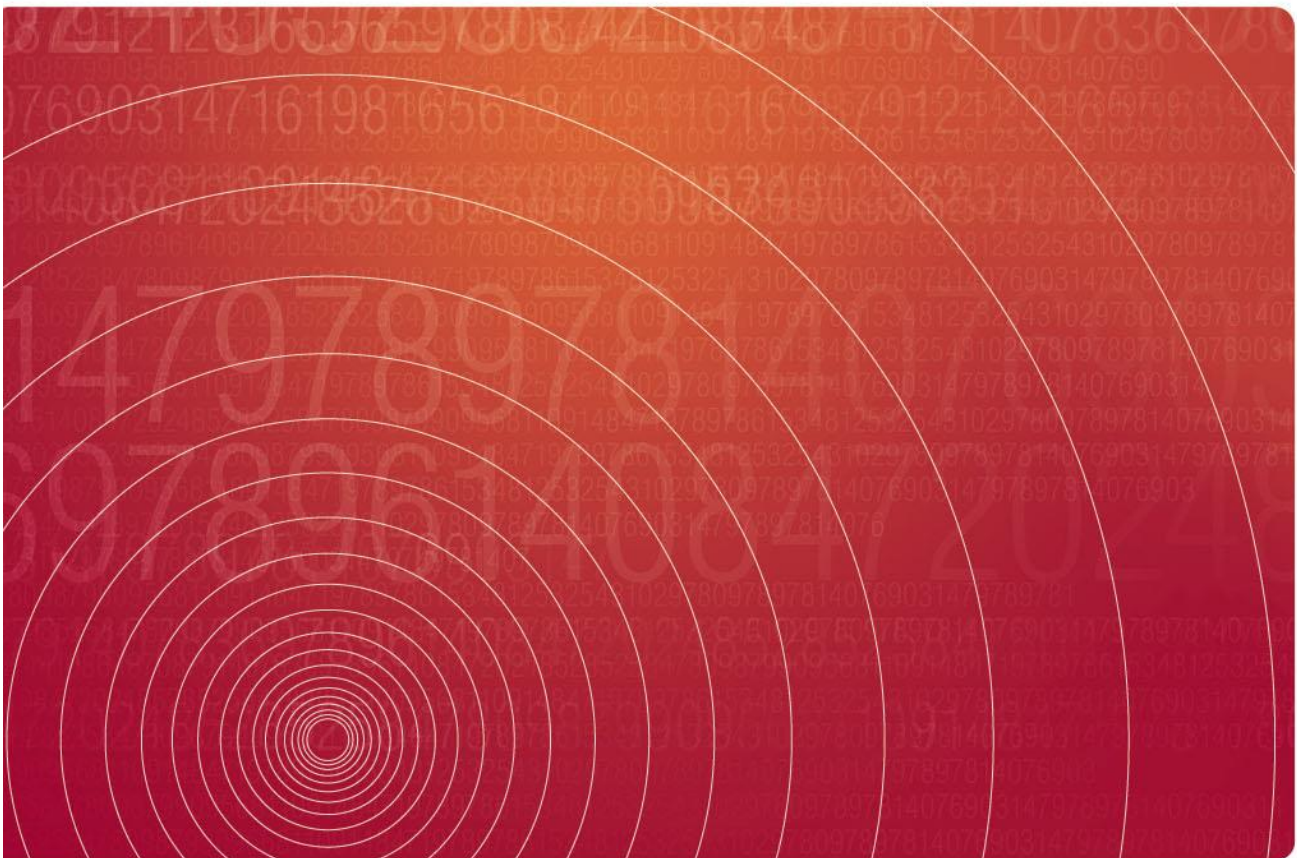




Australian Government
Auditing and Assurance Standards Board

2014-15 Annual Report



Auditing and Assurance Standards Board

Annual Report 2014–15

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LETTER OF TRANSMITTAL

14 October 2015

The Hon Scott Morrison MP
Treasurer
Parliament House
Canberra ACT 2600

Dear Treasurer

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 2015.

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 *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

Section 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 is required to 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

The following abbreviations are used throughout this report:

| | |
|----------|--|
| AASB | Australian Accounting Standards Board |
| AICD | Australian Institute of Company Directors |
| ACNC | Australian Charities and Not-for-Profits Commission |
| ANAO | Australian National Audit Office |
| APRA | Australian Prudential Regulation 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 Standard on Review Engagements |
| ASRS | Australian Standard on Related Services |
| AUASB | Auditing and Assurance Standards Board |
| AuASB | Auditing and Assurance Standards Board (to 30 June 2004) |
| BRLF | Business Reporting Leaders Forum |
| CAANZ | Chartered Accountants Australia and New Zealand |
| CDS | Commonwealth Disability Strategy |
| CER | Clean Energy Regulator |
| CPAA | CPA Australia |
| ERF | Emissions Reduction Fund |
| FMA Act | <i>Financial Management and Accountability Act 1997</i> |
| FMO | Finance Minister's Orders |
| FRC | Financial Reporting Council |
| GST | Goods and Services Tax |
| IAASB | International Auditing and Assurance Standards Board |
| IIRC | International Integrated Reporting Council |
| <IR> | Integrated Reporting |

