

# **Auditing and Assurance Standards Board**

Annual Report 2008-09

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# LETTER OF TRANSMITTAL

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2 October 2009

The Honourable Chris Bowen MP  
Minister for Financial Services,  
Superannuation and Corporate Law  
Suite M1.24  
PO Box 6022  
Parliament House ACT 2600

Dear Minister

I have pleasure in presenting the annual report of the Auditing and Assurance Standards Board (AUASB) and the Office of the Auditing and Assurance Standards Board for the year ended 30 June 2009.

The report has been prepared in accordance with Part 12 Division 3 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) and the *Financial Management and Accountability Act 1997* (FMA Act).

Subsection 236DG of the ASIC Act requires me to prepare a report of the operations of the AUASB and the Office of the AUASB during the year, and on the achievement of the objects of Part 12 of the ASIC Act relating to auditing standards. The report must be tabled in each House of the Parliament as soon as practicable.

Yours sincerely



Merran Kelsall  
Chairman, Auditing and Assurance Standards Board  
CEO, Office of the Auditing and Assurance Standards Board



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## ABBREVIATIONS

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The following abbreviations are used throughout this report:

AASB	Australian Accounting Standards Board
AICD	Australian Institute of Company Directors
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulatory Authority
ASA	Australian Auditing Standard
ASAE	Australian Standard on Assurance Engagements
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASRE	Australian Standards on Review Engagements
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
AUASB	Auditing and Assurance Standards Board
AuASB	Auditing and Assurance Standards Board (to 30 June 2004)
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CDS	Commonwealth Disability Strategy
CLERP 9 Act	<i>Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004</i>
CPAA	CPA Australia
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FRC	Financial Reporting Council
FRLI	Federal Register of Legislative Instruments
IAASB	International Auditing and Assurance Standards Board
ICAA	The Institute of Chartered Accountants in Australia
ISA	International Standard on Auditing

## **ABBREVIATIONS (CONTINUED)**

NGER Act	National Greenhouse and Energy Reporting Act
NIA	National Institute of Accountants
NSS	National Standard Setters
RIS	Regulation Impact Statement
SBR	Standard Business Reporting
SMEs	Small and Medium Enterprises
TTAASAG	Trans-Tasman Accounting and Auditing Standards Advisory Group
XBRL	Extensible Business Reporting Language

## **CONTACT DETAILS**

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# **Chairman's Review**



# CHAIRMAN'S REVIEW

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## INTRODUCTION



The year ended 30 June 2009 has been a year of change for the Auditing and Assurance Standards Board (AUASB).

From 1 July 2008, the AUASB and its activities have been restructured under the *Financial Management and Accountability Act 1997* (FMA Act). The AUASB activities are now carried out as follows:

- The standards-setting activities continue to be undertaken by the AUASB itself – an Australian Government Agency, established under the *Australian Securities and Investments Commission Act 2001* (ASIC Act) to make auditing standards under the Corporations Act and to formulate auditing and assurance standards and guidance for other purposes.
- Support activities are now provided by the Office of the AUASB – a new entity also established under the ASIC Act, which provides administrative and technical support to the AUASB. Both entities report to the Minister for Financial Services, Superannuation and Corporate Law.

This annual report, for the financial year ended 30 June 2009, has been prepared under section 5 of the FMA Act, and includes the activities of the AUASB and the Office of the AUASB.

## MAJOR DEVELOPMENTS DURING 2008-09

A major part of the work conducted by the AUASB during the 2008-09 year was the progress of the project to redraft the entire suite of Australian Auditing Standards (ASAs) in *Clarity* format. All of the 41 proposed standards have been released for exposure and the project will be completed by October 2009. Considerable attention was also devoted to meeting with constituents and stakeholders to determine the operative date of the new standards. After due consideration of Australian stakeholder requirements and the implementation of new International Standards on Auditing (ISAs) from December 2009, the *Clarity* ASAs will apply to reporting periods commencing on or after 1 January 2010.

Other considerable work included the revision of existing pronouncements and release of new standards on assurance engagements, standards on review engagements and guidance statements to address specific industry and regulatory requirements, including:

- new Assurance Standards on *Compliance Engagements and Performance Engagements*;
- two new Standards on *Review Engagements*;
- a new Guidance Statement on *Auditing Self Managed Superannuation Funds*; and
- A new Guidance Statement on *Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions*.

An AUASB Bulletin was released in April 2009 to address concerns on the application of auditing standards and reporting during periods of economic uncertainty, assisting auditors to deal with the greater risks presented by an uncertain or difficult economic environment. Work was also undertaken with the Institute of Company Directors on a joint publication addressing the responsibilities of directors during periods of economic uncertainty (released in June 2009).

The Chairman, Executive Director and other senior staff liaised with various regulatory bodies during 2008-09, on audit-related implications of new or revised legislation and regulatory requirements, including:

- the Department of Climate Change, regarding proposed audit and assurance requirements for reports prepared under the *National Greenhouse and Energy Reporting Act (NGER Act) 2007*;
- the Treasury, regarding various government reforms, including the Standard Business Reporting program;
- the Australian Securities and Investments Commission (ASIC), regarding specific audit matters under the Corporations Act, including those addressed in ASIC Regulatory Guides; and
- the Australian Prudential Reporting Authority (APRA), regarding audit requirements of various Prudential Standards for APRA regulated entities.

## **OBJECTIVES OF THE AUASB**

The major objectives of the AUASB are to make legally enforceable auditing standards, formulate other auditing and assurance standards and guidance, influence the

development of international standards and communicate with stakeholders. The progress toward achieving these objectives in 2008-09 is outlined below.

## **Making Legally Enforceable Auditing Standards**

The current set of 35 legally enforceable ASAs, has been applicable for reporting periods that commenced on or after 1 July 2006. The AUASB's work in relation to these standards, since that date, has included monitoring the impact of implementation, communication and consultation with stakeholders and issuing amending standards.

Consistent with its strategic direction, the AUASB has, wherever possible, used the ISAs as a base for its ASAs, and in doing so, seeks to maintain conformity of its standards with those of the International Auditing and Assurance Standards Board (IAASB). Compliance with the AUASB's reissued standards (ASAs) enables compliance with the equivalent ISA, where it exists.

The major focus of the IAASB, over the last three years, has been a project to revise and redraft the ISAs in *Clarity* format. Accordingly, in October 2007, the AUASB announced that the ASAs would be further revised, redrafted and reissued in a *Clarity* format, on the same basis as the equivalent ISAs that have been revised by the IAASB.

As at 30 June 2009, the entire suite of 41 proposed Auditing Standards, including ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, other Financial Information and Other Assurance Engagements* have been issued for exposure. There are 29 redrafted standards that have been cleared for final approval; the remaining 13 standards will be considered in July and September 2009, prior to finalisation in October 2009.

## **Formulating Other Auditing and Assurance Standards**

The AUASB has prioritised the revision of other auditing and assurance standards based on amendments to legislation, regulations and accounting standards, and changes to related ASAs, international developments and changes in best practice.

Other standards are being progressively reviewed and reissued as Standards on Assurance Engagements (ASAEs) and Standards on Review Engagements (ASREs).

During the year, the following assurance engagement and review engagement standards were released:

- a revision of ASAE 3100 *Compliance Engagements* was released in September 2008;
- a new assurance standard, ASAE 3500 *Performance Engagements*, was released in October 2008; and

- a project to revise ASRE 2410 *Review of an Interim Financial Report by the Independent Auditor of the Entity*, and issue two new standards on review engagements was completed in August 2008. These standards address the following issues:
  - a new standard – ASRE 2400, for use by an assurance practitioner who is not the auditor of the entity;
  - a new standard – ASRE 2405, for reviews of historical financial information that is not in the form of a financial report; and
  - amendment of ASRE 2410 so that the standard is to be applied by the auditor of the entity in a review of a financial report for any period.

## Formulating Guidance on Auditing and Assurance Matters

The AUASB has continued to prioritise the review and reissue of guidance statements based on amendments to regulations and accounting standards, changes to related ASAs, legal and international developments and changes in best practice.

During the year the AUASB released the following guidance statements:

- GS 009 *Auditing Self Managed Superannuation Funds* – to guide auditors through the application of auditing standards and the complex requirements of legislation and regulations governing SMSFs.
- GS 010 *Responding to Questions at an Annual General Meeting* – guidance to auditors on responding to questions at an AGM of a listed public company.
- GS 011 *Third-Party Access to Audit Working Papers* – guidance to auditors regarding third party access to audit or review working papers.
- GS 012 *Prudential Reporting Requirements for Authorised Deposit-taking Institutions* – guidance to auditors when reporting under the requirements of the Australian Prudential Regulation Authority's revised Prudential regulation APS 310 *Audit and Related Matters*.

## Identifying Emerging issues of Public Interest

In April 2009, the AUASB released a Bulletin on *Auditing Considerations in an Uncertain Economic Environment*. The Bulletin was designed to assist the auditor in considering how to deal with the greater risks presented by an uncertain or difficult economic environment, and includes discussions on going concern, fair value measurements, communication and reporting. The AUASB also worked with the Australian Institute

of Company Directors on a joint publication, *Going Concern Issues in Financial Reporting: A Guide for Companies and Directors* (released June 2009), which addresses the responsibilities of directors when assessing going concern during periods of economic uncertainty.

## **Influencing the Development of International Standards**

Participation in and input into the work of the IAASB are integral to the ability of the AUASB to continue as an effective national standards setter, and are considered crucial to maintaining and further developing the current body of Australian Auditing and Assurance Standards and related guidance. For many years, Australia has been regarded as an influential international contributor, through participation on the IAASB and supporting related activities. AUASB member, Mr Ian McPhee, served as a member of the IAASB and its Steering Committee, along with AUASB Executive Director, Mr Richard Mifsud, who served as Mr McPhee's IAASB Technical Advisor until 31 December 2008.

