>	<b>(2,510,549)</b>
Revenue from Government	4	3,597,000	3,651,000	2,126,000	2,161,000
<b>Surplus/(Deficit) attributable to the Australian Government</b>		<b>388,038</b>	<b>(1,287,527)</b>	<b>134,893</b>	<b>(349,549)</b>
<b>OTHER COMPREHENSIVE SURPLUS/(DEFICIT)</b>					
Revaluation of infrastructure, plant and equipment	2	-	(62,247)	-	(38,995)
<b>Total other comprehensive surplus/(deficit)</b>		<b>-</b>	<b>(62,247)</b>	<b>-</b>	<b>(38,995)</b>
<b>Total comprehensive surplus/(deficit) attributable to the Australian Government</b>		<b>388,038</b>	<b>(1,349,774)</b>	<b>134,893</b>	<b>(388,544)</b>

The above statements should be read in conjunction with the accompanying notes. See Note 2 for reclassification of comparatives.



**Statements of Financial Position**  
as at 30 June 2017

	Notes	AASB		AUASB	
		2017 \$	2016 \$	2017 \$	2016 \$
<b>ASSETS</b>					
<b>Financial Assets</b>					
Cash and cash equivalents		284,526	598,700	30,051	406,857
Trade and other receivables		170,348	52,947	-	29,370
Management fee receivable from AUASB		261,205	21,487	-	-
Appropriation receivables	4	1,400,000	3,156,602	766,000	762,150
<b>Total financial assets</b>		<b>2,116,079</b>	<b>3,829,736</b>	<b>796,051</b>	<b>1,198,377</b>
<b>Non-Financial Assets</b>					
Furniture and computers – Level 2 fair value		107,189	91,076	-	22,128
Prepaid expenses		24,814	25,824	-	872
<b>Total non-financial assets</b>		<b>132,003</b>	<b>116,900</b>	<b>-</b>	<b>23,000</b>
<b>Total assets</b>		<b>2,248,082</b>	<b>3,946,636</b>	<b>796,051</b>	<b>1,221,377</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers		271,832	206,579	-	52,305
Management fee payable to AASB		-	-	261,205	21,487
Other payables	5	192,872	2,018,847	51,091	667,190
<b>Total payables</b>		<b>464,704</b>	<b>2,225,426</b>	<b>312,296</b>	<b>740,982</b>
<b>Provisions</b>					
Employee provisions	2, 6	286,662	692,532	80,924	249,457
<b>Total provisions</b>		<b>286,662</b>	<b>692,532</b>	<b>80,924</b>	<b>249,457</b>
<b>Total liabilities</b>		<b>751,366</b>	<b>2,917,958</b>	<b>393,220</b>	<b>990,439</b>
<b>Net assets</b>		<b>1,496,716</b>	<b>1,028,678</b>	<b>402,831</b>	<b>230,938</b>
<b>EQUITY</b>					
Contributed equity		602,000	522,000	274,000	237,000
Retained earnings		894,716	506,678	128,831	(6,062)
<b>Total equity</b>		<b>1,496,716</b>	<b>1,028,678</b>	<b>402,831</b>	<b>230,938</b>

The above statements should be read in conjunction with the accompanying notes. See Note 2 for details of reclassification of comparatives.

## Statements of Changes in Equity

for the period ended 30 June 2017

### Australian Accounting Standards Board

	Retained earnings		Asset revaluation reserve		Contributed equity/capital		Total equity	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Opening balance as at 1 July</b>	<b>506,678</b>	1,794,206	-	62,247	<b>522,000</b>	443,000	<b>1,028,678</b>	2,299,453
<b>Comprehensive income</b>								
Revaluation of infrastructure, plant and equipment	-	-	-	(62,247)	-	-	-	(62,247)
Surplus/(Deficit) for the period	<b>388,038</b>	(1,287,527)	-	-	-	-	<b>388,038</b>	(1,287,527)
<b>Comprehensive income attributable to the Australian Government</b>	<b>388,038</b>	(1,287,527)	-	(62,247)	-	-	<b>388,038</b>	(1,349,774)
<b>Transactions with owners</b>								
Departmental capital budget	-	-	-	-	<b>80,000</b>	79,000	<b>80,000</b>	79,000
<b>Closing balance as at 30 June</b>	<b>894,716</b>	506,678	-	-	<b>602,000</b>	522,000	<b>1,496,716</b>	1,028,678

The above statement should be read in conjunction with the accompanying notes.

### Auditing and Assurance Standards Board

	Retained earnings		Asset revaluation reserve		Contributed equity/capital		Total equity	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Opening balance as at 1 July</b>	<b>(6,062)</b>	343,487	-	38,995	<b>237,000</b>	200,000	<b>230,938</b>	582,482
<b>Comprehensive income</b>								
Revaluation of infrastructure, plant and equipment	-	-	-	(38,995)	-	-	-	(38,995)
Surplus/(Deficit) for the period	<b>134,893</b>	(349,549)	-	-	-	-	<b>134,893</b>	(349,549)
<b>Comprehensive income attributable to the Australian Government</b>	<b>134,893</b>	(349,549)	-	(38,995)	-	-	<b>134,893</b>	(388,544)
<b>Transactions with owners</b>								
Departmental capital budget	-	-	-	-	<b>37,000</b>	37,000	<b>37,000</b>	37,000
<b>Closing balance as at 30 June</b>	<b>128,831</b>	(6,062)	-	-	<b>274,000</b>	237,000	<b>402,831</b>	230,938

The above statement should be read in conjunction with the accompanying notes.

**Cash Flow Statements**

for the period ended 30 June 2017

	Notes	AASB		AUASB	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations		5,393,602	3,932,940	2,159,150	2,361,001
Goods and services		629,742	315,943	73,246	50,836
Net GST received		145,142	148,993	-	-
Contributions received		473,775	500,000	-	-
Other cash received		-	-	-	40,114
<b>Total cash received</b>		<b>6,642,261</b>	<b>4,897,876</b>	<b>2,232,396</b>	<b>2,451,951</b>
<b>Cash used</b>					
Employees and contractors		4,700,751	3,749,317	1,540,276	1,242,774
Suppliers		2,212,233	970,782	1,067,701	1,022,581
Net GST paid		41,197	43,165	1,225	4,337
<b>Total cash used</b>		<b>6,954,181</b>	<b>4,763,264</b>	<b>2,609,202</b>	<b>2,269,692</b>
<b>Net cash from / (used by) operating activities</b>	7	<b>(311,920)</b>	<b>134,612</b>	<b>(376,806)</b>	<b>182,259</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received / (used)</b>					
Purchase of infrastructure, plant and equipment		(43,254)	(84,288)	-	(14,471)
Cash received from disposal of infrastructure, plant and equipment		1,000	1,490	-	-
<b>Net cash used by investing activities</b>		<b>(42,254)</b>	<b>(82,798)</b>	<b>-</b>	<b>(14,471)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Contributed equity		40,000	145,123	-	36,684
<b>Net cash from financing activities</b>		<b>40,000</b>	<b>145,123</b>	<b>-</b>	<b>36,684</b>
<b>Net increase / (decrease) in cash held</b>		<b>(314,174)</b>	<b>196,937</b>	<b>(376,806)</b>	<b>204,472</b>
Cash and cash equivalents at the beginning of the reporting period		598,700	401,764	406,857	202,385
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>284,526</b>	<b>598,700</b>	<b>30,051</b>	<b>406,857</b>

The above statements should be read in conjunction with the accompanying notes.

## **NOTES TO AND FORMING PART OF THE FINANCIAL REPORTS**

### **Objectives of AASB and AUASB**

The AASB and AUASB are each supported by an Office providing technical and administrative services to the Boards. Each office is a non-corporate Australian Government entity under the ASIC Act. The Offices are the financial entities governed by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The Office of the AASB is structured to meet one outcome: the formulation and making of accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions.

The Office of the AUASB is structured to meet one outcome: the formulation and making of auditing and assurance standards and guidance that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements.