ABBREVIATIONS (CONTINUED)

| | |
|----------|---|
| ISA | International Standard on Auditing |
| NGER Act | <i>National Greenhouse and Energy Reporting Act 2007</i> |
| NSS | National Standards Setters |
| NZAuASB | New Zealand Auditing and Assurance Standards Board |
| OBPR | Office of Best Practice Regulation |
| OHSC | Occupational Health and Safety Committee |
| PCAOB | Public Company Accounting Oversight Board (United States) |
| PGPA | <i>Public Governance, Performance and Accountability Act 2013</i> |
| SBR | Standard Business Reporting |
| SME | Small and Medium Enterprise |
| SMSF | Self Managed Superannuation Fund |
| WASB | Water Accounting Standards Board |
| XBRL | Extensible Business Reporting Language |
| XRB | External Reporting Board – New Zealand |

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CHAIRMAN'S REVIEW

INTRODUCTION



High quality, robust and independent audit and assurance services provide a fundamental platform for sound external reporting, thereby enhancing the credibility of financial and other published reports requiring independent assurance, thus adding to confidence in capital markets.

The main activities of the Auditing and Assurance Standards Board (AUASB) over the past financial year, have been aimed at promoting enhanced auditor reporting, as well as other initiatives to promote audit quality. New and revised assurance standards have been issued on various topics, including assurance on controls engagements; auditing grant acquittals and multi-scope engagements; auditing prudential reporting requirements of life companies; audit reports under the *Franchising Code of Conduct*;

and the auditor's use of the work of management's experts.

The key mandate of the AUASB is to promote audit quality through the development, in the public interest, of high-quality auditing and assurance standards and related guidance, and to actively contribute to a single set of global auditing standards. Accordingly, during the past year the AUASB agenda has concentrated on:

- Keeping pace with, and contributing to, international developments in key areas such as enhancements to auditor reporting, auditing financial statement disclosures, the auditor's responsibility relating to other information and the emerging area of integrated reporting. The AUASB's activities are designed to achieve convergence with one set of robust international auditing and assurance standards.
- Promoting the AUASB's influence internationally through my membership of the International Auditing and Assurance Standards Board (IAASB) and participation in IAASB meetings and task forces as well as National Standards Setters (NSS) membership and participation, and the AUASB making submissions on all IAASB exposure drafts and discussion papers.
- Engaging with Australian stakeholders on topical and emerging issues via round table discussions, invitations to comment on all exposure drafts, and the annual consultative process.
- Continuing to work closely with the New Zealand Auditing and Assurance Standards Board (NZAuASB) to promote and facilitate harmonised Australian and New Zealand auditing and assurance standards.

- Developing and revising standards and guidance on a timely basis, to address significant local industry and regulatory requirements presently not addressed by the IAASB standards and practice notes.

We will continue to actively participate in various international activities addressing any relevant issues impacting on global standards development, such as data analytics, cyber security and integrated reporting, and to revise and issue auditing standards and guidance that enhance and promote quality audits and assurance services that reflect world's best practice.

GLOBAL DEVELOPMENTS

Auditor Reporting

Improving auditor reporting has been the IAASB's top priority project for several years and is aimed at enhancing the relevance and usefulness of the auditor's report. The IAASB completed this project in late 2014 and issued a number of revised standards, one new standard and consequential amendments to a number of other existing standards.

The AUASB has had significant involvement in the project through my membership of the IAASB and its task forces and through various submissions responding to IAASB requests for comment. In addition, the AUASB's input to the IAASB's due process was assisted by extensive consultation with Australian stakeholders.

Earlier this year, the AUASB developed and issued a compiled exposure draft for a comment period which ended 30 June 2015. The exposure draft reflected the AUASB's adoption of the IAASB's new, revised and amended standards. The AUASB made only minimal changes to the international standards, principally to accommodate the Australian legislative environment.

Also in early 2015, the IAASB issued a further tranche of changes relating to the enhancement of auditor reporting. This subsequent issuance comprised the revision of the standard on auditor's responsibilities regarding other information, and consequential amendments to several other standards. The AUASB has resolved to adopt these changes and again issued an exposure draft for Australian stakeholder comment. Focussing on these two major exposure drafts, the AUASB conducted further engagement and consultation with various stakeholders, including auditors, regulators, directors, investor representatives, preparers and academics.

Finalised auditing standards affected by the auditor reporting enhancements, auditing other information and financial statement disclosures will be issued in December of this year.

A key change in the auditor reporting related standards is the requirement for placement of the auditor's opinion at the front of the report for all entities, and for listed entities to provide details of matters of most significance to the audit, Key Audit Matters (KAM) and how these were addressed by the auditor. It is pleasing to see the emergence of revised auditor's reports in the 2015 reporting season with more being trialled in private, and more expected in 2016.

To assist this process, the AUASB will include on its website, standardised information on the auditor's responsibilities to enable removal of this information from the auditor's report. The AUASB will also update its guidance on the auditor's responsibilities at annual general meetings.