As part of the *Clarity* project, Mr McPhee was Chairman of an IAASB taskforce charged with redrafting ISA 250 *Consideration of Laws and Regulations in an Audit of Financial Statements* and ISA 210 *Terms of Audit Engagements*. The AUASB provided the technical support for this taskforce. The IAASB approved ISA 250 and ISA 210 in late 2008.

The following AUASB members have been appointed to IAASB taskforces to revise IAASB standards:

- Ms D Azoor Hughes – Review Engagements and Compilation Engagements Projects; and
- Mr D Simmonds – Pro Forma Information Project.

The AUASB actively engages with and monitors the activities of other National Standards Setters (NSS), most notably through participation in the IAASB National Standards Setters meeting which took place in April 2009 (attended by the AUASB Chairman and the Executive Director).

## **Communicating and Consulting with Stakeholders**

Maintaining effective communication and engagement with stakeholders is an ongoing goal of the AUASB.

The AUASB Chairman, Executive Director and other senior staff members have participated in various speaking engagements during the year, focusing on the

implications of the auditing standards for the profession and the current and future direction of the AUASB.

The annual Consultative Meeting with stakeholders has been very successful in gaining valuable input from constituents on the AUASB's initiatives. The Consultative Meeting for 2008-09 was held in Melbourne on 2 December 2008 and another is scheduled for 8 December 2009.

The Chairman is a member of the following bodies and has participated in periodic meetings of these bodies to discuss auditing and assurance matters:

- Trans-Tasman Accounting and Auditing Standards Advisory Group;
- Financial Reporting Council; and
- ASIC Chairs Committee: Standing Committee Accounting and Auditing.

In addition to the above, the AUASB liaises particularly with the FRC Secretariat and senior representatives of Treasury, ASIC, APRA and as appropriate, the Australian Taxation Office. Considerable time was also spent liaising with the professional accounting bodies, AASB, APESB and members of accounting firms.

The AUASB e-newsletter, *Independence*, is published regularly, advising constituents of the many AUASB activities that occur outside Board meetings. The Meeting Highlights report the outcomes of each Board meeting.

A significant component of our communication with constituents is the AUASB website, [www.auasb.gov.au](http://www.auasb.gov.au). A major project over the past year has been the development of a new AUASB website containing additional material, improved search facilities and easier navigation. The new website was launched in January 2009.

During the year, a number of media releases were distributed and interviews were conducted with journalists, resulting in positive media coverage of the AUASB and its activities.

## **CHANGES TO BOARD MEMBERSHIP**

Changes in membership of AUASB during the year include:

- Ms Elizabeth Johnstone and Messrs Chris Hall, Mike Blake, Greg Pound and David Simmonds were re-appointed as members of the AUASB following expiration of their previous terms.
- Mr Ian McPhee retired as a member of the AUASB on completion of his term on 31 December 2008.



- Mr Colin Murphy was appointed as a member of the AUASB from 1 January 2009.

## OUTLOOK FOR 2009-10

The ASA *Clarity* redrafting project will be completed in late October 2009 and the new suite of Auditing Standards will be operative for reporting periods commencing on or after 1 January 2010. The 2009-10 AUASB Work Program will include participation in presentations at seminars and conferences to be conducted on implementation of the new standards. Feedback on implementation will be closely monitored and shared with the IAASB.

The AUASB will also continue to issue new and revised standards and guidance statements, which provide industry and situation guidance.

Major projects in progress, or to be undertaken in the coming year, include:

### Assurance Standards on:

- Audits of Service Organisations;
- Comfort Letters on Fundraising and assurance on Prospective Financial Information; and
- Internal Control.

### Guidance Statements on:

- Application of Auditing Standards on audits of small entities;
- Auditing Charitable Entities;
- Auditing Financial Instruments;
- Bank Confirmation Requests;
- Engagements to Perform Specified Assurance Procedures; and
- Prudential reporting requirements under the *Life Insurance Act 1995*.

### The AUASB will also continue to:

- Liaise with the Department of Climate Change regarding assurance on sustainability matters relating to National Greenhouse and Energy Reporting Scheme reports.

- Participate in the Australian Government's Standard Business Reporting Program and consider the development of guidance on audit requirements.
- Monitor any audit implications arising internationally and locally from the global financial crisis, with a view to preparing new guidance if appropriate.

Other emerging issues will be monitored and responded to in a timely manner.

## ACKNOWLEDGEMENTS

I would like to thank the members of the AUASB for their considerable contributions over the past year. I especially would like to thank Mr Jon Tyers (Deputy Chairman), and Mr Ian McPhee (IAASB Member until 31 December 2008) for their dedication to their respective roles over this period.

Particular thanks go to the FRC and its Chairman, Mr Jeffrey Lucy AM, for their strategic oversight and support of AUASB activities.

My thanks also go to our constituents, who respond to exposure drafts and make time to participate in consultative meetings and project advisory groups.

I would also like to express my appreciation to Richard Mifsud (Executive Director) and to the staff of the Office of the AUASB, which comprised Johanna Foyster, Susan Fraser, Claire Grayston, Alan Marrone, Marina Michaelides, Ruth Oliquino, Howard Pratt, Christine Purtell and Patricia Wales for their work in supporting the AUASB. Thanks are also extended to Litsa Pillios, Michelle Frenkel and the administrative staff of the AASB for additional administrative support services provided to the AUASB over the past year.



Merran H Kelsall  
Chairman  
2 October 2009

# **AUASB Overview**



# AUASB OVERVIEW

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The AUASB is an Australian Government Agency, under the *Australian Securities and Investments Commission Act 1989* (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 world-wide use; and
- (e) to advance and promote the main objects of Part 12 of the ASIC Act. [Section 224 (a)(a) 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:

- 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
- 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)].

## MISSION OF THE AUASB

The mission of the AUASB is to develop, in the public interest, high-quality auditing and assurance standards and related guidance, as a means to enhance the relevance,

reliability and timeliness of information provided to users of audit and assurance services.

Sound public-interest oriented auditing and assurance standards are necessary to reinforce the credibility of the auditing process for those who use audited financial information.

The AUASB contributes to public confidence in the financial reporting and corporate governance frameworks by issuing auditing standards, which are legally enforceable for audits or reviews of financial reports required under the *Corporations Act 2001*, other auditing and assurance pronouncements and related guidance.

The role of the AUASB also extends to liaison with other standards setters and participating in standards-setting initiatives to develop a single set of auditing standards for worldwide use. Such involvement seeks to contribute ultimately to the quality of AUASB pronouncements.

## PORTFOLIO OUTCOME AND OUTPUT STRUCTURE

AUASB Chairman: Merran Kelsall

**Outcome 1:** The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements.

**Output Group 1.1** AUASB

**Output 1.1.1** Making auditing standards under section 336 of the *Corporations Act 2001* and related guidance for use by Australian auditors who are undertaking audit engagements for the purpose of Corporations legislation.

**Output 1.1.2** Formulating auditing and assurance standards and related guidance for use by Australian auditors who are undertaking auditing and assurance engagements for purposes other than the purposes of the Corporations legislation.

**Output 1.1.3** To provide Australian participation in, and contribution to, the development of a single set of auditing standards for worldwide use.

# **Report on Performance**





# REPORT ON PERFORMANCE

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This section outlines the outputs of the Board during 2008-09, as well as the progress made on the 2008-09 Work Program.

The AUASB operations are based on a three-year Corporate Plan and an Annual Business Plan. Outcomes against the business plan and work program are monitored monthly.

The Office of the AUASB had no significant changes in financial results from the previous year, or from the budgeted financial statements for the financial year as set out in the Portfolio Budget Statement/Portfolio Additional Estimate Statement, and their implications.

## Agency Resource Statement

	Actual Available Appropriations	Payments Made	Balance Remaining
<b>Ordinary annual services</b>			
Departmental			
Prior year departmental appropriation	–	–	–
Departmental appropriation	1,119,000	1,119,000	–
Section 31 Relevant agency receipts	112,668	112,668	–
<b>Total ordinary annual services</b>	<b>1,231,668</b>	<b>1,231,668</b>	<b>0</b>
Departmental non-operating			
Equity injection	579,000	–	579,000
<b>Total other services</b>	<b>579,000</b>	<b>–</b>	<b>579,000</b>
Special Accounts			
Opening balance	–	–	–
Appropriation receipts	900,000	868,025	31,975
<b>Total Special Accounts</b>	<b>900,000</b>	<b>868,025</b>	<b>31,975</b>
<b>Total resourcing and payments</b>	<b>2,710,668</b>	<b>2,099,693</b>	<b>610,975</b>

## Agency Summary Resource Table by Outcomes

Office of the AUASB: Resources for outcomes 2008-09

	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)	1,119,000	1,119,000	0
Revenues from independent sources (section 31)	128,000	130,168	-2,168
Special Accounts	900,000	850,525	49,475
<b>Total for Outcome 1</b>	<b>2,147,000</b>	<b>2,099,692</b>	<b>47,307</b>

## OUTPUTS

Output Groups	2008-09 Target	Output to 30 June 2009
Make auditing standards as legislative instruments under Section 336 of the <i>Corporations Act 2001</i>	Develop a set of revised and redrafted ASAs based on <i>Clarity</i> versions of ISAs	<p>The ASA <i>Clarity</i> Redrafting Project announced in October 2007, has progressed as follows:</p> <ul style="list-style-type: none"> <li>• Drafting rules have been established</li> <li>• Numerous meetings have been attended with a broad cross section of constituents to determine the best timing of release and implementation</li> <li>• Exposure drafts have been issued for 41 of the proposed standards and ASQC 1. There have been 29 cleared for approval</li> <li>• The project will be completed in late October 2009 with application effective from 1 January 2010</li> </ul>
	Develop amending auditing standards	<p>ASA 2008-1 <i>Amendments to Australian Auditing Standards</i> was released in August 2008</p> <p>Review engagements — Compiled ASRE 2410 was released in August 2008</p>