### **Financial Reporting and Organisation Structure**

In 2016 the AASB and AUASB implemented a shared support model, effectively operating, to the extent permitted by legislation, as a single Office supporting both Boards. The Chairs remain Chief Executive Officers and the Accountable Authority under the PGPA and are responsible for the preparation of the financial reports for each entity, however have delegated to the maximum extent possible the CEO responsibilities to the National Director. The National Director supports the Chairs of the respective Boards, and manages the technical staff of both Boards and the professional staff. The AASB provides all administrative services for the AUASB and charges the AUASB a management fee based on recharge of direct costs without mark-up and an appropriate recoupment of common expenses.

In support of the new model, the AASB and AUASB present their individual financial reports jointly, with a column for each entity, supplemented with a detailed segment note outlining the appropriations received, and the direct costs incurred by each of the AASB and AUASB, together with the common expenses.

The accounting policies applied by each Office are the same.

### **Events After the Statement of Financial Position Date**

There are no major events post 30 June 2017 to report for the AASB or AUASB.

## **Note 1: Summary of Significant Accounting Policies**

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### **1.1 Basis of Preparation of the Financial Statements**

The financial statements of the Offices of the AASB and the AUASB are required by section 42 of the PGPA Act and are general purpose financial reports.

The financial reports have been prepared in accordance with:

*Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and

Australian Accounting Standards and Interpretations issued by the AASB that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars.

## **1.2 Significant Accounting Judgements and Estimates**

There are no accounting assumptions or estimates at reporting date that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

## **1.3 Changes in Australian Accounting Standards**

### **(a) Adoption of New Australian Accounting Standard Requirements**

New standards, amendments to standards and interpretations that are applicable to future periods have been issued by the AASB. With the exception of the standards outlined below, it is estimated that other pronouncements, when effective, will have no material impact on future reporting periods, either because the AASB and AUASB do not conduct the types of transactions addressed by the pronouncements or because the extent to which they may impact the AASB and AUASB is not expected to be material.

AASB 124 *Related Party Disclosures* is effective for the public sector for annual reporting periods beginning on or after 1 July 2016. The new standard has not resulted in any additional disclosures, however all related party disclosures are now being provided in Note 8.

AASB 1058 *Income of Not-For-Profit Entities* (effective for annual reporting periods beginning on or after 1 January 2019) clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 *Revenue from Contracts with Customers* (effective for annual reporting periods beginning on or after 1 January 2018). The AASB and AUASB do not consider this standard will have a material impact.

AASB 116 *Leases* is effective for annual reporting periods beginning on or after 1 January 2019. The new standard introduces a single lessee accounting model and will require the AASB and AUASB to recognise assets and liabilities in relation to its existing operating lease. The AASB and AUASB are currently assessing the impact of this standard.

## **1.4 Taxation**

The Offices of the AASB and AUASB are exempt from all forms of taxation, except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

## **Note 2: Analysis of Shared Operational Activities**

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### **Note 2A: Operational activities for AASB and AUASB**

The operational activities of the AASB and AUASB are on a combined basis, reflecting the organisation restructure set out below.

In 2016 the AASB and AUASB implemented a shared support model, effectively operating, to the extent permitted by legislation, as a single Office supporting both Boards. As a result of the new model, and the Memorandum of Understanding (MoU) between the AASB and the AUASB, the AASB now incurs all direct costs of the AUASB, other than payroll costs, and recoups these costs through a management charge, with no mark-up. A receivable from the AUASB to the AASB is recognised for the management recharge at the time when the AASB pays for these expenses on behalf of the AUASB. AUASB direct payroll costs are recognised as expenses of the AUASB. No revenue is recognised by the AASB for AUASB direct costs recharged.

An additional management charge from the AASB to the AUASB recoups an appropriate portion of the total professional services expenses ('common expenses'). The common expenses element of the management recharge is shown as income of the AASB as the AASB bears the full amount of the expense up front, and recognised as an expense of the AUASB. The common expense recharge for 2017 amounted to \$865,033 (2016: \$192,592) and reflects the greater sharing of administrative resources in the new structure. In 2016, only common salary expenses were recharged directly as a common expense management charge. For other shared expenses (i.e. office lease), these were recognised directly in each entity's financial statements and not through a management fee recharge. Note 2B sets out the direct costs of the AASB, the direct costs of the AUASB and the common costs of the entities.

Post restructure the combined costs of the AASB and AUASB have reduced by \$802,572 (after removing separation and redundancy costs from 2016). Employee benefits have reduced by \$233,682, however has been offset in the period due to additional contracting costs as the new roles post restructure have not yet been fully implemented.

As a result of the restructure some comparatives for the prior year in the income statement and balance sheet have had the management fee between the AASB and AUASB reclassified as a separate line item. In the AASB the management fee revenue has been reclassified from Sale of goods and rendering of services, and in the AUASB the management fee expense has been reclassified from supplier expenses. In the AASB the management fee receivable has been reclassified from trade and other receivables and in the AUASB the management fee payable has been reclassified from suppliers.

As the restructure resulted in a number of employee roles being filled by contractors for significant periods of time, the Statements of Comprehensive Income now reflects 'Employee and contractor costs', with employee benefits being shown separately in note 3A.

As this is the first period which this administrative relationship between both entities has existed, comparatives for 2016 are not disclosed in note 2B below, except for the total amounts.

	AASB 2017 \$	AUASB 2017 \$	Shared 2017 \$	Total 2017 \$	Total 2016 \$
<b>Note 2B: Operational activities</b>					
Appropriations	3,597,000	2,126,000	-	5,723,000	5,812,000
Other income	705,596	94,342	-	799,938	790,034
<b>Total income before common expense recharge</b>	<b>4,302,596</b>	<b>2,220,342</b>	<b>-</b>	<b>6,522,938</b>	<b>6,602,034</b>
Common expense recharge <sup>1</sup>	865,033	-	-	865,033	192,592
<b>Total income</b>	<b>5,167,629</b>	<b>2,220,342</b>	<b>-</b>	<b>7,387,971</b>	<b>6,794,626</b>
Employee and contractor costs (excluding redundancies)	2,012,919	1,016,061	1,147,754	4,176,734	4,410,416
Separation and redundancy costs	-	-	18,201	18,201	1,537,773
Direct supplier expenses (refer to Note 3B)	422,095	204,355	-	626,450	673,907
Direct impairment or revaluation of assets costs	-	-	-	-	148,403
Common occupancy expenses	-	-	262,554	262,554	788,398
Common depreciation and amortisation expense	-	-	49,268	49,268	125,820
Common finance costs	-	-	4,490	4,490	5,530
Common supplier expenses (refer to Note 3B)	-	-	862,310	862,310	650,105
<b>Total expenses before common expense recharge</b>	<b>2,435,014</b>	<b>1,220,416</b>	<b>2,344,577</b>	<b>6,000,007</b>	<b>8,340,352</b>
Common expense recharge <sup>1</sup>	-	865,033	-	865,033	192,592
<b>Total expenses</b>	<b>2,435,014</b>	<b>2,085,449</b>	<b>2,344,577</b>	<b>6,865,040</b>	<b>8,532,944</b>
			<b>Combined surplus</b>	<b>522,931</b>	<b>(1,738,318)</b>
			<b>Made up of:</b>		
			<b>AASB surplus</b>	<b>388,038</b>	<b>(1,349,774)</b>
			<b>AUASB surplus</b>	<b>134,893</b>	<b>(388,544)</b>

<sup>1</sup> The common expense recharge includes recharges for common employee costs (refer to Note 3A), operating lease expenses, depreciation and amortisation expenses, finance costs and common supplier expenses (refer to Note 3B).

### Note 3: Expenses

	AASB		AUASB	
	2017 \$	2016 \$	2017 \$	2016 \$
<b>Note 3A: Employee and contractor costs</b>				
Employee wages and salaries	<b>2,078,680</b>	2,651,324	<b>829,517</b>	1,089,246
Defined contribution superannuation plans	<b>250,768</b>	243,789	<b>108,804</b>	98,735
Leave and other entitlements	<b>144,757</b>	212,939	<b>77,740</b>	27,434
Separation and redundancies <sup>1,2,3</sup>	<b>18,201</b>	1,129,882	-	407,891
<b>Total employee benefits</b>	<b>2,492,406</b>	4,237,934	<b>1,016,061</b>	1,623,306
Contractor costs	<b>686,468</b>	86,949	-	-
<b>Total employee and contractor costs</b>	<b>3,178,874</b>	4,324,883	<b>1,016,061</b>	1,623,306

- 1 Separation and redundancies amounts do not include compensation and related FBT expenditure. These expenses are classified under suppliers (refer Note 3B).
- 2 In the 2016 financial year, the AASB decided to make 8 employees redundant, with the redundancies being finalised in the 2017 financial year. The total cost of the restructure, recognised in 2016 was \$1,172,799 which comprises retrenchment payments, payments in lieu of notice, compensation and career transition costs of \$1,117,501 and employee service related compensation and related FBT costs of \$55,470 (refer Note 3B).  
  