Auditing Other Information

In response to the IAASB revision of ISA 720, *The Auditor's Responsibilities Relating to Other Information*, the AUASB released an Exposure Draft to obtain stakeholder views on the proposed adoption of this standard and the related consequential changes to other auditing standards in Australia. Noteworthy revisions include clarifying the nature and extent of the auditor's responsibilities in relation to other information contained in an entity's annual report and requiring the inclusion in the auditor's report, in certain circumstances, of a specific section setting out the auditor's work performed and results in respect of the other information.

Auditing Disclosures

This project makes changes to a range of existing auditing standards (principally within the guidance material) aimed at more explicitly focusing the auditor's attention on financial statement disclosures (both quantitative and qualitative in nature) throughout the audit process. Again in response to the IAASB project, the AUASB proposes to release an Australian exposure draft of these planned changes in mid-October 2015.

The operative date of these new and revised standards will be in line with the revised International Standards on Auditing (ISAs), i.e. applicable to financial reporting periods ending on or after 15 December 2016.

LOCAL DEVELOPMENTS AND ISSUES

Regulatory liaison and assistance

The AUASB liaised with relevant regulatory bodies during the year on various matters, including:

- Australian Prudential Regulation Authority (APRA) regarding audit requirements of various prudential standards for APRA-regulated entities;
- Australian Securities and Investments Commission (ASIC) in relation to its audit inspection regime and audit requirements of the *Corporations Act 2001* and its various regulatory guides;
- Australian Taxation Office (ATO) in relation to the introduction and feedback from the pilot program of its External Compliance Assurance Process (ECAP) and Self Managed Superannuation Fund (SMSF) audits;
- Australian Charities and Not-for-Profits Commission (ACNC) – in relation to ongoing auditing and review reporting requirements for financial reports prepared under the ACNC regulatory framework;

Auditing and Assurance Standards Board Annual Report 2014-15

- Business Reporting Leaders Forum (BRLF) – regarding assurance considerations for integrated reporting;
- Financial Reporting Council (FRC) in relation to Nominations and Audit Quality Committees;
- Australian Accounting Standards Board (AASB) on various matters including Financial Reporting simplification project, with the FRC; and
- Treasury, regarding the Standard Business Reporting program, Audit and Corporate Reporting Reform program and Audit Quality.

Assurance Engagements on Controls

A new assurance standard on controls was developed and issued in Australia in January 2015, and has no international equivalent. This standard was the culmination of an extensive project which drew on the expertise of a project advisory group, with input from the NZAuASB and assurance practitioners from both Australia and New Zealand. The assurance standard requires the assurance practitioner to conclude on the suitability of the design of controls to achieve identified control objectives for these engagements.

Using the Work of a Management's Expert

The AUASB revised and retitled its guidance statement on *Using the Work of a Management's Expert* to provide guidance to auditors when using the work of a management's expert as audit evidence. The revised guidance statement applies broadly to all types of management's experts.

Grant Acquittals and Multi-Scope Engagements

The AUASB approved a new guidance statement on this topic in June 2015, which focusses on the practical application of AUASB Standards in a selection of circumstances that are commonly found in grant acquittals and assurance engagements that comprise more than one subject matter, criteria, reporting framework or level of assurance. The guidance statement includes helpful practical information to assist auditors in exercising their professional judgement in the conduct and reporting of these assurance engagements.

The issuance of this pronouncement provides an important support for the AUASB's development of a communications strategy aimed at informing stakeholders and promoting consistent use of the AUASB's frameworks. The varying engagement mandates are the source of many practical difficulties encountered by auditors. The AUASB's communications goal is to contribute to the Government's deregulation initiatives through highlighting the inefficiencies caused by audit and other assurance mandates that are inconsistent with the AUASB's frameworks. The AUASB will also be engaging with relevant levels of state, territory and federal governments to emphasise the importance of adhering to the AUASB's frameworks.

AUASB Bulletin on Using the Work of Internal Auditors

One of the areas of challenge impacting auditors since the revision of the standard on *Using the Work of Internal Auditors* is around the issues that auditors need to consider when using the work of internal auditors in jurisdictions where there is no prohibition on the use of direct assistance. During the year, the AUASB released a Bulletin *Internal Audit – Impact of Direct Assistance Prohibition on Group Audits* to remind auditors to use professional judgement on audit engagements when planning, obtaining and assessing the sufficiency and appropriateness of audit evidence that was compiled in a jurisdiction where there is no prohibition on the use of direct assistance of internal auditors in that jurisdiction.

Assurance on Integrated Reporting

The AUASB worked closely with the Business Reporting Leaders Forum (BRLF) during the year with regard to consideration of assurance matters for integrated reporting. In August 2014, the International Integrated Reporting Council (IIRC) issued two Assurance on <IR> publications: *Assurance on <IR>: an introduction to the discussion* and *Assurance on <IR>: an exploration of issues for comment*. To facilitate an Australian response, the AUASB, jointly with the BRLF and the Australian professional accounting bodies, held three roundtable discussions to discuss the key questions and seek the views of stakeholders on assurance on <IR>. The input and feedback from the Australian roundtables was used to assist the AUASB in formulating its response to the IIRC on the assurance papers.