Output Groups	2008-09 Target	Output to 30 June 2009
Formulate auditing and assurance standards and related guidance for purposes other than the purposes of the Corporations legislation	Issue revised standard on assurance engagements	ASAE 3100 <i>Compliance Engagements</i> was released in September 2008, operative for engagements commencing on or after 1 October 2008
	Issue new standard on assurance engagements	ASAE 3500 <i>Performance Engagements</i> was released in October 2008, operative for engagements commencing on or after 1 January 2009
	Issue new standards on review engagements	ASRE 2400 <i>Review of a Financial Report Performed by an Assurance Practitioner Who is not the Auditor of the Entity</i> and ASRE 2405 <i>Review of Historical Financial Information Other than a Financial Report</i> and ASRE 2410 <i>Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity</i> were released on 21 August 2009, operative for engagements commencing on or after 1 October 2008
	Revise and reissue guidance statements on auditing and assurance matters	Guidance statements were issued on the following: <ul style="list-style-type: none"> <li>• The audit of self managed superannuation funds</li> <li>• Responding to questions at annual general meetings</li> <li>• Third-party access to audit working papers</li> <li>• Prudential Reporting Requirements for Authorised Deposit-taking Institutions</li> </ul>
Contribute to and influence the development of ISAs that will result in a single set of standards for worldwide use	Provide comment on IAASB exposure drafts	Formal submission made on all IAASB exposure drafts. Comments provided on IAASB meeting papers and task force papers
	Monitor the activities of the IAASB, including the progress of the IAASB <i>Clarity</i> project	AUASB and IAASB Board member and Executive Director (as technical advisor) attended IAASB meetings to 31 December 2008 and reported to AUASB at each Board meeting  IAASB agendas and outcomes were closely monitored from January 2009  Written or verbal staff briefings were provided to AUASB Board on key IAASB issues
	Provide technical support for IAASB projects	The technical group was responsible for the redrafting of ISA 210 and ISA 250 in <i>Clarity</i> format.  AUASB members have been appointed to IAASB task forces on: <ul style="list-style-type: none"> <li>• Pro-Forma Information</li> <li>• Review Engagements and Compilation Engagements</li> </ul>

Output Groups	2008-09 Target	Output to 30 June 2009
Identify emerging auditing and assurance issues of public interest and address in a timely manner	Monitor the activities of other National Standards Setters	Ongoing liaison with other national auditing standards setters, including those from France, Germany, Canada, NZ, USA and UK. International developments monitored and reported to the Board at each meeting
	Participate in the work of the IAASB National Standards Setters Forum	Chairman and Executive Director attended annual IAASB-National Standards Setters forum in April 2009
	Participate in the work of the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG)	TTAASAG meetings attended by the Chairman
	Address public interest issues	Assisted and provided technical advice to regulators and other standards setters Department of Climate Change, on audit requirements under the National Greenhouse and Energy Reporting Scheme <i>AUASB Bulletin: Auditing Considerations in an Uncertain Economic Environment</i> was issued April 2009. The AUASB also worked with the AICD to develop a joint publication — <i>Going Concern Issues in Financial Reporting: A Guide for Companies and Directors</i> — released June 2009
Communications strategy	Finalise communications strategy	Communications plan prepared; implementation of strategy ongoing
	Development and ongoing maintenance of the AUASB website	Website maintained and updated regularly Introduced new AUASB website
	Liaise with regulators, constituents and media groups	Attendance at meetings with stakeholders; other liaison specific to issue of legally enforceable standards Presentations at various conferences held by the professional accounting bodies
Monitor auditing research undertaken in Australia and internationally	Monitoring auditing research undertaken in Australia and internationally	Updates presented to the Board periodically

## Exposure drafts issued during 2008-09:

<b>ED Number</b>	<b>Proposed Auditing Standard</b>	<b>Issued</b>
05/08	The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report	31 July 2008
06/08	Communication with Those Charged with Governance	31 July 2008
07/08	Identifying and Assessing the Risks of Material Misstatement by Understanding the Entity and Its Environment	31 July 2008
08/08	The Auditor's Procedures in Response to Assessed Risks	31 July 2008
09/08	Audit Documentation	9 September 2008
10/08	Planning an Audit of a Financial Report	9 September 2008
11/08	Using the Work of Another Auditor	15 September 2009
12/08	Audit of Accounting Estimates	15 September 2009
13/08	Subsequent Events	15 September 2008
14/08	Going Concern	10 November 2008
15/08	Objective and General Principles Governing an Audit of a Financial Report	10 November 2008
16/08	Consideration of Laws and Regulations in an Audit of a Financial Report	10 November 2008
17/08	Materiality and Audit Adjustments	10 November 2008
18/08	Evaluation of Misstatements Identified During the Audit	10 November 2008
19/08	Initial Engagements — Opening Balances	10 November 2008
20/08	Related Parties	10 November 2008
21/08	Written Representations	10 November 2008
22/08	Other Information in Documents Containing Audited Financial Reports	10 November 2008
23/08	Audit Sampling	5 December 2008
24/08	Considering the Work of Internal Auditors	5 December 2008
01/09	Audit Evidence	6 March 2009
02/09	Audit Evidence — Specific Considerations for Selected Items	6 March 2009
03/09	Forming an Opinion and Reporting on a Financial Report	6 March 2009
04/09	Modifications to the Opinion in the Independent Auditor's Report	6 March 2009

<b>ED Number</b>	<b>Proposed Auditing Standard</b>	<b>Issued</b>
05/09	Emphasis of matter paragraphs and Other matter paragraphs in the Independent Auditor's Report	6 March 2009
06/09	Special Considerations — Audit's of a Financial Report Prepared in Accordance with Special Purpose Financial Frameworks	14 April 2009
07/09	Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	6 March 2009
08/09	Engagements to report on Summary Financial Statements	6 March 2009
09/09	Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information and Other Assurance Engagements	14 April 2009
10/09	Quality Control for Audits of a Financial Report and Other Historical Financial Information	14 April 2009
11/09	Terms of Audit Engagements	17 April 2009
12/09	Communication of Deficiencies in Internal Control	17 April 2009
13/09	Audit Considerations Relating to Entities Using Service Organisations	17 April 2009
14/09	External Confirmations	14 April 2009
15/09	Litigation and Claims	14 April 2009
16/09	Using the Work of an Auditor's Expert	14 April 2009
17/09	Comparatives	14 April 2009
18/09	Preamble to AUASB Standards	19 June 2009
19/09	Analytical Procedures	19 June 2009
20/09	Review of an Interim Financial Report Performed by the Independent Auditor of the Entity	19 June 2009

# **Management and Accountability**





# MANAGEMENT AND ACCOUNTABILITY

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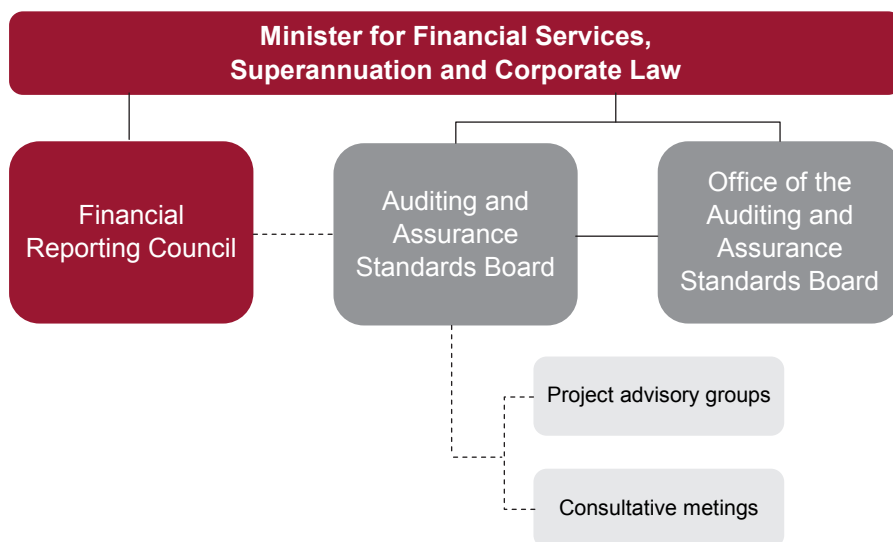
## CORPORATE GOVERNANCE

The corporate governance practices of the AUASB and the Office of 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 AUASB periodically considers a range of issues, including:

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

## ORGANISATIONAL STRUCTURE



The Chairman is appointed by the Minister for Financial Services, Superannuation and Corporate Law, while other Board members are appointed by the FRC.

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

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

### Minister for Financial Services, Superannuation and Corporate Law

The Minister for Financial Services, Superannuation and Corporate Law appoints the Chairman of the Auditing and Assurance Standards Board (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 (FRC)

Responsible to the Minister for Financial Services, Superannuation and Corporate Law, 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.

## **Auditing and Assurance Standards Board (AUASB)**

The AUASB is an agency of the Australian Government responsible for making auditing and assurance standards under section 334 of the Corporations Act. The AUASB 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 for Financial Services, Superannuation, Corporate Law 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. Responsible to the Minister for Financial Services, Superannuation and Corporate Law for the financial management of the Office of the AUASB, the Chairman of the AUASB is also the chief executive officer of the Office of the AUASB.

### **Membership**

The AUASB comprises an independent part-time Chairman (appointed by the Minister for Financial Services, Superannuation and Corporate Law) and 12 part-time members (appointed by the FRC).

The members during 2008-09 were:

#### **Merran Kelsall, Chairman**

Initially appointed Chairman by the Federal Treasurer 10 August 2004 until 9 August 2007, Merran Kelsall was reappointed from 10 August 2007 until 9 August 2010.

Ms Kelsall has a portfolio of independent directorships and considerable directorship, audit committee and corporate governance experience.

### **Members**

#### **Jon Tyers, Deputy Chairman**

Initially appointed 1 January 2005 until 31 December 2007, Jon Tyers was reappointed from 1 January 2008 until 31 December 2010.

Mr Tyers is the Deputy Chairman of the AUASB and is the Head of Internal Audit for ING in Australia and New Zealand.