During the 2016 financial year other amounts were paid to staff that were terminated without being made redundant and are not included in these figures. These included Employee benefits, Separation and redundancies \$12,381 (refer Note 3A Separation and redundancies) and Compensation and related FBT costs of \$11,060 (refer Note 3B).
- 3 In the 2016 financial year, the AUASB decided to make 2 employees redundant, with the redundancies being finalised in the 2017 financial year. The total costs of the restructure in 2016 was \$417,425 which comprises retrenchment payments, payments in lieu of notice, compensation and career transition costs of \$407,891 and the related FBT totalling \$9,534.

#### **Contingent liabilities**

A contingent liability for the AASB and AUASB exists as a number of employees have been granted contractual commitments that, should they leave with 7-10 years of service, they will receive a compensation payment as if they were entitled to Long Service Leave under the Victorian Long Service Leave Legislation, provided a Deed of Release is given to the AASB and AUASB, preventing further claims against the AASB and AUASB. In addition, should payments be required, FBT will be payable.



	AASB		AUASB	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Note 3B: Suppliers</b>				
<b>Direct expenses</b>				
Board members' services	28,620	75,595	35,680	42,077
Travel	220,479	161,110	102,320	52,162
Publications/Subscriptions	87,993	90,325	3,333	37,058
Audit fees (received free of charge)	46,150	34,000	33,700	24,000
Compensation and related FBT expenses	13,359	66,530	14,070	91,050
Other	25,494	-	15,252	-
<b>Total direct expenses</b>	<b>422,095</b>	<b>427,560</b>	<b>204,355</b>	<b>246,347</b>
<b>Common expenses</b>				
Consultant costs	255,979	139,512	-	-
Administration costs	491,858	232,432	-	99,296
Workers compensation	12,359	6,945	-	5,145
Other	102,114	78,040	-	88,735
<b>Total common expenses</b>	<b>862,310</b>	<b>456,929</b>	<b>-</b>	<b>193,176</b>
<b>Total supplier expenses</b>	<b>1,284,405</b>	<b>884,489</b>	<b>204,355</b>	<b>439,523</b>

Refer to Note 2 for full breakdown of direct and common expenses.

## Note 4: Appropriations

### Note 4A: Significant accounting policies

#### (i) Revenue From Government

Amounts appropriated for departmental output appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue when the Offices of the AASB and AUASB gain control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

#### (ii) Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets are recognised directly in contributed equity in that year.

**Note 4B: Appropriations**

**Table A: Annual appropriations ('Recoverable GST exclusive')**

	AASB		AUASB	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Unspent annual appropriations ('Recoverable GST exclusive') - Opening balance (Table B)</b>				
Cash	598,700	401,764	406,857	202,385
Receivables	3,156,602	3,504,665	762,150	961,835
	<b>3,755,302</b>	3,906,429	<b>1,169,007</b>	1,164,220
<b>Ordinary annual services</b>				
<b>Annual appropriation - Revenue from Government</b>				
Departmental appropriations <sup>1</sup>	3,597,000	3,651,000	2,126,000	2,161,000
Departmental capital budget <sup>2 5</sup>	80,000	79,000	37,000	37,000
	<b>3,677,000</b>	3,730,000	<b>2,163,000</b>	2,198,000
<b>PGPA Act – Section 74<sup>3</sup></b>				
Own source income - not transferred to the Official Public Account	1,062,320	808,268	-	-
<b>Total appropriation</b>	<b>4,739,320</b>	4,538,268	<b>2,163,000</b>	2,198,000
<b>Appropriation applied (current and prior years)<sup>3</sup></b>				
Employees and contractors	4,700,751	3,749,317	1,540,276	1,242,774
Suppliers	2,212,233	970,782	1,067,701	1,022,581
Purchase of plant and equipment <sup>5</sup>	43,254	84,288	-	14,471
Less net GST received	(145,142)	(148,993)	-	(50,836)
<b>Total appropriation applied (current and prior years)</b>	<b>6,811,096</b>	4,655,394	<b>2,607,977</b>	2,228,990
Appropriation allocated to:				
Prior year capital 2013/145	-	65,123	-	7,781
Prior year capital 2014/155	-	80,000	-	28,902
Prior year ordinary 2014/15	3,077,602	85,004	725,150	403,387
Prior year ordinary 2015/16	-	-	-	-
Prior year capital 2015/16	37,000	-	-	-
Total Prior years	3,114,602	230,127	725,150	440,070
Current year	3,696,494	4,425,267	1,882,827	1,788,920
<b>Total appropriation applied (current and prior years)</b>	<b>6,811,096</b>	4,655,394	<b>2,607,977</b>	2,228,990
<b>Excess of appropriations applied over received<sup>4</sup></b>	<b>(2,071,776)</b>	(117,127)	<b>(444,977)</b>	(30,990)
<b>Unspent annual appropriations ('Recoverable GST exclusive') - Closing balance (Table B)</b>				
Cash	284,526	598,700	30,051	406,857
Receivables	1,400,000	3,156,602	766,000	762,150
	<b>1,684,526</b>	3,755,302	<b>796,051</b>	1,169,007

1. Statement of Comprehensive Income
2. Statement of Changes in Equity
3. Cash flow statement
4. Variances:
  - (a) Separation and Redundancy costs and related compensation and FBT costs (AASB: \$1.6m and AUASB: \$0.6m) recognised in 2015/2016 were funded by appropriations in 2016/2017
  - (b) Make good provision fully recognised in 2015/2016 (AASB: \$0.3m) funded by appropriations applied in 2016/2017
  - (c) AUASB variance noted in comment a) offset partially by an increase in Creditors of \$0.2m paid by appropriations applied in 2017/18
5. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1, 3, 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

**Table B: Unspent Annual Appropriations ('Recoverable GST exclusive')<sup>1</sup>**

Authority	AASB		AUASB	
	2017 \$	2016 \$	2017 \$	2016 \$
Appropriation Act 1 - 2014/15	-	3,077,602	-	725,150
Appropriation Act 1 - 2015/16	-	-	-	-
Appropriation Act 1 - 2015/16 - capital budget	42,000	79,000	37,000	37,000
Appropriation Act 1 - 2016/17	1,281,000	-	692,000	-
Appropriation Act 1 - 2016/17 - capital budget	47,000	-	22,000	-
Supply Act 1 - 2016/17 - capital budget	30,000	-	15,000	-
Cash	284,526	598,700	30,051	406,857
<b>Total</b>	<b>1,684,526</b>	<b>3,755,302</b>	<b>796,051</b>	<b>1,169,007</b>

<sup>1</sup> All unspent appropriations are considered 'Current' as it is expected these will be drawn within the next 12 months.