The AUASB also attended all BRLF meetings held during the financial year and gave regular updates on assurance activities being undertaken both locally and internationally through the IAASB Integrated Reporting Working Group. The AUASB also met regularly with the IIRC's Australian and international representatives to keep abreast of major initiatives being undertaken globally by the IIRC and how this may assist with the work being done on assurance on <IR>.

Climate change

The AUASB worked closely with the Clean Energy Regulator (CER) and the Department of Environment during the year to advise on drafting of requirements for assurance under the newly introduced Emission Reduction Fund (ERF), which replaced the Carbon Pricing Mechanism (CPM), and the proposed Safeguard Mechanism.

The AUASB advised the Department of Environment during the year on drafting the assurance requirements under the *Carbon Credits (Carbon Farming Initiative) Rule 2015*, issued in February 2015, which specifies the nature and frequency of the audit requirements and the form of the audit reports to be provided with respect to ERF projects. The Rule provides for projects to undertake an initial audit at the beginning of the crediting period with a minimum of three audits, including the initial audit, in total over crediting periods of seven years or more. The AUASB also advised the Department of Environment on the assurance requirements with respect to the Safeguard Mechanism, which will start in 2016 and will require the largest emitters to keep their emissions below a set or historical baseline.

Australian Auditing Standards Post-Implementation Review

The current suite of Australian Auditing Standards became operative for financial reporting periods that commenced on or after 1 January 2010. These auditing standards conform with the ISAs, issued by the IAASB, thereby promoting the consistent application of auditing standards globally and contributing positively to promoting relevant and reliable auditor reporting, as well as to the quality of audits generally in cross-border audit engagements.

The auditing standards form an integral benchmark component of ASIC's ongoing audit inspection programmes and the reviews conducted by the professional accounting bodies. The auditing standards therefore are instrumental in promoting positive change in audit quality and practice behaviours.

As reported last year, the AUASB has adopted a number of methods that provide a broad, and therefore valuable, basis to gauge the results of implementing the current suite of Australian Auditing Standards. Additionally, the IAASB undertakes post-implementation reviews of its ISAs and, where necessary, makes amendments based on feedback obtained internationally. Any such changes to the ISAs are adopted into the Australian Auditing Standards unless there are compelling reasons to modify or omit the amendments made to the ISAs.

Based on its assessments, the AUASB continues to conclude that the AUASB's suite of Australian Auditing Standards:

- have been properly incorporated into legislation;
- conform to the *International Standards on Auditing*;
- are used by auditors and other assurance practitioners, where required; and
- contribute positively to promoting relevant and reliable auditor reporting, as well as to the quality of audit generally.

The Achievements section of the Report on Performance provides details of revisions to standards during the year. The AUASB's monitoring processes on the implementation of all its standards are an integral part of its ongoing activities.

Other Guidance

During the year, the AUASB continued to respond to the needs of Australian stakeholders and developed several Australian-specific pronouncements. The AUASB's work during the year included the release of:

- GS 017 *Audit Implications for Prudential Reporting Requirements of a Life Company*; and
- GS 018 *Franchising Code of Conduct – Auditor's Reports*.

Compliance

The AUASB ensured that in all instances, it complied with the Australian Government's Best Practice Regulation requirements, administered through the Office of Best Practice Regulation (OBPR). The AUASB complies with the Government's enhanced Regulatory Impact Analysis for all regulatory proposals and considers the impacts of new or revised regulation on business and the community, by costing any regulatory impacts which are expected to arise using the Regulatory Burden Measurement Framework, prior to issue.

CONTRIBUTE TO AND INFLUENCE INTERNATIONAL STANDARD SETTING

Participation in the IAASB and its taskforces

I participated as a member of the IAASB and consequently on the IAASB's Innovation Working Group. I also lead the Integrated Reporting and Audit Quality Working Groups of the IAASB and I continue to serve as a member of the IAASB Steering Committee.

The Executive Director of the AUASB, Mr Richard Mifsud, also attended IAASB meetings as my technical advisor. Mr Mifsud is also a member of the IAASB's ISRS 4400 *Agreed-Upon Procedures Engagements* Working Group.

Submissions to the IAASB

The AUASB actively monitors IAASB activities and provides submissions on IAASB exposure drafts and requests for comments. Three detailed submissions were made during the 2014-15 year, the details of which can be found in the AUASB's Report on Performance (page 21).

National Standards Setters Meeting

On 7-8 May 2015, Mr Mifsud and I attended a meeting of the IAASB and National Standards Setters (NSS) in New York, USA, where delegates from a wide range of nations met to discuss international audit and assurance standard setting issues. Attendance at this key global forum ensures that Australia remains at the forefront of important developments in auditing and assurance practice at the international level and has a further opportunity to influence the IAASB strategic agenda. This also enables us to develop and maintain effective relationships with other key national standards-setters.