### **Dianne Azoor Hughes**

Initially appointed 1 January 2005 until 31 December 2006, Dianne Azoor Hughes was reappointed from 1 January 2007 until 31 December 2009.

Ms Azoor Hughes is a partner of Pitcher Partners.

### **Mike Blake**

Initially appointed 1 January 2006 until 31 December 2008, Mike Blake was reappointed from 1 January 2009 until 31 December 2011.

Mr Blake is the Auditor-General of Tasmania.

### **Valerie Clifford**

Valerie Clifford was appointed from 1 January 2008 until 31 December 2010.

Ms Clifford is a partner of PricewaterhouseCoopers.

### **John Gavens**

John Gavens was appointed from 1 January 2008 until 31 December 2010.

Mr Gavens is a partner of WHK Horwath.

### **Chris Hall**

Initially appointed 1 January 2006 until 31 December 2008, Chris Hall was reappointed from 1 January 2009 until 31 December 2011.

Mr Hall is a partner of KPMG.

### **Elizabeth Johnstone**

Initially appointed from 1 January 2006 until 31 December 2008, Elizabeth Johnstone was reappointed until 31 December 2011.

Ms Johnstone is a partner of Blake Dawson.

### **Dr Christine Jubb**

Initially appointed from 1 January 2005 until 31 December 2007, Dr Christine Jubb was reappointed from 1 January 2008 until 31 December 2010.

Dr Jubb is a Research Fellow in the Australian National Centre for Audit and Assurance Research at the Australian National University.

### **Clive Mottershead**

Initially appointed from 12 August 2004 until 30 June 2005, Clive Mottershead was reappointed from 1 July 2005 until 30 June 2007 and reappointed again from 1 July 2007 to 31 December 2009.

Mr Mottershead is a partner of Deloitte Touche Tohmatsu.

### **Colin Murphy**

Colin Murphy, was appointed from 1 January 2009 until 31 December 2011.

Mr Murphy is the Auditor-General for Western Australia.

### **Greg Pound**

Greg Pound, was appointed from 1 January 2006 until 31 December 2008 and reappointed from 1 January 2009 until 31 December 2011.

Mr Pound is an independent consultant on auditing and financial reporting matters.

### **David Simmonds**

David Simmonds was appointed from 1 January 2006 until 31 December 2008 and reappointed from 1 January 2009 until 31 December 2011.

Mr Simmonds is a partner of Ernst & Young.

## **AUDIT COMMITTEE**

The AUASB Chairman, as Chief Executive of the Office of the AUASB, has established an audit committee, with the functions and responsibilities required by the Finance Minister's Orders, in compliance with section 46 of the *FMA Act 1997*.

During 2008-09, the Audit Committee membership was:

- Mr Stuart Alford, Chairman;
- Ms Sue Tait;
- Professor David Boymal, from 1 July 2008 to 3 November 2008; and
- Mr Bruce Porter, from 4 November 2008 to 30 June 2009.

During the financial year, the Audit Committee:

- reviewed the AUASB 2008-09 financial statements and recommended that they be adopted by the Chairman of the AUASB; and
- reviewed a report from the Australian National Audit Office, which stated that there were no matters arising from the 2008-09 audit that should be brought to the attention of management or the Audit Committee.

## **FRAUD**

The Office of the AUASB adopted its Fraud Control Plan in July 2007. The Office of the AUASB is currently reviewing its Risk Register and Fraud Policy and Plan. Currently, the Office of the AUASB has adequate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet its needs and comply with the Commonwealth Fraud Control Guidelines (including the reporting aspects of those guidelines).

## **ETHICS**

The staff of the Office of the AUASB are employed under individual employment contracts.

The AUASB has established a Code of Conduct that provides a guidance framework and principles for all staff undertaking their responsibility to the Office of the AUASB and Government, which include:

- respect for people;
- integrity and diligence;
- economy and efficiency; and
- managing conflicts of interest.

## **EXTERNAL SCRUTINY**

The AUASB accounting records and financial statements are audited each year by the Australian National Audit Office.

During the financial year, there were no judicial decisions or decisions of administrative tribunals or reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman concerning the performance of the AUASB.

## MANAGEMENT OF RESOURCES

As at 30 June 2009, the Office of the AUASB had six full-time and four part-time staff based in Melbourne (three male and seven female), comprising:

- Chairman;
- Executive Director;
- Technical Group staff (seven); and
- Executive Assistant.

Certain support services are provided by the administration staff of the AASB.

The Chairman is employed pursuant to a contract for services with the AUASB, with her salary and other entitlements linked to salary scales and other entitlements determined by the Commonwealth Remuneration Tribunal.

The nature and amount of the remuneration of the Executive Director has been determined by the Chairman, having regard to comparable market levels of remuneration.

The salaries and other entitlements of employees of the Office of AUASB are linked to comparable market levels of remuneration. Employees of the Office of the AUASB do not receive performance bonuses.

Formal performance appraisal meetings are held annually and regular informal feedback is encouraged to facilitate productive staff management.

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

The AUASB has the capacity to employ staff under the *Public Service Act 1999* (PSA) as well as under the ASIC Act.

## PURCHASING

The 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).

## **CONSULTANTS**

During the 2008–09 financial year, the AUASB did not engage any consultants as defined by the FMA Act.

## **AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES**

The AUASB has not entered into any contract of \$100,000 or more during the reporting period that does not provide for the Auditor-General to have access to the contractor's premises.

## **EXEMPT CONTRACTS**

AUASB has no contracts or standing offers that have been exempted from being published in AusTender on the basis that publication would disclose exempt matters under the *Freedom of Information Act 1982*.

## **COMMONWEALTH DISABILITY STRATEGY**

The AUASB employs staff with specialist skills and experience relevant to the work of the Board. The Board does not discriminate on the basis of disability and its office premises are accessible to persons with a disability.



# Financial Report



# FINANCIAL REPORT

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## INDEPENDENT AUDITOR'S REPORT

To the Treasurer

### Scope

I have audited the accompanying financial statements of the Auditing and Assurance Standards Board (AUASB) for the year ended 30 June 2009, which comprise: a Statement by the Chief Executive and Chief Financial Officer; Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

### *The Responsibility of the Chief Executive for the Financial Statements*

The AUASB's Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including Australian Accounting Standards (which include Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with Australian National Audit Office Auditing Standards, which incorporate Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the AUASB's preparation and fair presentation of the financial statements 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 AUASB's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the AUASB's Chief Executive, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

PO Box A456 Sydney South NSW 1235  
130 Elizabeth Street  
SYDNEY NSW  
Phone (02) 9367 7100 Fax (02) 9367 7102



***Independence***

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

**Auditor's Opinion**

In my opinion, the financial statements of the Auditing and Assurance Standards Board:

- (a) have been prepared in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Auditing and Assurance Standards Board's financial position as at 30 June 2009 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



P Hinchey  
Senior Director  
Delegate of the Auditor-General

Sydney  
27 August 2009

## STATEMENT BY CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

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In our opinion, the attached financial statements for the year ended 30 June 2008 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.

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

This statement is made in accordance with a resolution of the directors.



Merran Kelsall  
Chief Executive Officer  
27 August 2009



Litsa Pillios  
Chief Financial Officer  
27 August 2009

**Income Statement**  
for the period ended 30 June 2009

	Notes	2009 \$	2008 \$
<b>INCOME</b>			
<b>Revenue</b>			
Revenue from Commonwealth Government	3A	1,119,000	1,379,000
Sale of goods and rendering of services	3B	5,273	–
Interest	3C	–	40,602
Rentals	3D	27,395	26,378
Other revenue	3E	980,000	900,000
<b>Total revenue</b>		<b>2,131,668</b>	<b>2,345,980</b>
<b>Gains</b>			
Other gains	3F	17,500	–
<b>Total gains</b>		<b>17,500</b>	<b>–</b>
<b>Total income</b>		<b>2,149,168</b>	<b>2,345,980</b>
<b>EXPENSES</b>			
Employee benefits	4A	1,302,360	1,425,652
Suppliers	4B	737,101	775,335
Depreciation and amortisation	4C	56,908	58,944
Finance costs	4D	3,324	3,152
<b>Total expenses</b>		<b>2,099,693</b>	<b>2,263,083</b>
<b>Surplus</b>		<b>49,475</b>	<b>82,897</b>

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



## Balance Sheet

as at 30 June 2008

	Notes	2009	2008
		\$	\$
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	5A	197,322	579,105
Trade and other receivables	5B	738,160	285,479
<b>Total financial assets</b>		<b>935,482</b>	<b>864,584</b>
<b>Non-financial assets</b>			
Infrastructure, plant and equipment	6A,C	318,440	352,766
Intangibles	6B,C	4,122	10,047
Other non-financial assets	6D	6,436	4,928
<b>Total non-financial assets</b>		<b>328,998</b>	<b>367,741</b>
<b>Total assets</b>		<b>1,264,480</b>	<b>1,232,325</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	48,508	26,928
Other payables	7B	335,618	376,047
<b>Total payables</b>		<b>384,126</b>	<b>402,975</b>
<b>Provisions</b>			
Employee provisions	8A	284,162	241,958
Other provisions	8B	64,175	60,851
<b>Total provisions</b>		<b>348,337</b>	<b>302,809</b>
<b>Total liabilities</b>		<b>732,463</b>	<b>705,784</b>
<b>Net assets</b>		<b>532,016</b>	<b>526,541</b>
<b>EQUITY</b>			
Retained surplus		532,016	526,541
<b>Total equity</b>		<b>532,016</b>	<b>526,541</b>
<b>Current assets</b>		<b>941,919</b>	<b>869,512</b>
<b>Non-current assets</b>		<b>322,561</b>	<b>362,813</b>
<b>Current liabilities</b>		<b>406,873</b>	<b>336,245</b>
<b>Non-current liabilities</b>		<b>325,590</b>	<b>369,539</b>