## Note 5: Payables

	AASB		AUASB	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Other payables</b>				
PAYG salary withholding tax	-	66,155	1,755	-
Redundancy & associated costs	-	1,099,501	-	398,891
Compensation & related FBT costs	2,383	461,244	2,500	161,392
Lease payable	137,182	116,947	-	75,582
Make good provision on lease	-	275,000	-	-
Other	53,307	-	46,836	31,325
<b>Total other payables</b>	<b>192,872</b>	<b>2,018,847</b>	<b>51,091</b>	<b>667,190</b>
Other payables are expected to be settled within:				
No more than 12 months	192,872	2,015,787	51,091	617,387
More than 12 months	-	3,060	-	49,803
<b>Total other payables</b>	<b>192,872</b>	<b>2,018,847</b>	<b>51,091</b>	<b>667,190</b>

## Note 6: Employee Provisions

	AASB		AUASB	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Employee provisions</b>				
Leave	286,662	692,532	80,924	249,457
<b>Total employee provisions</b>	<b>286,662</b>	<b>692,532</b>	<b>80,924</b>	<b>249,457</b>
Employee provisions are expected to be settled in:				
No more than 12 months	243,607	628,287	66,654	223,485
More than 12 months	43,055	64,245	14,270	25,972
<b>Total employee provisions</b>	<b>286,662</b>	<b>692,532</b>	<b>80,924</b>	<b>249,457</b>

**Note 7: Cash Flow Reconciliation**

	AASB		AUASB	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Reconciliation of net cost of services to net cash from operating activities:</b>				
Net cost of services	(3,208,962)	(4,938,527)	(1,991,107)	(2,511,551)
Add revenue from Government	3,597,000	3,651,000	2,126,000	2,161,000
Adjust for proceeds of disposal of assets (Financing Activity)	(1,000)	(1,490)	-	-
Other movement in retained earnings - Compensation payments & associated FBT	-	(233,961)	-	(52,214)
<b>Adjustments for non-cash items</b>				
Depreciation / amortisation	49,268	80,272	-	45,548
Lease incentive - amortisation (600 Bourke St)	-	(76,931)	-	(46,613)
Lease - straight-lining of lease (600 Bourke St)	-	(61,301)	-	(37,048)
Lease incentive - take up of new lease (530 Collins St)	4,912	82,301	-	49,803
Net write down of non-financial assets	-	33,762	-	13,400
<b>Movements in assets / liabilities</b>				
<b>Assets</b>				
(Increase) / decrease in net receivables	1,417,420	280,833	62,519	188,175
(Increase) / decrease in prepayments	1,010	5,613	872	16,650
<b>Liabilities</b>				
Increase / (decrease) in employee provisions	(405,870)	812,450	(168,533)	317,103
Increase / (decrease) in supplier payables	60,277	609,839	209,542	10,455
Increase / (decrease) in other payables	(1,825,975)	(109,247)	(616,099)	27,551
<b>Net cash from / (used by) operating activities</b>	<b>(311,920)</b>	<b>134,612</b>	<b>(376,806)</b>	<b>182,259</b>

**Note 8: Related parties**

**Note 8A: Transactions with key management personnel**

	AASB		AUASB	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Short-term employee benefits:</b>				
Salary	<u>1,069,545</u>	<u>1,030,416</u>	<u>335,178</u>	<u>478,026</u>
<b>Post-employment benefits:</b>				
Superannuation	<u>96,710</u>	<u>97,449</u>	<u>29,434</u>	<u>49,138</u>
<b>Other short term benefits</b>				
Termination benefits - Separation and redundancies	<u>18,000</u>	<u>597,939</u>	<u>-</u>	<u>343,377</u>
<b>Other long-term benefits:</b>				
Annual leave accrued	<u>93,282</u>	<u>92,163</u>	<u>28,550</u>	<u>45,819</u>
Long Service Leave	<u>30,317</u>	<u>29,953</u>	<u>9,279</u>	<u>14,891</u>
<b>Total other long-term benefits</b>	<u>123,599</u>	<u>122,116</u>	<u>37,829</u>	<u>60,710</u>
<b>Total<sup>1</sup></b>	<u>1,307,854</u>	<u>1,847,920</u>	<u>402,441</u>	<u>931,251</u>

1. AASB: The total number of key management personnel that are included in the above table is eight (2016: five).

AUASB: The total number of key management personnel that are included in the above table is four (2016: two).

Key management personnel are determined as persons having authority and responsibility for planning, directing and controlling the activities of the entity. Based on a review of staff titles, analysis of the roles and job descriptions, the PGPA requirements for accountable authorities, the delegations made under the PGPA, the composition of the leadership meetings, communications to staff regarding the leadership team, the following positions have been included within key management personnel: the Chair and CEOs of each Board, the National Director, the Technical Directors, Research Directors, the Finance Director and Assistant Directors.

For parts of the period, a contractor filled the National Director role via an external entity. For the purposes of the key management personnel disclosure, the fees paid to this external entity have not been included in the remuneration noted above.

<b>Note 8B: Other related party transactions - Transaction values</b>	<b>AASB</b>		<b>AUASB</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Sales of goods and services to other Commonwealth controlled entities:</b>				
Management fee recharge from AUASB	<u>865,033</u>	<u>192,592</u>	<u>-</u>	<u>-</u>
<b>Total sales of goods and services</b>	<u>865,033</u>	<u>192,592</u>	<u>-</u>	<u>-</u>
<b>Purchase of goods from other Commonwealth controlled entities:</b>				
Management fee recharge to AASB	-	-	865,033	192,592
Productivity Commission - IT expenses	137,756	48,466	-	15,421
TEQSA - lessor	<u>262,554</u>	<u>82,301</u>	<u>-</u>	<u>49,803</u>
<b>Total purchase of goods</b>	<u>400,310</u>	<u>130,767</u>	<u>865,033</u>	<u>257,816</u>
<b>Note 8C: Other related party transactions - Balance outstanding</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Sales of goods and services to other Commonwealth controlled entities:</b>				
Management fee recharge from AUASB	<u>261,205</u>	<u>21,487</u>	<u>-</u>	<u>-</u>
<b>Total sales of goods and services</b>	<u>261,205</u>	<u>21,487</u>	<u>-</u>	<u>-</u>
<b>Purchase of goods from other Commonwealth controlled entities:</b>				
Management fee recharge to AASB	-	-	261,205	21,487
Productivity Commission - IT expenses	63,887	48,466	-	15,421
TEQSA - lessor	<u>137,182</u>	<u>83,362</u>	<u>-</u>	<u>49,803</u>
<b>Total purchase of goods</b>	<u>201,069</u>	<u>131,828</u>	<u>261,205</u>	<u>86,711</u>

For both AASB and AUASB all outstanding balances with related parties are priced on an arm's length basis. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

The parent entity of both the AASB and the AUASB is the Department of Treasury and ultimate parent is the Australian Government.

The AASB and AUASB pay for the following services from other commonwealth controlled entities: Employee Assistance Program from Treasury, Department of Finance for Core Desktop Licenses, insurance premiums from Comcover, Australian Government Solicitors (AGS) for legal advice, and registration fees from Treasury for the Federal Register of Legislative instruments cost recovery. None of which are individually or collectively significant, therefore only the nature of these transactions are disclosed. Additionally, the AASB has had a secondee from the ATO from 10 October 2016 to 30 June 2017 on a free of charge basis. As this is neither individually or collectively significant only the nature of this transaction is disclosed.

## **Note 9: Financial Instrument Liabilities**

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### **Note 9A: Fair value of financial instruments**

#### **Financial instrument assets**

The net fair values of cash and cash equivalents, management fee receivable and trade receivables approximates their carrying amounts.

#### **Financial instrument liabilities**

The net fair value of trade creditors approximate their carrying amount.

### **Note 9B: Credit risk**

The Office of the AASB is exposed to minimal credit risk with the maximum exposure arising from the default of trade receivables (excluding GST and PAYG) of \$288,430 (2016: \$23,237). The majority of trade receivables relate to a funding agreement between the Office of the AASB and the States and Territories, which runs until from 1 July 2016 to 30 June 2019. Income is received in equal quarterly instalments and is recognised when controlled. All receivables are due in the next 12 months.

The Office of the AUASB is exposed to minimal credit risk with the maximum exposure arising from the default of trade receivables (excluding GST and PAYG) of \$0 (2016 \$357). All receivables are due in the next 12 months.

The Offices of the AASB and AUASB have assessed the risk of default on payment and has not identified any impairment.

### **Note 9C: Liquidity risk**

The exposure to liquidity risk is based on the probability that the Offices of the AASB and AUASB will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to government funding and mechanisms available to the Offices of the AASB and AUASB and internal policies and procedures put in place to ensure there are appropriate resources to meet our financial obligations.

All financial liabilities are expected to be settled within 30 days.

### **Note 9D: Market risk**

The Offices of the AASB and AUASB hold basic financial instruments that do not expose them to material market risks. The AASB and AUASB are not exposed to material 'currency risk', 'other price risk' or 'interest rate risk'.