Harmonisation of Australian and New Zealand Auditing Standards

The strategy for the AUASB to work closely with the NZAuASB to facilitate harmonisation of auditing and assurance standards in Australia and New Zealand is in place. We have cross-appointments of each Chairman of the AUASB and NZAuASB Boards. Over the past two years, we have been working to an agreed set of communications protocols that supplement the harmonisation agreement that has existed between the two Boards since 2012.

The most important focus is identifying the points in time when boards and staff need to communicate significant issues and decisions, or likely decisions, regarding the development of standards. Of particular importance is where the two Boards are considering the adoption of an international standard and any amendments to that international standard. Through timely communications, each board is able to include in its deliberations, any issues and actual, intended or potential amendments that the other board is considering, and in doing so, assist both Boards achieve their common goal of harmonising their respective standards.

COMMUNICATE AND CONSULT WITH CONSTITUENTS

Speaking engagements

Various AUASB staff members and I participated in speaking engagements during the year, focussing on the implications of the auditing and assurance standards for the profession and the current and future direction of the AUASB.

Consultative Meeting

The annual AUASB Consultative Meeting was held in Melbourne on 21 April 2015 with a range of invited stakeholders. The meeting provided an excellent opportunity to again obtain valuable feedback from constituents on the AUASB's major projects and new initiatives.

Other Submissions

In addition to submissions made to the IAASB, submissions were also made to various external organisations on matters of relevance to audit and assurance. These submissions are detailed in the AUASB's Report on Performance (page 21).

Communication

AUASB *Meeting Highlights* and *Minutes* that report the outcomes of each Board meeting are published on the AUASB website. The *International Update* is also published regularly summarising the significant auditing and assurance news and activities of various international standard setting bodies and other regulators. In addition, the AUASB's electronic newsletter, *Independence*, continued to be published on a periodic basis.

Outlook

The AUASB achieved the targets that it set for 2014-2015 and is on track to achieve the objectives set for the next four years in its 2015-2019 Corporate Plan.

The upcoming year will see a great deal of work being done in communicating with stakeholders on the impending release of the new and revised auditor reporting standards, and on the related areas of financial statement disclosures and the auditor's responsibilities relating to other information.

The AUASB will continue to participate in and monitor other IAASB projects for any implications for the Australian Auditing Standards and related guidance.

FINANCIAL RESULTS

The AUASB has recognised a Total Comprehensive Deficit of \$336,374 (2014 income: \$72,564), and a Deficit of \$151,374 (2014 income: \$42,564) as a result of exceeding its budgetary appropriations from Government for the current year. The key reasons for the Total Comprehensive Deficit is the remeasurement of the net defined benefit expense of \$185,000 (2014: \$30,000 income) relating to the defined benefit plan (see note 6 to the financial statements). The key reasons for the Deficit include the unbudgetted cost of winding up the AUASB's legacy defined benefit plan (see note 6 to the financial statements) and additional costs associated with employee entitlements to long service leave being determined in accordance with Commonwealth legislation rather than Victorian legislation (see note 1.12 to the financial statements).

THE WHOLE OF GOVERNMENT APPROACH

Like most government agencies the AUASB has challenges to address. The imperative for a whole of government focus is stronger than ever before.

A number of initiatives commence in the current year that have focused on improving efficiency and effectiveness. Our agency moved office to Level 14, 530 Collins Street, Melbourne, in September 2015 to share premises with other Commonwealth agencies.

ACKNOWLEDGEMENTS

I would like to thank the members of the AUASB for their considerable contributions over the past year, particularly including deputy chairman, Robin Low. I especially would like to thank Mr Greg Pound and Mr John Gavens who respectively retired from the AUASB on 31 December 2014 and 30 June 2015. Prof. Nonna Martinov-Bennie and Mr Colin Murphy were re-appointed as members of the AUASB following expiration of their previous terms.

Particular thanks go to the FRC, its current acting Chairman, Mr Michael Coleman, for providing strategic oversight and support of the AUASB.

My thanks also go to our constituents, who respond to exposure drafts and make time to participate in roundtable and 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 for the period of this report, which comprised Susan Fraser, Claire Grayston, Rene Herman, Marina Michaelides, Howard Pratt, and Christine Purtell, for their ongoing work.



Merran H Kelsall
Chairman
14 October 2015

AUASB OVERVIEW AND REPORT ON PERFORMANCE

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 and other related 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 and 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 national standards setters and participating in standard setting initiatives of the IAASB 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

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

The key strategies to achieve Outcome 1 are:

- making auditing standards under section 336 of the *Corporations Act 2001* (the Act) for use by Australian auditors who are undertaking audit engagements for the purpose of the Act, including facilitating and monitoring the implementation of the revised *Clarity* Australian Auditing standards;
- formulating auditing and assurance standards and related guidance for use by Australian auditors and other assurance practitioners who are undertaking auditing and assurance engagements for purposes other than the purposes of the Act;
- providing Australian participation in, and contribution to, the development of a single set of Australian Auditing Standards for worldwide use; and

- continuing our role in the development of auditing and assurance standards guidance, identifying emerging auditing and assurance issues and contributing to and influencing the development of international auditing standards, including key International Auditing and Assurance Standards Board (IAASB) projects on auditor reporting, financial statement disclosures, audit quality, and monitoring the implementation of international auditing and assurance standards.