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

**Statement of Changes in Equity**  
for the period ended 30 June 20089

	Retained Earnings		Total Equity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Opening balance</b>				
Balance carried forward from previous period	<b>526,541</b>	525,644	<b>526,541</b>	525,644
<b>Income and expenses</b>				
Income and expenses recognised directly in equity				
Actuarial gains/(losses)	<b>(44,000)</b>	(82,000)	<b>(44,000)</b>	(82,000)
Surplus for the period	<b>49,475</b>	82,897	<b>49,475</b>	82,897
<b>Total income and expenses</b>	<b>5,475</b>	897	<b>5,475</b>	897
<b>Transactions with owners</b>				
<b>Distributions to owners</b>				
Returns of capital:				
Other	<b>579,000</b>	–	<b>579,000</b>	–
<b>Contributions by owners</b>				
Appropriation (equity injection)	<b>579,000</b>	–	<b>579,000</b>	–
<b>Sub-total transactions with owners</b>	<b>–</b>	–	<b>–</b>	–
Transfers between equity components	<b>–</b>	–	<b>–</b>	–
<b>Closing balance at 30 June 2009</b>	<b>532,016</b>	526,541	<b>532,016</b>	526,541

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

**Cash Flow Statement**

for the period ended 30 June 2009

	Notes	2009	2008
		\$	\$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		1,119,000	1,400,000
Goods and services		5,273	–
Interest		–	40,602
Net GST received		72,023	92,623
Other cash received		1,401,213	1,035,856
<b>Total cash received</b>		<b>2,597,509</b>	<b>2,569,081</b>
<b>Cash used</b>			
Employees		1,303,120	1,407,918
Suppliers		830,516	978,994
Net GST paid		96,213	100,953
<b>Total cash used</b>		<b>2,229,849</b>	<b>2,487,865</b>
<b>Net cash flows from operating activities</b>	9	<b>367,660</b>	<b>81,216</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of property, plant and equipment		16,657	8,852
<b>Total cash used</b>		<b>16,657</b>	<b>8,852</b>
<b>Net cash flows (used by) investing activities</b>		<b>(16,657)</b>	<b>(8,852)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash used</b>			
Transfer to the Official Public Account		732,786	–
<b>Total cash used</b>		<b>732,786</b>	<b>–</b>
<b>Net cash flows (used by) financing activities</b>		<b>(732,786)</b>	<b>–</b>
<b>Net increase or (decrease) in cash held</b>		<b>(381,783)</b>	<b>72,364</b>
Cash and cash equivalents at the beginning of the reporting period		579,105	506,742
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<b>197,322</b>	<b>579,105</b>

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

**Schedule of Commitments**

as at 30 June 2009

	2009	2008
	\$	\$
<b>BY TYPE</b>		
<b>Commitments receivable</b>		
Sublease rental income <sup>1</sup>	230,824	254,356
GST recoverable on commitments	200,442	218,649
<b>Total commitments receivable</b>	<b>431,266</b>	<b>473,005</b>
<b>Commitments payable</b>		
Operating leases <sup>2</sup>	2,204,861	2,405,134
Other commitments	23,082	25,436
<b>Total commitments payable</b>	<b>2,227,943</b>	<b>2,430,570</b>
<b>Net commitments by type</b>	<b>1,796,677</b>	<b>1,957,565</b>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
One year or less	54,325	50,729
From one to five years	238,142	224,033
Over five years	138,799	198,243
<b>Total commitments receivable</b>	<b>431,266</b>	<b>473,005</b>
<b>Operating lease commitments payable</b>		
One year or less	280,716	257,944
From one to five years	1,218,380	1,139,165
Over five years	705,765	1,008,025
<b>Total operating lease commitments payable</b>	<b>2,204,861</b>	<b>2,405,134</b>
<b>Other commitments</b>		
One year or less	2,880	2,728
From one to five years	12,738	12,047
Over five years	7,464	10,660
<b>Total other commitments</b>	<b>23,082</b>	<b>25,436</b>
<b>Net commitments by maturity</b>	<b>1,796,677</b>	<b>1,957,565</b>

NB: Commitments are GST inclusive where relevant.

(1) Part of the leased area is sub-let and this represents the revenue from the sub-lease.

(2) Operating leases are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangement
Lease for office accommodation	Lease payments are subject to increase of 4 per cent per annum as per lease agreement.
Lease for photocopier	The lessor provides a photocopier for 42 months at a fixed instalment rate.

## Schedule of Contingencies

as at 30 June 2009

There are no known contingencies as at 30 June 2009.

(Nil contingencies as at 30 June 2008).

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 1: Summary of Significant Accounting Policies

#### 1.1 Objectives

The Office of the AUASB is an Australian Government agency. The objective of the AUASB is to develop, in the public interest, high quality auditing and assurance standards and related guidance as a means to enhance the relevance, reliability and timeliness of information provided to users of audit and assurance services.

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. The planned output is to:

- Make auditing standards under section 336 of the *Corporations Act 2001* and related guidance for use by Australian auditors who are undertaking audit engagements for the purposes of Corporations legislation.
- Formulate auditing and assurance standards and related guidance for use by Australian auditors who are undertaking auditing or assurance engagements for purposes other than the Corporations legislation.
- Provide Australian participation in, and contribution to, the development of a single set of auditing standards for worldwide use.

#### 1.2 Basis of Preparation of the Financial Statements and Notes

With effect 1 July 2008, the AUASB transitioned from previously being a statutory body governed under the *Commonwealth Authorities and Companies (CAC Act)*, to become a statutory committee under the ASIC Act supported by the Office of the AASB, which is governed by the *Financial Management and Accountability (FMA Act)*. The Office of the AUASB provides technical and administrative support to the AUASB and is the financial entity from 1 July 2008.

The financial statements and notes are required by section 49 of the *FMA Act 1997* and are general purpose financial statements.

The financial statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMO) for reporting periods ending on or after 1 July 2008; and
- Australian Accounting Standards and Interpretations issued by the AASB that apply for the reporting period.

The financial statements and notes have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets at fair value.

The financial statements and notes are presented in Australian dollars.

Unless an alternative treatment is specifically required by an accounting standard or the FMO, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. Unrecognised liabilities and assets are reported in the schedule of commitments.

Unless an alternative treatment is specifically required by an accounting standard or the FMO, income and expenses are recognised in the Income Statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

### **1.3 Significant Accounting Judgements and Estimates**

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

### **1.4 Changes in Australian Accounting Standards**

#### **(a) Adoption of new Australian Accounting Standard requirements**

No accounting standard has been adopted earlier than the application date as stated in the standard. No new accounting standards, amendments to standards and interpretations issued by the AASB that are applicable in the current period have had a material financial effect on the Office of the AUASB.

#### **(b) Future Australian Accounting Standard Requirements**

New standards, amendments to standards, and interpretations that are applicable to future periods have been issued by the AASB. It is estimated that adopting these

pronouncements, when effective, will have no material impact on future reporting periods.

## **1.5 Revenue**

### **(a) 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 Office of the AUASB gains 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.

### **(b) Other Types of Revenue**

Revenues from contributions are recognised at nominal amounts when invoiced in accordance with agreed schedules of payment (annually or quarterly).

Revenue from the sale of goods is recognised when: the risks and rewards of ownership have been transferred to the buyer; the Office of the AUASB retains no managerial involvement nor effective control over the goods; the revenue and transaction costs incurred can be reliably measured; and it is probable that the economic benefits associated with the transaction will flow to the Office of the AUASB.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value as revenue when the asset qualifies for recognition.

## **1.6 Gains**

### **(a) Resources Received Free of Charge**

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

### **(b) Sale of Assets**

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

## **1.7 Transactions with the Government as Owner**

### **(a) Equity Injections**

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

## 1.8 Employee Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits,' (as defined in AASB 119) and termination benefits due within 12 months of balance date, are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

### (a) Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting.

The leave liabilities are calculated on the basis of employees' remuneration, including the Office of the AUASB employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2009. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

### (b) Superannuation

The Office of the AUASB has members that contribute to the AASB Superannuation Plan, which provides accumulation benefits to members. For those employees, the Office of the AUASB has guaranteed minimum accumulated balances equivalent to benefits under a defined benefit plan. The Present Value of the Defined Benefit Obligation of these members, as at 30 June 2009, amounted to \$432,000 (2008: \$407,000) compared to the fair value of attributable assets of \$303,000 (2008: \$315,000), giving a deficiency of \$129,000 (2008: deficiency \$92,000). A provision for this deficiency has been recognised at 30 June 2009 (refer Note 8A).

In accordance with the choice available under paragraphs 93A and 93B of AASB 119 *Employee Benefit*, actuarial gains and losses are charged direct to the Statement of Changes in Equity.

Refer to Note 8A (i) for a reconciliation of the superannuation liability as at 30 June 2009.



## 1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

The Office of the AUASB has no finance leases.

Operating lease payments are expensed on a straight line basis, which is representative of the pattern of benefits derived from the leased assets.

## 1.10 Cash

Cash and cash equivalents include notes and coins held and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

## 1.11 Financial Assets

The Office of the AUASB's financial assets comprise 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised upon 'trade date'.

### (a) Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are measured at nominal amounts.

### (b) Impairment of Financial Assets

Financial assets are assessed for impairment at each balance date.

Financial assets held at amortised cost: if there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the recoverable amount. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Income Statement.

## **1.12 Financial Liabilities**

The Office of the AUASB's financial liabilities comprise 'supplier and other payables'.

Financial liabilities are recognised and derecognised upon 'trade date'.

### **(a) Supplier and Other Payables**

Supplier and other payables are recognised at nominal amount. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

## **1.13 Contingent Liabilities and Contingent Assets**

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

## **1.14 Acquisition of Assets**

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor authority's accounts immediately prior to the restructuring.

## **1.15 Property, Plant and Equipment**

### **(a) Asset Recognition Threshold**

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$300, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site. These costs are included in the Office of the AUASB's other non-financial assets with a corresponding provision for restoration obligations recognised.