**Note 10: Operating Leases****Note 10A: Significant accounting policies**

## (i) Leases

Operating lease payments are expensed on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets, including lease incentives for rent free periods. The minimum lease payments within the operating lease expenses on the AASB's statement of comprehensive income is \$170,620 (2016: \$252,693). The minimum lease payments within the operating lease expenses on the AUASB's statement of comprehensive income is \$nil (2016: \$157,289).

**Note 10B: Operating lease commitments**

	AASB		AUASB	
	2017	2016	2017	2016
	\$	\$	\$	\$
Operating leases <sup>1</sup>	958,994	2,095,301	-	-
<b>Total operating leases</b>	<b>958,994</b>	<b>2,095,301</b>	<b>-</b>	<b>-</b>
<b>BY MATURITY</b>				
One year or less	192,765	275,735	-	-
From one to five years	766,229	1,481,245	-	-
Over five years	-	338,321	-	-
<b>Total operating leases</b>	<b>958,994</b>	<b>2,095,301</b>	<b>-</b>	<b>-</b>

1. In September 2015, the AASB and AUASB entered into a shared occupancy agreement at 530 Collins Street with the Tertiary Education Quality and Standards Agency. The lease runs from the 21st September 2015 to the 22nd February 2022. There was a rent free period from 21st September 2015 to 31st July 2016. The lease costs including the rent free period incentive have been straight lined as per AASB117. From 1st August 2016 rent will be payable at \$15,566 per month (for both entities). The operating lease payments are subject to an increase on the 1st August every year of 3.5% per annum. The lease amount includes the lease of the premises and furniture and fittings.

## Note 11: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2016-17 Portfolio Budget Statements (PBS) to the 2016-17 final outcome as presented in accordance with Australian Accounting Standards. The Budget is not audited and where applicable, the original budget numbers have been reclassified to align with the financial statement.

### Note 11A: Major Budget Variances for 2017

<b>Australian Accounting Standards Board</b>	
<b>Explanations of major variances</b>	<b>Footnote reference and affected statement</b>
FY17 budget was submitted prior to restructuring activities explained in notes 2 and 3 commencing, driving many of the changes below.	
Costs and provisions lower due to restructure (see note 3) reducing staff numbers and additional time taken for newly created roles to be filled, partially offset by increase in temporary staff to fill positions.	1 (SoCI, SoFP and CFS)
Costs have increased due to the updated MoU between the AASB and AUASB, which was not reflected in the 2017 budget. The AASB has incurred costs on behalf of both entities and has recharged a portion of these as a management charge to the AUASB.	2 (SoCI, SoFP and CFS)
Due to the office move, leasehold improvement assets were written off in the prior year. As part of the MoU, AUASB assets were transferred to AASB at 1 July 2016.	3 (SoCI and SoFP)
Board Members services and Australian Tax Office (ATO) secondee to AASB received free of charge – Nil effect overall to net surplus because equal increase to expenses also recognised.	4 (SoCI)
Redundancy and restructure costs accrued in prior period funded from prior period appropriations in current year.	5 (SoFP and CFS)
Increase in amounts owed as number of monthly or annual expenses billed in arrears	6 (SoFP)
Increase in prepaid expenses due to prepayment of Comcare and Comcover insurance and an annual fee to June 2018 for press clippings paid in June 2017 not anticipated in budget.	7 (SoFP)
Make good provision on old lease now paid. No make good provision required on new lease.	8 (SoFP)
GST is not budgeted for in the Cash Flow Statement.	9 (CFS)
Due to restructure, less fixed assets were required for core activities (not considered at budget).	10 (CFS)

<b>Auditing and Assurance Standards Board</b>	
<b>Explanations of major variances</b>	<b>Footnote reference and affected statement</b>
FY17 budget was submitted prior to restructuring activities explained in notes 2 and 3 commencing, driving many of the changes below.	
Costs and provisions lower due to restructure (see note 3) reducing staff numbers and additional time taken for newly created roles to be filled, partially offset by increase in temporary staff to fill positions.	1 (SoCI, SoFP and CFS)
Due to the updated Memorandum of Understanding (MoU) between the AASB and AUASB, the AASB has incurred costs on behalf of both entities and has recharged a portion of these as a management charge to the AUASB.	2 (SoCI, SoFP and CFS)
Due to the office move, leasehold improvement assets were written off in the prior year. As part of the MoU, AUASB assets were transferred to AASB at 1 July 2016.	3 (SoCI and SoFP)
Board Members services received free of charge – Nil effect overall to net surplus because equal increase to expenses also recognised.	4 (SoCI)
Redundancy and restructure costs accrued in prior period funded from prior period appropriations in current year.	5 (SoFP and CFS)
Increase in amounts owed as number of monthly or annual expenses billed in arrears.	6 (SoFP)
Make good provision on old lease now paid. No make good provision required on new lease.	8 (SoFP)
GST is not budgeted for in the Cash Flow Statement.	9 (CFS)
Due to restructure, less fixed assets were required for core activities (not considered at budget).	10 (CFS)

**Statements of Comprehensive Income**  
for the period ended 30 June 2017

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
	2017	Original 2017	Variance 2017	2017	Original 2017	Variance 2017
	\$	\$	\$	\$	\$	\$
<b>EXPENSES</b>						
Employee and contractor costs <sup>1,4</sup>	3,178,874	3,325,000	(146,126)	1,016,061	1,474,000	(457,939)
Supplier expenses <sup>2</sup>	1,284,405	789,000	495,405	204,355	349,000	(144,645)
Occupancy expenses <sup>2</sup>	262,554	172,000	90,554	-	111,000	(111,000)
Depreciation and amortisation <sup>2,3</sup>	49,268	55,000	(5,732)	-	57,000	(57,000)
Finance costs <sup>2</sup>	4,490	-	4,490	-	2,000	(2,000)
Management fee expenses <sup>2</sup>	-	-	-	865,033	197,000	668,033
<b>Total expenses</b>	<b>4,779,591</b>	<b>4,341,000</b>	<b>438,591</b>	<b>2,085,449</b>	<b>2,190,000</b>	<b>(104,551)</b>
<b>LESS:</b>						
<b>OWN SOURCE INCOME</b>						
<b>Own-source revenue</b>						
Sale of goods and rendering of services	5,251	20,000	(14,749)	-	3,000	(3,000)
Resources received free of charge <sup>4</sup>	199,345	34,000	165,345	94,342	24,000	70,342
Management fee recharge <sup>2</sup>	865,033	190,000	675,033	-	-	-
Contributions from state and territories	500,000	500,000	-	-	-	-
Gain on sale of assets	1,000	-	1,000	-	-	-
<b>Total own-source revenue</b>	<b>1,570,629</b>	<b>744,000</b>	<b>826,629</b>	<b>94,342</b>	<b>27,000</b>	<b>67,342</b>
<b>Net cost of services &amp; cost of outcome delivery</b>	<b>3,208,962</b>	<b>3,597,000</b>	<b>(388,038)</b>	<b>1,991,107</b>	<b>2,163,000</b>	<b>(171,893)</b>
Revenue from Government - departmental appropriations	3,597,000	3,597,000	-	2,126,000	2,126,000	-
<b>Surplus/(Deficit) attributable to the Australian Government</b>	<b>388,038</b>	<b>-</b>	<b>388,038</b>	<b>134,893</b>	<b>(37,000)</b>	<b>171,893</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Revaluation of infrastructure, plant and equipment	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to the Australian Government</b>	<b>388,038</b>	<b>-</b>	<b>388,038</b>	<b>134,893</b>	<b>(37,000)</b>	<b>171,893</b>