REPORT ON PERFORMANCE

This section outlines the outputs of the Board during 2014–15 as well as the progress made on various projects.

The AUASB operations are based on a four–year Corporate Plan and an Annual Work Program. Outcomes against the corporate 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, with the exception of a deficit incurred as a result of winding up the defined benefits superannuation fund and recalculating employee entitlements.

ACHIEVEMENTS

| Strategic Objectives | 2014–15 Target Objectives | Achievements to 30 June 2015 |
|---|--|---|
| <p>Develop appropriate high quality Australian auditing and assurance standards and guidance to promote audit quality systemically and at the engagement level and be recognised as the auditing and assurance standards setting body in Australia for the private and public sectors.*</p> <p><i>* The AUASB performs ongoing assessments of AUASB issued pronouncements. On</i></p> | <p>Develop and revise Australian Standards to conform to International Standards.</p> <p>Monitor IAASB projects for influence on the AUASB work program.</p> | <p>The AUASB issued the following pronouncements pursuant to changes in International Standards:</p> <ul style="list-style-type: none"> • ED 01/15 <i>Reporting on Audited Financial Reports–New and Revised Auditor Reporting Standards and Related Conforming Amendments</i> • ED 02/15 <i>The Auditor’s Responsibilities Relating to Other Information and Related Conforming Amendments</i> <p>Revision of pronouncements pursuant to changes in International Standards in progress:</p> <ul style="list-style-type: none"> • Auditor Reporting (ASA 700 series, ASA 260 and ASA 570) • ASA 720 <i>The Auditor’s Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report</i> • Audit Implications of Financial Statement Disclosures |

| Strategic Objectives | 2014–15 Target Objectives | Achievements to 30 June 2015 |
|--|--|--|
| <p><i>the basis of our assessments, the AUASB is satisfied with the implementation of the Standards. Where necessary, amendments are effected through amending standards. Through appropriate communications with key stakeholders, the AUASB is satisfied that there are no significant issues associated with the AUASB standards.</i></p> | <p>To address local issues, formulate and maintain other Auditing and Assurance Standards, Guidance Statements and pronouncements.</p> | <p>The AUASB issued the following pronouncements pursuant to local initiatives:</p> <ul style="list-style-type: none"> • ASAE 3150 <i>Assurance Engagements on Controls</i> • GS 005 <i>Using the Work of a Management's Expert</i> • GS 017 <i>Prudential Reporting Requirements for Auditors of a Life Company</i> • GS 018 <i>Franchising Code of Conduct – Auditor's Reports</i> • GS 022 <i>Grant Acquittals and Multi-Scope Engagements</i> <p>Revision of pronouncements pursuant to local initiatives in progress:</p> <ul style="list-style-type: none"> • ASAE 3100 <i>Compliance Engagements</i> • ASAE 3500 <i>Performance Engagements</i> • GS 003 <i>Audit and Review Requirements for Australian Financial Services Licensees</i> • GS 009 <i>Auditing Self-Managed Superannuation Funds</i> |
| | <p>Monitor the implementation and use of the auditing standards by:</p> <ul style="list-style-type: none"> • providing feedback to the IAASB through its various taskforces • developing articles that highlight key principles and provide guidance on significant matters • participating and presenting at various information sessions • considering Australian regulatory and legislative developments which may require amendments to the auditing standards | <p>The AUASB published three articles in media and journals of the accounting bodies.</p> <p>The AUASB presented at various seminars and information sessions.</p> <p>The Auditing Standards have been properly incorporated into legislation in accordance with the AUASB's legislative mandate under Section 227B of the <i>Australian Securities and Investments Commission Act 2001</i> and the Strategic Direction given to the AUASB by the FRC. These Standards conform to the ISAs issued by the IAASB and are used by auditors and other assurance practitioners, where required and contribute positively to promoting relevant and reliable auditor reports as well as to the quality of audit generally.</p> |
| <p>Contribute to the development of and convergence with one set of robust international auditing standards.</p> | <p>Contribute to IAASB meetings and annual IAASB-NSS meeting. Participate in IAASB projects.</p> | <p>The Chairman and Executive Director participated in all IAASB meetings held in 2014-15 and the annual IAASB-NSS meeting held 7-8 May 2015.</p> <p>The AUASB Chairman and Executive Director participated in IAASB task forces on:</p> <ul style="list-style-type: none"> • Innovation Working Group • Integrated Reporting • Audit Quality • ISRS 4400 <i>Agreed-Upon Procedures Engagements</i> |