**(b) Revaluations**

Fair values for each class of asset are determined as shown below:

	<b>2009</b>	<b>2008</b>
Leasehold Improvements	<b>Depreciated replacement cost</b>	Depreciated replacement cost
Plant and Equipment	<b>Depreciated replacement cost</b>	Depreciated replacement cost

Following initial recognition at cost, property, plant and equipment are carried at fair value less accumulated depreciation. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the operating result. Revaluation decrements for a class of assets are recognised directly through operating result except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalue amount.

**(c) Depreciation**

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Office of the AUASB using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	<b>2009</b>	<b>2008</b>
Leasehold Improvements	<b>Lease term — ten years</b>	Lease term — ten years
Plant and Equipment	<b>Three to ten years</b>	Three to ten years

**(d) Impairment**

All assets were assessed for impairment at 30 June 2009. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Office of the AUASB was deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### **1.16 Intangibles**

The Office of the AUASB's intangible assets comprise purchased software and licences for internal use. These assets are carried at cost, less accumulated amortisation.

Software and licences are amortised, on a straight-line basis, over their anticipated useful life. The useful life of the Office of the AUASB's software and licences is three to five years (2007-08: three to five years).

All software assets were assessed for indications of impairment as at 30 June 2009.

### **1.17 Taxation/Competitive Neutrality**

The Office of the AUASB is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

### **1.18 Insurance**

The Office of the AUASB has taken insurance cover considered appropriate through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through Comcare Australia.

### **1.19 Comparative Figures**

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

### **Note 2: Events after the Balance Sheet date**

As at the date of this report, the Office of the AUASB has no reportable events after the balance sheet date.

**Note 3: Income**

	2009	2008
	\$	\$
<b>Revenue</b>		
<b>Note 3A: Revenue from the Commonwealth Government</b>		
Appropriations:		
Departmental outputs	1,119,000	1,379,000
<b>Total revenue from Government</b>	<b>1,119,000</b>	<b>1,379,000</b>
<b>Note 3B: Sale of goods and rendering of services</b>		
Provision of goods – external entities	5,273	–
<b>Total sale of goods and rendering of services</b>	<b>5,273</b>	<b>–</b>
<b>Note 3C: Interest</b>		
Deposits	–	40,602
<b>Total interest</b>	<b>–</b>	<b>40,602</b>
<b>Note 3D: Rental income</b>		
Operating lease		
Other	27,395	26,378
<b>Total rental income</b>	<b>27,395</b>	<b>26,378</b>
<b>Note 3E: Other revenue</b>		
Contributions from CPA Australia	300,000	342,000
Contributions from Institute of Chartered Accountants in Australia	300,000	342,000
Contributions from National Institute of Accountants	300,000	216,000
Contributions from Companies Unclaimed Monies Account	80,000	–
<b>Total contributions</b>	<b>980,000</b>	<b>900,000</b>
<b>Total other revenue</b>	<b>980,000</b>	<b>900,000</b>
<b>Gains</b>		
<b>Note 3F: Other gains</b>		
Resources received free of charge in relation to audit services	17,500	–
<b>Net other gains</b>	<b>17,500</b>	<b>–</b>

**Note 4: Expenses**

	2009	2008
	\$	\$
<b>Note 4A: Employee benefits</b>		
Wages and salaries	1,182,453	1,265,923
Superannuation	114,702	108,630
Leave and other entitlements	5,205	31,156
Separation and redundancies	–	19,943
<b>Total employee benefits</b>	<b>1,302,360</b>	<b>1,425,652</b>
<b>Note 4B: Suppliers</b>		
Provision of goods — related entities	–	–
Provision of goods — external parties	36,591	40,236
Rendering of services — related entities	211,765	199,978
Rendering of services — external parties	290,379	362,225
Operating lease rentals:		
Minimum lease payments	192,964	168,278
Workers compensation premiums	5,402	4,618
<b>Total supplier expenses</b>	<b>737,101</b>	<b>775,335</b>
<b>Note 4C: Depreciation and amortisation</b>		
Depreciation:		
Infrastructure, plant and equipment	50,983	53,154
<b>Total depreciation</b>	<b>50,983</b>	<b>53,154</b>
Amortisation:		
Intangibles:		
Computer software	5,925	5,790
<b>Total amortisation</b>	<b>5,925</b>	<b>5,790</b>
<b>Total depreciation and amortisation</b>	<b>56,908</b>	<b>58,944</b>
<b>Note 4D: Finance costs</b>		
Unwinding of discount on leasehold restoration obligation (see Note 8B)	3,324	3,152
<b>Total finance costs</b>	<b>3,324</b>	<b>3,152</b>

**Note 5: Financial Assets**

	2009	2008
	\$	\$
<b>Note 5A: Cash and cash equivalents</b>		
Cash on hand or on deposit	197,322	579,105
<b>Total cash and cash equivalents</b>	<b>197,322</b>	<b>579,105</b>
<b>Note 5B: Trade and other receivables</b>		
Appropriations receivable:		
For existing outputs	732,786	–
<b>Total appropriations receivable</b>	<b>732,786</b>	<b>–</b>
GST receivable from the Australian taxation office	5,163	2,408
Other:		
Other receivables	211	283,071
<b>Total other receivables</b>	<b>211</b>	<b>283,071</b>
<b>Total trade and other receivables (gross)</b>	<b>738,160</b>	<b>285,479</b>
Receivables are represented by:		
Current	738,160	285,479
<b>Total trade and other receivables (gross)</b>	<b>738,160</b>	<b>285,479</b>
Receivables are aged as follows:		
Not overdue	737,949	2,408
Overdue by:		
Less than 30 days	–	283,071
90+ days	211	–
<b>Total receivables (gross)</b>	<b>738,160</b>	<b>285,479</b>

**Note 6: Non-Financial Assets**

	2009	2008
	\$	\$
<b>Note 6A: Infrastructure, plant and equipment</b>		
Infrastructure, plant and equipment:		
— gross carrying value (at fair value)	488,932	472,275
— accumulated depreciation	(170,492)	(119,509)
<b>Total infrastructure, plant and equipment (non-current)</b>	<b>318,440</b>	<b>352,766</b>
No indicators of impairment were found for infrastructure, plant and equipment.		
<b>Note 6B: Intangibles</b>		
Computer software at cost:		
Other computer software	21,809	21,809
Accumulated amortisation	(17,687)	(11,762)
<b>Total intangibles (non-current)</b>	<b>4,122</b>	<b>10,047</b>

No indicators of impairment were found for intangible assets.

**Note 6C: Analysis of property, plant and equipment**

Table A — Reconciliation of the opening and closing balances of infrastructure, plant and equipment and intangibles (2008-09)

	Other infrastructure, plant and equipment \$	Computer software purchased \$
<b>As at 1 July 2008</b>		
Gross book value	472,275	21,809
Accumulated depreciation/amortisation and impairment	(119,509)	(11,762)
<b>Net book value 1 July 2008</b>	<b>352,766</b>	<b>10,047</b>
Additions:		
By purchase	16,657	–
Depreciation/amortisation expense	(50,983)	(5,925)
<b>Net book value 30 June 2009</b>	<b>318,440</b>	<b>4,122</b>
<b>Net book value as of 30 June 2009 represented by:</b>		
Gross book value	488,932	21,809
Accumulated depreciation/amortisation and impairment	(170,492)	(17,687)
	<b>318,440</b>	<b>4,122</b>

Table B — Reconciliation of the opening and closing balances of infrastructure, plant and equipment and intangibles (2007-08)

	Other infrastructure, plant and equipment \$	Computer software purchased \$
<b>As at 1 July 2007</b>		
Gross book value	471,430	13,801
Accumulated depreciation/amortisation and impairment	(66,355)	(5,972)
<b>Net book value 1 July 2007</b>	<b>405,075</b>	<b>7,829</b>
Additions:		
By purchase	845	8,008
Depreciation/amortisation expense	(53,154)	(5,790)
<b>Net book value 30 June 2008</b>	<b>352,766</b>	<b>10,047</b>
<b>Net book value as of 30 June 2008 represented by:</b>		
Gross book value	472,275	21,809
Accumulated depreciation/amortisation and impairment	(119,509)	(11,762)
	<b>352,766</b>	<b>10,047</b>



	2009	2008
	\$	\$
<b>Note 6D: Other non-financial assets</b>		
Prepayments	6,436	4,928
<b>Total other non-financial assets</b>	<b>6,436</b>	<b>4,928</b>
Other non-financial assets are represented by:		
Current	6,436	4,928
<b>Total other non-financial assets</b>	<b>6,436</b>	<b>4,928</b>

No indicators of impairment were found for other non-financial assets.

## Note 7: Payables

	2009	2008
	\$	\$
<b>Note 7A: Suppliers</b>		
Trade creditors	48,508	26,928
<b>Total supplier payables</b>	<b>48,508</b>	<b>26,928</b>
Supplier payables are represented by:		
Current	48,508	26,928
<b>Total supplier payables</b>	<b>48,508</b>	<b>26,928</b>
Settlement is usually made net 30 days		
<b>Note 7B: Other payables</b>		
Lease incentive	304,388	347,360
Other	31,230	28,687
<b>Total other payables</b>	<b>335,618</b>	<b>376,047</b>
Other payables are represented by:		
Current	74,202	71,659
Non-current	261,416	304,388
<b>Total other payables</b>	<b>335,618</b>	<b>376,047</b>

**Note 8: Provisions**

	2009	2008
	\$	\$
<b>Note 8A: Employee provisions</b>		
Annual leave	91,225	94,918
Long service leave	63,937	55,040
Superannuation [Notes 8A (i)]	129,000	92,000
<b>Total employee provisions</b>	<b>284,162</b>	<b>241,958</b>
Employee provisions are represented by:		
Current	284,162	237,658
Non-current	–	4,300
<b>Total employee provisions</b>	<b>284,162</b>	<b>241,958</b>
<b>Note 8A (i): Superannuation provisions</b>		
Net superannuation liability (asset) at start of year	92,000	26,000
Expense recognised in income statement	36,000	31,000
Amount directly recognised in statement of changes in equity	44,000	82,000
Employer contributions	(43,000)	(47,000)
<b>Net superannuation liability (asset) at end of year</b>	<b>129,000</b>	<b>92,000</b>
<b>Note 8B: Other provisions</b>		
Restoration obligations	64,175	60,851
<b>Total other provisions</b>	<b>64,175</b>	<b>60,851</b>
Other provisions are represented by:		
Non-current	64,175	60,851
<b>Total other provisions</b>	<b>64,175</b>	<b>60,851</b>
	<b>Provision for restoration</b>	<b>Provision for restoration</b>
	<b>\$</b>	<b>\$</b>
<b>Carrying amount 1 July 2008</b>	<b>60,851</b>	57,699
Unwinding of discount	3,324	3,152
<b>Closing balance 2009</b>	<b>64,175</b>	60,851

The Office of the AUASB currently has one agreement for the leasing of premises, which has provisions requiring the Office of the AUASB to restore the premises to their original condition at the conclusion of the lease. A provision has been made to reflect the present value of this obligation.