## Statements of Financial Position

for the period ended 30 June 2017

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
	2017	Original 2017	Variance 2017	2017	Original 2017	Variance 2017
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
<b>Financial assets</b>						
Cash and cash equivalents	284,526	172,000	112,526	30,051	438,000	(407,949)
Trade and other receivables <sup>5</sup>	1,831,553	3,688,000	(1,856,447)	766,000	937,000	(171,000)
<b>Total financial assets</b>	<b>2,116,079</b>	<b>3,860,000</b>	<b>(1,743,921)</b>	<b>796,051</b>	<b>1,375,000</b>	<b>(578,949)</b>
<b>Non-financial assets</b>						
Plant and equipment <sup>1,3</sup>	107,189	119,000	(11,811)	-	20,000	(20,000)
Prepaid expenses <sup>7</sup>	24,814	-	24,814	-	-	-
<b>Total non-financial assets</b>	<b>132,003</b>	<b>119,000</b>	<b>13,003</b>	<b>-</b>	<b>20,000</b>	<b>(20,000)</b>
<b>Total assets</b>	<b>2,248,082</b>	<b>3,979,000</b>	<b>(1,730,918)</b>	<b>796,051</b>	<b>1,395,000</b>	<b>(598,949)</b>
<b>LIABILITIES</b>						
<b>Payables</b>						
Suppliers <sup>2,6</sup>	271,832	73,000	198,832	261,205	46,000	215,205
Other payables	192,872	5,000	187,872	51,091	64,000	(12,909)
<b>Total payables</b>	<b>464,704</b>	<b>78,000</b>	<b>386,704</b>	<b>312,296</b>	<b>110,000</b>	<b>202,296</b>
<b>Provisions</b>						
Employee provisions <sup>1</sup>	286,662	1,097,000	(810,338)	80,924	429,000	(348,076)
Other provisions <sup>8</sup>	-	268,000	(268,000)	-	97,000	(97,000)
<b>Total provisions</b>	<b>286,662</b>	<b>1,365,000</b>	<b>(1,078,338)</b>	<b>80,924</b>	<b>526,000</b>	<b>(445,076)</b>
<b>Total liabilities</b>	<b>751,366</b>	<b>1,443,000</b>	<b>(691,634)</b>	<b>393,220</b>	<b>636,000</b>	<b>(242,780)</b>
<b>Net assets</b>	<b>1,496,716</b>	<b>2,536,000</b>	<b>(1,039,284)</b>	<b>402,831</b>	<b>759,000</b>	<b>(356,169)</b>
<b>EQUITY</b>						
<b>Parent entity interest</b>						
Contributed equity	602,000	602,000	-	274,000	274,000	-
Asset Revaluation Reserves <sup>3</sup>	-	62,000	(62,000)	-	38,000	(38,000)
Retained earnings	894,716	1,872,000	(977,284)	128,831	447,000	(318,169)
<b>Total parent entity interest</b>	<b>1,496,716</b>	<b>2,536,000</b>	<b>(1,039,284)</b>	<b>402,831</b>	<b>759,000</b>	<b>(356,169)</b>

Variances in equity are the net result of variances in the statements of comprehensive income and the statements of financial position.

**Statements of Changes in Equity**  
for the period ended 30 June 2017  
**Australian Accounting Standards Board**

	Retained earnings			Asset revaluation surplus			Contributed equity/capital			Total equity		
	Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate	
		Original	Variance		Original	Variance		Original	Variance		Original	Variance
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
<b>Opening balance</b>												
Balance carried forward from previous period	<b>506,678</b>	1,872,000	(1,365,322)	-	62,000	(62,000)	<b>522,000</b>	522,000	-	<b>1,028,678</b>	2,456,000	(1,427,322)
<b>Comprehensive income</b>												
Revaluation of infrastructure, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the period	<b>388,038</b>	-	388,038	-	-	-	-	-	-	<b>388,038</b>	-	388,038
<b>Total comprehensive income attributable to the Australian Government</b>	<b>388,038</b>	-	388,038	-	-	-	-	-	-	<b>388,038</b>	-	388,038
<b>Contribution by owners</b>												
Departmental capital budget	-	-	-	-	-	-	<b>80,000</b>	80,000	-	<b>80,000</b>	80,000	-
Total transactions with owners	-	-	-	-	-	-	<b>80,000</b>	80,000	-	<b>80,000</b>	80,000	-
<b>Closing balance attributable to Australian Government</b>	<b>894,716</b>	1,872,000	(977,284)	-	62,000	(62,000)	<b>602,000</b>	602,000	-	<b>1,496,716</b>	2,536,000	(1,039,284)

## Statements of Changes in Equity (continued)

for the period ended 30 June 2017

### Auditing and Assurance Standards Board

	Retained earnings			Asset revaluation surplus			Contributed equity/capital			Total equity			
	Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate		
		Original	Variance		Original	Variance		Original	Variance		Original	Variance	
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	
<b>Opening balance</b>													
Balance carried forward from previous period	(6,062)	484,000	(490,062)	-	38,000	(38,000)	237,000	237,000	-	230,938	759,000	(528,062)	
<b>Comprehensive income</b>													
Revaluation of infrastructure, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the period	134,893	(37,000)	171,893	-	-	-	-	-	-	134,893	(37,000)	171,893	
<b>Total comprehensive income attributable to the Australian Government</b>	<b>134,893</b>	<b>(37,000)</b>	<b>171,893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134,893</b>	<b>(37,000)</b>	<b>171,893</b>	
<b>Contributions by owners</b>													
Departmental capital budget	-	-	-	-	-	-	37,000	37,000	-	37,000	37,000	-	
Total transactions with owners	-	-	-	-	-	-	37,000	37,000	-	37,000	37,000	-	
<b>Closing balance attributable to Australian Government</b>	<b>128,831</b>	<b>447,000</b>	<b>(318,169)</b>	<b>-</b>	<b>38,000</b>	<b>(38,000)</b>	<b>274,000</b>	<b>274,000</b>	<b>-</b>	<b>402,831</b>	<b>759,000</b>	<b>(356,169)</b>	

## Cash Flow Statements

for the period ended 30 June 2017

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
		Original	Variance		Original	Variance
2017	2017	2017	2017	2017	2017	
	\$	\$	\$	\$	\$	
<b>OPERATING ACTIVITIES</b>						
<b>Cash received</b>						
Appropriations <sup>5</sup>	5,393,602	3,546,000	1,847,602	2,159,150	2,240,000	(80,850)
Goods and services <sup>2</sup>	629,742	268,000	361,742	73,246	3,000	70,246
Net GST received <sup>9</sup>	145,142	13,000	132,142	-	1,000	(1,000)
Contributions received	473,775	500,000	(26,225)	-	-	-
<b>Total cash received</b>	<b>6,642,261</b>	<b>4,327,000</b>	<b>2,315,261</b>	<b>2,232,396</b>	<b>2,244,000</b>	<b>(11,604)</b>
<b>Cash used</b>						
Employees and contractors <sup>1,5</sup>	4,700,751	2,999,000	1,701,751	1,540,276	1,423,000	117,276
Suppliers <sup>2</sup>	2,212,233	1,252,000	960,233	1,067,701	723,000	344,701
Net GST paid <sup>9</sup>	41,197	8,000	33,197	1,225	-	1,225
<b>Total cash used</b>	<b>6,954,181</b>	<b>4,259,000</b>	<b>2,695,181</b>	<b>2,609,202</b>	<b>2,146,000</b>	<b>463,202</b>
<b>Net cash from/(used by) operating activities</b>	<b>(311,920)</b>	<b>68,000</b>	<b>(379,920)</b>	<b>(376,806)</b>	<b>98,000</b>	<b>(474,806)</b>
<b>INVESTING ACTIVITIES</b>						
<b>Cash received / (used)</b>						
Purchase of infrastructure, plant and equipment <sup>10</sup>	(43,254)	(80,000)	36,746	-	(37,000)	37,000
Disposal of infrastructure, plant and equipment	1,000	-	1,000	-	-	-
<b>Total cash used</b>	<b>(42,254)</b>	<b>(80,000)</b>	<b>37,746</b>	<b>-</b>	<b>(37,000)</b>	<b>37,000</b>
<b>Net cash from (used by) investing activities</b>	<b>(42,254)</b>	<b>(80,000)</b>	<b>37,746</b>	<b>-</b>	<b>(37,000)</b>	<b>37,000</b>
<b>FINANCING ACTIVITIES</b>						
<b>Cash received</b>						
Contributed equity <sup>10</sup>	40,000	80,000	(40,000)	-	37,000	(37,000)
<b>Net cash from/(used by) financing activities</b>	<b>40,000</b>	<b>80,000</b>	<b>(40,000)</b>	<b>-</b>	<b>37,000</b>	<b>(37,000)</b>
<b>Net increase (decrease) in cash held</b>	<b>(314,174)</b>	<b>68,000</b>	<b>(382,174)</b>	<b>(376,806)</b>	<b>98,000</b>	<b>(474,806)</b>
Cash and cash equivalents at the beginning of the reporting period	598,700	104,000	494,700	406,857	340,000	66,857
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>284,526</b>	<b>172,000</b>	<b>112,526</b>	<b>30,051</b>	<b>438,000</b>	<b>(407,949)</b>