Auditing and Assurance Standards Board Annual Report 2014-15

| Strategic Objectives | 2014–15 Target Objectives | Achievements to 30 June 2015 |
|--|--|---|
| | <p>Provide comments on IAASB project exposure drafts and discussion papers and monitor other IAASB projects for influence on AUASB work program.</p> | <p>Formal submissions were made on all IAASB exposure drafts and invitations to comment papers including:</p> <ul style="list-style-type: none"> • Proposed ISA 720 <i>The Auditor’s Responsibilities Relating to Other Information</i> • Exposure Draft Proposed Changes to the International Auditing Standards (ISAs)-<i>Addressing Disclosures in the Audit of Financial Statements</i> • Proposed ISA 800 <i>Special Considerations– Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks</i> and ISA 805 <i>Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i> <p>The AUASB received and considered the views of stakeholders in formulating the above submissions via:</p> <ul style="list-style-type: none"> • AUASB website releases • Roundtable discussions with key stakeholders • Individual meetings with key stakeholders on various topics <p>Key IAASB agenda items were discussed at AUASB meetings.</p> |
| <p>Harmonise Australian and New Zealand Auditing Standards</p> | <p>Harmonise Australian and New Zealand Auditing Standards and work actively with the NZAuASB</p> | <p>The AUASB continues to work closely with the NZAuASB to facilitate greater convergence and harmonisation of auditing and assurance matters in Australia and New Zealand.</p> <p>The AUASB and the NZAuASB have in place a set of communications protocols. The joint policy on the principles of conformity with international auditing standards and harmonisation between Australia and New Zealand has been issued by the two boards, the aim of which is to provide a more formalised framework that facilitates a practical approach for both boards and staff to follow.</p> <p>The Chairman attended NZAuASB meetings as part of the cross board appointments of the respective Chairman of each Board.</p> |

| Strategic Objectives | 2014–15 Target Objectives | Achievements to 30 June 2015 |
|--|---|--|
| Promote thought leadership and engage with stakeholders on topical and emerging issues | Identify and respond to significant auditing and assurance issues of public interest on a timely basis. | <p>Significant auditing and assurance issues of public interest were addressed including:</p> <ul style="list-style-type: none"> • assurance considerations in integrated reporting; • use of internal audit; and • auditor reporting <p>One article on the assurance over internal controls was prepared for CPA Australia's <i>InPractice</i> Magazine and there were two articles on enhancements to auditor reporting prepared for the Chartered Accountants Australia and New Zealand's (CAANZ) <i>Acuity</i> publication and <i>Company Director</i> magazine.</p> <p>The staff of the AUASB presented at various seminars and information sessions.</p> <p>Emerging issues were discussed via</p> <ul style="list-style-type: none"> • annual Consultative Meeting; and • roundtable discussions with key stakeholders <p>Issues arising from the annual AUASB Consultative meeting held 21 April 2015 were addressed in the revised work plan to June 2016.</p> <p>News releases are issued for all new and revised standards and guidance.</p> |
| | Monitor international developments on auditing and assurance | <p>The AUASB monitored international developments from the IAASB, other national standards-setters and other international regulatory bodies including those from Canada, France, Germany, New Zealand, South Africa, USA and UK.</p> <p>AUASB comments on consultation papers were issued including:</p> <ul style="list-style-type: none"> • <i>Consultation Draft on <IR> An Introduction to the Discussion</i> – International Integrated Reporting Council. <p>Periodic Updates on key international developments, including IAASB matters were published on the AUASB website.</p> |

Auditing and Assurance Standards Board Annual Report 2014-15

| Strategic Objectives | 2014–15 Target Objectives | Achievements to 30 June 2015 |
|----------------------|---|--|
| | Actively communicate and liaise with key stakeholders | <p>The Chairman participated in meetings of the Financial Reporting Council (FRC) committees and projects, including:</p> <ul style="list-style-type: none"> • Nominations Committee • Audit Quality Committee • Financial Reporting Framework project <p>The Chairman also participated in meetings of the ASIC Accounting and Auditing Standing Committee.</p> <p>The Chairman and Executive Director also held regular liaison meetings with APRA and ASIC and periodic meetings with Treasury and other constituents on relevant auditing and assurance matters.</p> <p>The AUASB Technical Group assisted and provided technical advice to regulators and other standard-setters including:</p> <ul style="list-style-type: none"> • ACNC • APRA • ASIC • ATO • Department of Environment and CER on audit requirements under NGERs • Department of Health and Ageing <p>AUASB made no submissions to key stakeholders.</p> <p>Issues raised at the annual AUASB Consultative meeting held 21 April 2015 were addressed in the revised annual work plan to 30 June 2015.</p> |