**Note 9: Cash Flow Reconciliation**

	2008	2007
	\$	\$
<b>Reconciliation of cash and cash equivalents as per balance sheet to cash flow statement</b>		
Report cash and cash equivalents as per:		
Cash flow statement	197,322	579,105
Balance sheet	197,322	579,105
Difference	–	–
<b>Reconciliation of operating result to net cash from operating activities:</b>		
Operating result	49,475	82,897
Other movement in retained surplus — superannuation actuarial gains and losses	(44,000)	(82,000)
Depreciation/amortisation	56,908	58,944
Lease incentive	(42,972)	(42,972)
Net write down of non-financial assets	–	–
Unwinding of discount	3,324	3,152
(Increase)/decrease in net receivables	280,105	28,778
(Increase)/decrease in prepayments	(1,508)	2,219
Increase/(decrease) in employee provisions	5,205	32,262
Increase/(decrease) in superannuation provision	37,000	66,000
Increase/(decrease) in supplier payables	21,580	(68,064)
Increase/(decrease) in other payables	2,543	–
<b>Net cash from/(used by) operating activities</b>	<b>367,660</b>	<b>81,216</b>

**Note 10: Executive Remuneration**

	2009	2008
The number of senior executives who received or were due to receive total remuneration of \$130,000 or more:		
\$130,000 to \$144,999	1	1
\$280,000 to \$294,999	1	1
<b>Total</b>	<b>2</b>	<b>2</b>
The aggregate amount of total remuneration of senior executives shown above		
	<b>415,906</b>	416,696

## Note 11: Remuneration of Auditors

	2009	2008
	\$	\$
Remuneration to the Australian National Audit Office (ANAO) for auditing the financial statements for the reporting period		
The fair value of the services provided was:	<b>17,500</b>	17,000
	<b>17,500</b>	17,000

No other services were provided by the ANAO.

## Note 12: Financial Instruments

	2009	2008
	\$	\$
<b>12A Categories of financial assets</b>		
<b>Financial assets arising from financial instruments</b>		
Held-to-maturity financial assets		
Cash and cash equivalents	<b>197,322</b>	579,105
Trade receivables	<b>211</b>	4,070
	<b>197,533</b>	583,176
<b>Other financial assets</b>		
Contracted appropriations receivable (for existing outputs)*	<b>732,786</b>	
Government contribution		279,000
GST receivable from the Australian Taxation office	<b>5,163</b>	2,408
<b>Total other financial assets</b>	<b>737,949</b>	281,408
<b>Carrying amount of financial assets</b>	<b>935,482</b>	864,584
<b>Financial liabilities arising from financial instruments</b>		
At amortised cost		
Trade creditors	<b>48,508</b>	26,928
	<b>48,508</b>	26,928
<b>Carrying amount of financial liabilities</b>	<b>48,508</b>	26,928

\* While the appropriation is for existing outputs, it was generated as an equity injection.

## **12B Fair Value of Financial Instruments**

### **Financial Assets**

The net fair values of cash and cash equivalents and trade receivables approximate their carrying amounts.

### **Financial Liabilities**

The net fair value of trade creditors approximates their carrying amounts.

## **12C Credit Risk**

The Office of the AUASB's maximum exposure to credit risk, at reporting date, in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the balance sheet.

The economic entity has no significant exposures to any concentrations of credit risk.

## **12D Liquidity Risk**

The exposure to liquidity risk is based on the probability that the Office of the 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 Office of the AUASB and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

## **12E Market Risk**

The Office of the AUASB holds basic financial instruments that do not expose the AUASB to certain market risks. The Office of the AUASB is not exposed to 'currency risk' or 'other price risk'.

**Note 13: Appropriations**

	<b>2009</b>	2008
	<b>\$</b>	<b>\$</b>
Balance brought forward from previous period (Appropriations Acts)	–	–
<b>Appropriation Act:</b>		
Appropriation Act (No. 3) 2008-2009 as passed	<b>41,000</b>	–
Appropriation Act (No. 4) 2008-2009 as passed	<b>578,805</b>	–
<b>FMA Act:</b>		
Appropriations to take account of recoverable GST (FMA Act section 30A)	<b>72,023</b>	–
Relevant agency receipts (FMA Act section 31)	<b>506,786</b>	–
Appropriation transferred from the Department of the Treasury (FMA Act section 32)	<b>1,078,000</b>	–
<b>Total appropriation available for payments</b>	<b>2,276,614</b>	–
<b>Cash payments made during the year (GST inclusive)</b>	<b>1,346,506</b>	–
Balance of authority to draw cash from the Consolidated Revenue Fund for ordinary annual services appropriations and as represented by:	<b>930,108</b>	–
Cash at bank and on hand	<b>197,322</b>	
Departmental appropriations receivable	<b>732,786</b>	–
<b>Total as at 30 June 2009</b>	<b>930,108</b>	–

**Note 14: Special Accounts****Office of the Auditing and Assurance Standards Board Special Account (Administered)**

Legal Authority: Minister for Finance and Deregulation. Determination under subsection 20 (1) of the *Financial Management and Accountability Act 1997*. Special Account Established 2008.

Appropriation: *FMA Act 1997*, section 21

Purpose: The purpose of this Special Account is to enable the Office of the AUASB to manage moneys received primarily from the professional accounting bodies.

	2009	2008
	\$	\$
Balance carried from previous period	900,000	–
Appropriation for reporting period	900,000	–
<b>Total credits</b>	<b>900,000</b>	–
<b>Payments made</b>	<b>900,000</b>	–
<b>Total debits</b>		–
Balance carried to next period (excluding investment balances) and represented by:	–	–
Cash — transferred to the Official Public Account	–	–
Cash — held by the agency	–	–
<b>Total balance carried to the next period</b>	<b>–</b>	–

**Note 15: Reporting of Outcomes**

The Office of the AUASB has used management estimates to determine the attribution of its shared items. The basis of attribution in the below table is consistent with the basis used for the Budget.

**Note 15A: Net Cost of Outcome Delivery**

	2009	2008
	\$	\$
<b>Expenses</b>		
Departmental	2,099,693	2,099,693
<b>Total expenses</b>	<b>2,099,693</b>	2,099,693
Costs recovered from provision of goods and services to the non-government sector:		
Departmental	5,273	–
<b>Total costs recovered</b>	<b>5,273</b>	–
Other external income		
Departmental	124,895	–
<b>Total other external income</b>	<b>124,895</b>	–
<b>Net cost/(contribution) of outcome</b>	<b>1,969,525</b>	–

Note 15B: Major Classes of Departmental Income and Expenses by Output Groups and Outputs

Outcome 1	Output Group 1.1						Outcome 1 Total		
	Output 1.1.1		Output 1.1.2		Output 1.1.3		2009	2008	
	2009	2008	2009	2008	2009	2008			
	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Departmental expenses</b>									
Employee benefits	434,120		434,120		434,120		1,302,360		
Suppliers	245,701		245,700		245,700		737,101		
Depreciation and amortisation	18,970		18,969		18,969		56,908		
Finance costs	1,108		1,108		1,108		3,324		
<b>Total departmental expenses</b>	<b>699,899</b>		<b>699,897</b>		<b>2,099,693</b>		<b>2,099,693</b>		
<b>Departmental income</b>									
Revenue from Government	373,000		373,000		373,000		1,119,000		
Sale of goods and rendering of services	1,757		1,758		1,758		5,273		
Rental income	9,131		9,132		9,132		27,395		
Other revenue	326,666		326,667		326,667		980,000		
Other gains	5,834		5,833		5,833		17,500		
<b>Total departmental income</b>	<b>716,388</b>		<b>716,390</b>		<b>716,390</b>		<b>2,149,168</b>		

Note 15C: Major Classes of Departmental Assets and Liabilities by Outcomes

	Outcome 1	
	2009	2008
	\$	\$
<b>Departmental assets</b>		
Financial assets	935,482	–
Non-financial assets	328,998	–
<b>Total departmental assets</b>	<b>1,264,480</b>	<b>–</b>
<b>Departmental liabilities</b>		
Payables	384,126	–
Provisions	348,337	–
<b>Total departmental liabilities</b>	<b>732,463</b>	<b>–</b>



# **Other Mandatory Information**



## **OTHER MANDATORY INFORMATION**

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### **OCCUPATIONAL HEALTH AND SAFETY**

The AUASB has less than 50 employees and is therefore not required to establish an Occupational Health and Safety Committee under section 34 of the *Occupational Health and Safety Act 2001*. To ensure AUASB receives current OH&S guidance and direction, AUASB will endeavour to have one of its staff members serve as a member of Treasury's OH&S Committee (OHSC).

The function of the OHSC is to provide the mechanism for continuing consultation between management and staff on OHS matters. 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 2008-09 financial year.