# Appendices



## APPENDIX A

### AASB AND AUASB LEGISLATIVE REQUIREMENTS

#### AASB

The AASB is required to advance and promote the main objects of Part 12, section 224, of the ASIC Act:

- (a) to facilitate the development of accounting standards that require the provision of financial information that:
  - (i) allows users to make and evaluate decisions about allocating scarce resource
  - (ii) assists directors to discharge their obligations in relation to financial reporting
  - (iii) is relevant to assessing performance, financial position, financing and investment
  - (iv) is relevant and reliable
  - (v) facilitates comparability
  - (vi) is readily understandable.
- (b) to facilitate the Australian economy by:
  - (i) reducing the cost of capital
  - (ii) enabling Australian entities to compete effectively overseas
  - (iii) having accounting standards that are clearly stated and easy to understand.
- (c) to maintain investor confidence in the Australian economy (including its capital markets).

Part 12, section 227, of the ASIC Act provides, among other things, that:

- (1) The functions of the AASB are:
  - (a) to develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards
  - (b) to make accounting standards under section 334 of the *Corporations Act 2001* for the purposes of the corporations legislation (other than the excluded provisions)
  - (c) to formulate accounting standards for other purposes
  - (d) to participate in and contribute to the development of a single set of accounting standards for world-wide use
  - (e) to advance and promote the main objects of this Part.
- (2) In carrying out its functions under paragraphs (1) (a) and (d) the AASB must have regard to the interests of Australian corporations which raise or propose to raise capital in major international financial centres.

## AUASB

The AUASB is an Australian Government Agency under the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

Under section 227B (1) of the ASIC Act, the functions of the AUASB are:

- (a) to make auditing standards under section 336 of the *Corporations Act 2001*, for the purposes of the corporations legislation
- (b) to formulate auditing and assurance standards for other purposes
- (c) to formulate guidance on auditing and assurance matters
- (d) to participate in and contribute to the development of a single set of auditing standards for worldwide use
- (e) to advance and promote the main objects of Part 12 of the ASIC Act. Section 224 (aa) of the *ASIC Act* states the objectives of Part 12, which include:

”To facilitate the development of auditing and assurance standards and related guidance materials that:

- (i) provide Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the *Corporations Act 2001*; and
- (ii) require the preparation of auditors’ reports that are reliable and readily understandable by the users of financial reports to which they relate.”

Other relevant objectives of Part 12 are summarised below:

- to facilitate the Australian economy by having (accounting and) auditing standards that are clearly stated and easy to understand; and
- to maintain investor confidence in the Australian economy (including its capital markets).

## APPENDIX B

### ATTENDANCE AT AASB AND AUAB MEETINGS

#### AASB MEMBER ATTENDANCE

The AASB met six times during 2016-17 for a total of 10 meeting days. In addition to preparation for these meetings, which requires consideration of detailed technical papers, members considered and voted on accounting standards and other pronouncements out of session and also attended or made presentations at seminars and other meetings related to their role as a Board member. Consequently the time committed by members is substantially more than the meeting days attended.

AASB Member attendance is shown in the table below:

Members	Number of days eligible to attend	Number of days attended	Apologies (days)
K Peach (Chair)	10	10	0
R Fikkers (Vice-Chair)	10	10	0
M Blake	10	7	3
P Carlson*	6	2	4
A Crawford*	6	5	1
K Crook	10	9	1
P Gibson	10	8	2
A Kearnan	10	5	5
S Mitsas*	6	4	2
C Ridley	10	8	2
T Rulton	10	10	0
M Smit	10	8	2
A Tarca*	6	6	0
S Taylor	1	0	1
M Wilson	10	8	2

\* Board retirements during 2016-17 period

For details of terms of appointments, please refer to the AASB Organisational Structure section of this Report commencing on page 47.

## AUASB MEMBER ATTENDANCE

The AUASB held five meetings during 2016-17 for a total of five meeting days. Member attendance is shown in the table below:

<b>Members</b>	<b>Number of days eligible to attend</b>	<b>Number of days attended</b>	<b>Apologies (days)</b>
M Kelsall (Chair)*	3	3	0
R Simnett (Chair)	2	2	0
R Low (Deputy Chair)	5	5	0
G Bird	3	3	0
J Cain	5	5	0
C George	5	5	0
N Martinov-Bennie	5	5	0
C Mc Cabe*	2	2	0
J Meade*	2	2	0
C Murphy	5	5	0
C Ralph	5	5	0
J Reid	3	3	0
A Wood	5	4	1

\* Board retirements during 2016-17 period

For details of terms of appointments, please refer to the AUASB Organisational Structure section of this Report commencing on page 50.

# APPENDIX C

## OTHER INFORMATION

### EXTERNAL SCRUTINY

The AASB and AUASB's financial statements are audited each year by the ANAO.

AASB and AUASB annual reports are scrutinised by the Senate Economics Legislation Committee and the Parliamentary Joint Committee on Corporations and Financial Services.

### PURCHASING

The AASB and AUASB's general policy is that the purchase of any major capital items follow the Commonwealth Procurement Guidelines.

Information on expenditure on contracts and consultancies is also available on the AusTender website, [www.tenders.gov.au](http://www.tenders.gov.au).

### PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

The AASB and AUASB support small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website ([www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts](http://www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts))

Officials of the AASB and AUASB apply procurement practices that do not unfairly discriminate against SMEs and provide appropriate opportunities for SMEs to compete. Officials consider the benefits of doing business with SMEs when scoping the requirements and evaluating value for money.

### CONSULTANTS

AASB – During 2016-17, twelve new consultancy contracts were entered into involving total actual expenditure of \$280,249 inclusive of \$24,270 GST. No ongoing consultancy contracts were active during the 2016-17 year, involving total actual expenditure of nil.

AUASB – During 2016-17, no new consultancy contracts were entered into. No ongoing consultancy contracts were active during the 2016-17 year, involving total actual expenditure of nil.

Consultants are only engaged where there are specific gaps in our capabilities. These include, HR, IT and Legal.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.

## **EXEMPT CONTRACTS**

The AASB has a contract with the IFRS Foundation. The contract gives the AASB rights to IFRS copyright material.

This contract and value has been exempted by the Chair from being published in AusTender on the basis that it would disclose exempt matters under the *Freedom of Information Act 1982*.

## **ADVERTISING AND MARKET RESEARCH**

The AASB and AUASB do not carry out any advertising or market research.

## **FREEDOM OF INFORMATION**

### *Information Publication Scheme*

The AASB and AUASB are subject to the *Freedom of Information Act 1982* (FOI Act) and publishes information to the public as part of the Information Publications Scheme (IPS). The AASB displays on its website a plan showing information in accordance with the IPS requirement ([www.aasb.gov.au/FOI.aspx](http://www.aasb.gov.au/FOI.aspx) and [www.auasb.gov.au/FOI.aspx](http://www.auasb.gov.au/FOI.aspx)).

## **DISABILITY REPORTING**

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007-2008, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. Those reports are available at [www.apsc.gov.au](http://www.apsc.gov.au). From 2010-2011, departments and agencies are no longer required to report on those functions.

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy 2010-2020 which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level two-yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring. The first of these reports became available in 2014, and can be found at [www.dss.gov.au](http://www.dss.gov.au).

## **OCCUPATIONAL HEALTH AND SAFETY**

The AASB and AUASB have less than 50 employees and are therefore not required to establish an Occupational Health and Safety Committee (OHSC) under section 34 of the *Occupational Health and Safety Act 2001*.

All employees, and Board members, when attending meetings, are covered under Comcare and Comcover. No accidents or dangerous occurrences, or relevant investigations, took place during the 2016-2017 financial year.



## **ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE REPORTING**

The AASB and AUASB do not have specific responsibilities in relation to the administration of environmental sustainability legislation.

The nature of the AASB and AUASB's activities limits the impact of their operations on the environment, however, they are mindful of their responsibilities to minimise negative impacts. Accordingly, the AASB and AUASB have in place policies and procedures designed to minimise environmental impacts by complying with government policies relating to waste, energy and travel.

The principal environmental impact minimisation activities employed are:

- waste management, through a fully commingled and organic recycling program
- energy efficient practises in lighting, air-conditioning and computer use
- limited water use.

Travel restrictions limiting meetings to only essential obligations. Teleconferencing and videoconferencing are used whenever possible.

## APPENDIX D

### AGENCY RESOURCE STATEMENT AND RESOURCES FOR OUTCOMES

The changes in financial results from the previous year are discussed in the Chair's Review. Explanations of variances from the budgeted financial statements for the financial year as set out in the Portfolio Budget Statement/Portfolio Additional Estimate Statement, and their implications are set out in note 11 and 11A to the financial statements.

#### Agency summary resource table by outcomes

Office of the AASB: Resources for outcomes 2016-2017

	Budget \$	Actual Expenses \$	Variation \$
<b>Outcome 1:</b>			
The formulation and making of accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions			
Output Group 1.1:			
AASB			
<b>Departmental expenses</b>			
Ordinary annual services (Appropriation Bill No. 1)	3,597,000	3,159,694	437,606
Revenues from independent sources (section 31)	710,000	1,371,284	(661,284)
Expenses not requiring appropriation	89,000	248,613	(159,613)
Less revenue to be carried forward	-	-	-
<b>Total for Outcome 1</b>	<b>4,396,000</b>	<b>4,779,591</b>	<b>1,185,101</b>

Appendix D: Agency Resource Statement and Resources for Outcomes

The changes in financial results from the previous year are discussed in the Chair's Review. Explanations of variances from the budgeted financial statements for the financial year as set out in the Portfolio Budget Statement/Portfolio Additional Estimate Statement, and their implications are set out in note 11 and 11A to the financial statements.

**Agency summary resource table by outcomes**

Office of the AUASB: Resources for outcomes 2016-2017

	Budget \$	Actual Expenses \$	Variation \$
<b>Outcome 1:</b>			
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			
<b>Output Group 1.1:</b>			
AUASB			
<b>Departmental expenses</b>			
Ordinary annual services (Appropriation Bill No. 1)	2,126,000	1,991,107	134,893
Revenues from independent sources (PGPA Act - section 74)	3,000	-	3,000
Expenses not requiring appropriation	81,000	94,342	(13,342)
Less revenue to be carried forward	-	-	-
<b>Total for Outcome 1</b>	<b>2,210,000</b>	<b>2,085,449</b>	<b>124,551</b>

## APPENDIX E

### LIST OF REQUIREMENTS

Description	Requirement	AASB Page	AUASB Page
<b>Letter of transmittal</b>			
A copy of the letter of transmittal signed and dated by accountable authority on the date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report	Mandatory	iii	iii
<b>Aids to access</b>			
Table of contents	Mandatory	iv	iv
Alphabetical index	Mandatory	104	104
Glossary of abbreviations and acronyms	Mandatory	vi	vi
List of requirements	Mandatory	98	98
Details of contact officer	Mandatory	vii	vii
Entity's website address	Mandatory	vii	vii
Electronic address of report	Mandatory	vii	vii
<b>Review by accountable authority</b>			
A review by the accountable authority of the entity	Mandatory	8	8
<b>Overview of the entity</b>			
A description of the role and functions of the entity	Mandatory	15	35
A description of the organisational structure of the entity	Mandatory	46	49
A description of the outcomes and Programs administered by the entity	Mandatory	20	39
A description of the purposes of the entity as included in the corporate plan	Mandatory	8	8

Description	Requirement	AASB Page	AUASB Page
Where outcome and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change	If applicable, Mandatory	n/a	n/a
<b>Report on the performance of the entity</b>			
<b>Annual performance statements</b>			
Annual performance statement in accordance with program 39(1)(b) of the Act and section 16F of the Rule	Mandatory	15	35
<b>Report on financial performance</b>			
A discussion and analysis of the entity's financial performance	Mandatory	13	33
A table summarising the total resources and total payments of the entity	Mandatory	96	97
If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results	If applicable, Mandatory	n/a	n/a
<b>Management and accountability</b>			
<b>Corporate governance</b>			
Information on compliance with section 10 (fraud systems)	Mandatory	51	51
A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared	Mandatory	51	51
A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place	Mandatory	51	51
A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity	Mandatory	51	51

<b>Description</b>	<b>Requirement</b>	<b>AASB Page</b>	<b>AUASB Page</b>
An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance	Mandatory	51	51
A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance	If applicable, Mandatory	n/a	n/a
<b>External scrutiny</b>			
Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	Mandatory	93	93
Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity	If applicable, Mandatory	n/a	n/a
Information on any reports on operations of the entity by the Auditor-General, (other than report under section 43 of the Act), a Parliamentary Committee or the Commonwealth Ombudsman	If applicable, Mandatory	n/a	n/a
Information on any capability reviews on the entity that were released during the period	If applicable, Mandatory	n/a	n/a
<b>Management of human resources</b>			
An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	Mandatory	53	54
Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> <li>• statistics on staffing classification level</li> <li>• statistics on full-time employees</li> <li>• statistics on part-time employees;</li> <li>• statistics on gender</li> <li>• statistics on staff location</li> <li>• statistics on employees who identify as Indigenous.</li> </ul>	Mandatory	53	54
Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	53	54
Information on the number of SES and non SES employees covered by agreements etc. identified in paragraph 17AG(4)(c)	Mandatory	53	54

Appendix E: List of Requirements

Description	Requirement	AASB Page	AUASB Page
The salary ranges available for APS employees by classification level	Mandatory	53	54
A description of non-salary benefits provided to employees	Mandatory	55	55
Information on the number of employees at each classification level who received performance pay	If applicable, Mandatory	n/a	n/a
Information on aggregate amounts of performance pay at each classification level	If applicable, Mandatory	n/a	n/a
Information on the average amount of performance payment, and range of such payments, at each classification level	If applicable, Mandatory	n/a	n/a
Information on aggregate amount of performance payments	If applicable, Mandatory	n/a	n/a
<b>Assets management</b>			
An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, mandatory	n/a	n/a
<b>Purchasing</b>			
An assessment of entity performance against the <i>Commonwealth Procurement Rules</i>	Mandatory	93	93
<b>Consultants</b>			
A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST)	Mandatory	93	93
A statement that <i>"During 2015-16, [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]"</i> .	Mandatory	93	93

Description	Requirement	AASB Page	AUASB Page
A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	Mandatory	93	93
<i>A statement that “Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website”.</i>	Mandatory	93	93
<b>Australian National Audit Office Access Clauses</b>			
If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	n/a	n/a
<b>Exempt contracts</b>			
If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	94	94
<b>Small business</b>			
<i>A statement that “AASB supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website”</i>	Mandatory	93	93
An outline of the ways in which the procurement practices of the entity support small and medium enterprises	Mandatory	93	93



Appendix E: List of Requirements

Description	Requirement	AASB Page	AUASB Page
If the entity is considered by the Department administered by the Finance Minister as material in nature – a statement that <i>AASB recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.</i>	If applicable, Mandatory	n/a	n/a
<b>Financial statements</b>			
Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act	Mandatory	56	56
<b>Other mandatory information</b>			
If the entity conducted advertising campaigns, a statement that <i>“During 2015-16, the AASB conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available on [entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”</i>	If applicable, Mandatory	n/a	n/a
If the entity did not conduct advertising campaigns, a statement to that effect	If applicable, Mandatory	94	94
A statement that <i>“Information on grants awarded to AASB during 2015-16 is available at [entity’s website]</i>	If applicable, Mandatory	n/a	n/a
Outline of mechanisms of disability reporting including reference to website for further information	Mandatory	94	94
Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found	Mandatory	94	94
Correction of material errors in previous annual report	If applicable, Mandatory	n/a	n/a
Information required by other legislation	Mandatory	93	93

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