### **FREEDOM OF INFORMATION**

The AUASB maintains a website, [www.auasb.gov.au](http://www.auasb.gov.au), which describes its organisation and functions and on which its discussion papers, exposure drafts, submissions (unless marked private and confidential), pronouncements, reports and annual reports are publicly available.

The website also provides contact details of AUASB officers.

No matter, involving freedom of information, arose during the 2008-09 financial year.

### **ADVERTISING AND MARKET RESEARCH**

The AUASB did not carry out any advertising or market research during the 2008-09 financial year.

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

The AUASB seeks to use the minimum resources necessary to perform its functions.

## **DISCRETIONARY GRANTS**

The AUASB did not administer any discretionary grant programs in the 2008-09 financial year.

# Appendices



## APPENDIX A

### ATTENDANCE AT MEETINGS

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The AUASB met seven times during 2008-09 for a total of 12 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 (Chairman)	12	12	0
J Tyers (Deputy Chairman)	12	9	3
D Azoor Hughes	12	12	0
M Blake	12	11	1
V Clifford	12	10	2
J Gavens	12	11	1
C Hall	12	11	1
E Johnstone	12	12	0
C Jubb	12	10	2
I McPhee*	6	4	2
C Mottershead	12	9	3
C Murphy**	6	6	
G Pound	12	11	1
D Simmonds	12	12	0

\* Mr McPhee retired 31 December 2008.

\*\* Mr Murphy commenced 1 January 2009.





### PRONOUNCEMENTS (30 JUNE 2009)

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The following pronouncements have been issued by the AUASB.

#### Foreword, Glossary and Framework

Title	Issued
Foreword to AUASB pronouncements	28 April 2006
AUASB glossary	28 April 2006
Framework for assurance engagements	27 June 2007

#### Auditing Standards — Issued as Legislative Instruments

The AUASB has made the following Auditing Standards (ASAs), pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003* and are operative for financial reporting periods commencing on or after 1 July 2006.

Number	Title	Issued
ASA 100	Preamble to AUASB Standards	28 April 2006
ASA 200	Objective and General Principles Governing an Audit of a Financial Report	28 April 2006
ASA 210	Terms of Audit Engagements	28 April 2006
ASA 220	Quality Control for Audits of Historical Financial Information	28 April 2006
ASA 230	Audit Documentation	28 April 2006
ASA 240	The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report	28 April 2006
ASA 250	Consideration of Laws and Regulations in an Audit of a Financial Report	28 April 2006
ASA 260	Communication of Audit Matters with Those Charged with Governance	28 April 2006
ASA 300	Planning an Audit of a Financial Report	28 April 2006
ASA 315	Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement	28 April 2006
ASA 320	Materiality and Audit Adjustments	28 April 2006
ASA 330	The Auditor's Procedures in Response to Assessed Risks	28 April 2006

<b>Number</b>	<b>Title</b>	<b>Issued</b>
ASA 402	Audit Considerations Relating to Entities Using Service Organisations	28 April 2006
ASA 500	Audit Evidence	28 April 2006
ASA 501	Existence and Valuation of Inventory	28 April 2006
ASA 505	External Confirmations	28 April 2006
ASA 508	Enquiry Regarding Litigation and Claims	28 April 2006
ASA 510	Initial Engagements — Opening Balances	28 April 2006
ASA 520	Analytical Procedures	28 April 2006
ASA 530	Audit Sampling and Other Means of Testing	28 April 2006
ASA 540	Audit of Accounting Estimates	28 April 2006
ASA 545	Auditing Fair Value Measurements and Disclosures	28 April 2006
ASA 550	Related Parties	28 April 2006 Reissued 9 October 2006
ASA 560	Subsequent Events	28 April 2006
ASA 570	Going Concern	28 April 2006
ASA 580	Management Representations	28 April 2006
ASA 600	Using the Work of Another Auditor	28 April 2006
ASA 610	Considering the Work of Internal Audit	28 April 2006
ASA 620	Using the Work of an Expert	28 April 2006
ASA 700	The Auditor's Report on a General Purpose Financial Report	28 April 2006
ASA 701	Modifications to the Auditor's Report	28 April 2006
ASA 710	Comparatives	28 April 2006
ASA 720	Other Information in Documents Containing Audited Financial Reports	28 April 2006
ASA 800	The Auditor's Report on Special Purpose Audit Engagements	28 April 2006
ASRE 2410	Review of an Interim Financial Report Performed by the Independent Auditor of the Entity	28 April 2006
ASA 2007-1	Amendments to Australian Auditing Standards	27 June 2007
ASA 2008-1	Amendments to Australian Auditing Standards	21 August 2008

## Compiled Auditing Standards

Following the issue of ASAs 2007-1 and 2008-1 Amendments to Australian Auditing Standards, the AUASB has prepared the following compiled versions of affected Auditing Standards. These compiled versions incorporate the amendments contained in ASA 2007-1 and ASA 2008-1.

Number	Title	Issued
Compiled ASA 200	Objective and General Principles Governing an Audit of a Financial Report	27 June 2007
Compiled ASA 210	Terms of Audit Engagements	27 June 2007
Compiled ASA 510	Initial Engagements — Opening Balances	27 June 2007
Compiled ASA 570	Going Concern	27 June 2007
Compiled ASA700	The Auditor's Report on a General Purpose Financial Report	27 June 2007
Compiled ASA 701	Modifications to the Auditor's Report	27 June 2007
Compiled ASA 710	Comparatives	27 June 2007
Compiled ASA 800	The Auditor's Report on Special Purpose Audit Engagements	27 June 2007
Compiled ASRE 2410	Review of an Interim Financial Report Performed by the Independent Auditor of the Entity	27 June 2007
Compiled ASRE 2410	Review of an Interim Financial Report Performed by the Independent Auditor of the Entity	21 August 2008

## Standards on Assurance Engagements

The following Standards on Assurance Engagements were issued by the AUASB.

Number	Title	Issued
ASAE 3000	Assurance Engagements Other than Audits or Reviews of Historical Financial Information	9 July 2007
ASAE 3100	Compliance Engagements	8 September 2008
ASAE 3500	Performance Engagements	30 October 2008

## Standards on Review Engagements

The following Standards on Assurance Engagements were issued by the AUASB.

Number	Title	Issued
ASRE 2400	Review of a Financial Report Performed by an Assurance Practitioner who is not the Auditor of the Entity	21 August 2008
ASRE 2405	Review of Historical Financial Information Other than a Financial Report	21 August 2008

## Explanatory Guide to Review Engagements

The following Explanatory Guide to Review Engagements was issued by the AUASB.

Title	Issued
Explanatory Guide to Review Engagements	April 2008

## Auditing Standards — Other

The following Auditing Standards (AUSs) issued by the former Auditing and Assurance Standards Board (AuASB) of the Australian Accounting Research Foundation remain current:

Number	Title	Issued (Reissued)
AUS 804	The Audit of Prospective Financial Information	July 2002
AUS 810	Special Purpose Reports on the Effectiveness of Control Procedures	July 2002 Reissued as GS 007, October 2007
AUS 904	Engagements to Perform Agreed-upon Procedures	July 2002

## Auditing and Assurance Guidance Statements

The following Auditing and Assurance Guidance Statements were issued or reissued by the AUASB.

Number	Title	Issued (Reissued)
GS 001	Concise Financial Reports	July 2007
GS 002	Special Considerations in the Audit of Risk Management Requirements for Registrable Superannuation Entities and Licensees	July 2007
GS 003	Audit and Review Requirements for Australian Financial Services Licensees under the <i>Corporations Act 2001</i>	October 2007
GS 004	Audit Implications of Prudential Reporting Requirements for General Insurers	October 2007
GS 005	Using the Work of an Actuary	October 2007
GS 006	Electronic Publication of the Auditor's Report	December 2007
GS 007	Audit Implications of the Use of Service Organisations for Investment Management Services	March 2008
GS 008	The Auditor's Report on a Remuneration Report Pursuant to section 300A of the <i>Corporations Act 2001</i>	June 2008
GS 009	Auditing Self Managed Superannuation Funds	October 2008
GS 010	Responding to Questions at an Annual General Meeting	March 2009
GS 011	Third party Access to Audit Working Papers	April 2009
GS 012	Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs)	June 2009

The following Auditing and Assurance Guidance Statements were issued by the former Auditing and Assurance Standards Board (AuASB) of the Australian Accounting Research Foundation and remain current. The AUASB is progressively reviewing these Auditing and Assurance Guidance Statements.

<b>Number</b>	<b>Title</b>	<b>Issued (Re-issued)</b>
AGS 1002	Bank Confirmation Requests	October 1995
AGS 1004	Transitional Arrangements on Changes in Audit Appointments under the <i>Corporations Act 2001</i>	July 2002
AGS 1008	Audit Implications of Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs)	July 2002
AGS 1014	Privacy Letter Requests	July 2002
AGS 1016	Audit and Review Reports on Half-Year Financial Reports of Disclosing Entities Under the <i>Corporations Act 2001</i>	October 2003
AGS 1024	<i>Life Insurance Act 1995</i> — Audit Obligations	December 2002
AGS 1030	Auditing Derivative Financial Instruments	July 2002
AGS 1032	The Audit Implications of Accounting for Investments in Associates	July 2002
AGS 1036	The Consideration of Environmental Matters in the Audit of a Financial Report	July 2002
AGS 1040	Franchising Code of Conduct	November 2002
AGS 1042	Reporting on Control Procedures at Outsourcing Entities	July 2002 Amended April 2008
AGS 1052	Special Considerations in the Audit of Compliance Plans of Managed Investment Schemes	July 2002
AGS 1054	Auditing Revenue of Charitable Entities	July 2002
AGS 1058	Auditing Mortgage Investment Schemes	July 2002
AGS 1062	Reporting in Connection with Proposed Fundraisings	August 2002

## Bulletins

The following Bulletin was issued by the AUASB.

<b>Title</b>	<b>Issued</b>
Auditing Small and Medium Sized Entities (SMEs)	September 2007
Auditing Considerations in an Uncertain Economic Environment	April 2009