MANAGEMENT AND ACCOUNTABILITY

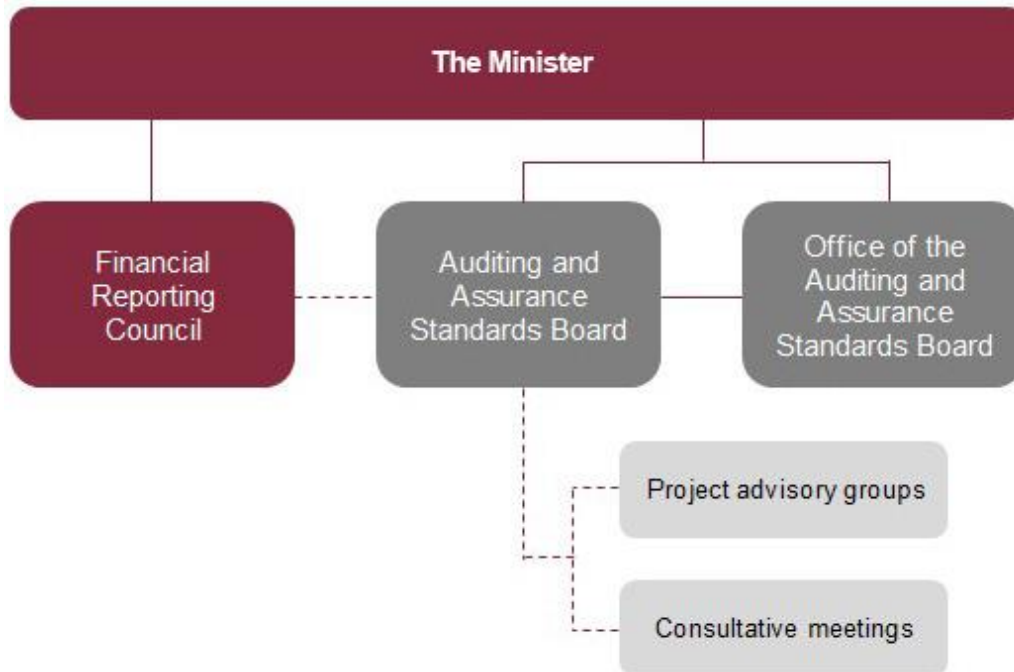
CORPORATE GOVERNANCE

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 Office of 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 stakeholders;
- comprehensive risk management, compliance and assurance systems; and
- strategic planning, performance monitoring and evaluation.

ORGANISATIONAL STRUCTURE



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

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

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

The Minister

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

Financial Reporting Council

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.

The AUASB provides periodic reports to the FRC on the AUASB's activities, including reports in relation to the setting of the Board's business plan priorities and its progress against the plan, for consideration at FRC meetings.

Auditing and Assurance Standards Board

The AUASB is an agency of the Australian Government responsible for making auditing standards under section 336 of the *Corporations Act 2001* for the purposes of the corporations legislation. The AUASB also formulates auditing and assurance standards for other purposes and participates in and contributes to the development of a single set of international auditing standards for worldwide use.

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

Office of the AUASB

The Office of the AUASB provides technical support and administrative services, information and advice to the AUASB. Responsible to the Minister 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 comprised an independent part-time Chairman (appointed by the Minister) and 12 part-time members (appointed by the FRC).

The members during 2014–15 were:

Merran Kelsall, Chairman

Initially appointed Chairman by the Federal Treasurer 10 August 2004 until 9 August 2007, Ms Merran Kelsall was re-appointed from 10 August 2007 until 9 August 2010, again until 9 August 2013 and again until 9 August 2016.

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

Robin Low, Deputy Chairman*

Ms Robin Low was appointed from 1 January 2014 until 31 December 2016.

Ms Low has a portfolio of independent directorships and previously was a partner at PricewaterhouseCoopers Australia for many years.

Greg Pound, Deputy Chairman**

Initially appointed from 1 January 2006 until 31 December 2008, Mr Greg Pound was re-appointed until 31 December 2011 and again until 31 December 2014.

* From 1 January 2015.
** Until 31 December 2014.

Auditing and Assurance Standards Board Annual Report 2014-15

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

Mr Pound retired from the AUASB on 31 December 2014.

Jo Cain

Ms Jo Cain was appointed from 1 January 2013 until 31 December 2015.

Ms Cain has a portfolio of independent directorships and is a sustainability consultant.

Neil Cherry

Mr Neil Cherry was appointed from 1 July 2011 until 30 June 2014, and was re-appointed until 30 June 2016.

Mr Cherry is also the Chairman of the New Zealand Auditing and Assurance Standards Board.

Valerie Clifford

Initially appointed 1 January 2008 until 31 December 2010, Ms Valerie Clifford was re-appointed until 31 December 2012 and again until 31 December 2015.

Ms Clifford is a partner of PricewaterhouseCoopers Australia.

John Gavens

Initially appointed 1 January 2008 until 31 December 2010, Mr John Gavens was re-appointed until 31 December 2013 and again until 30 June 2015.

Mr Gavens is a partner at Crowe Horwath.

Mr Gavens retired from the AUASB on 30 June 2015.

Chris George

Mr Chris George was appointed from 1 January 2013 until 31 December 2015.

Mr George is a partner at Ernst and Young.

Nonna Martinov-Bennie

Prof. Nonna Martinov-Bennie was appointed from 1 January 2012 until 31 December 2014.

Prof. Martinov-Bennie was again re-appointed from 1 January 2015 until 31 December 2017.

Prof. Martinov-Bennie is Professor of Accounting and Director of The International Governance and Performance Research Centre at Macquarie University.

Caithlin Mc Cabe

Ms Caithlin Mc Cabe was appointed from 1 January 2014 until 31 December 2016.

Ms Mc Cabe is a partner at Deloitte Touche Tohmatsu.

Jane Meade

Ms Jane Meade was appointed from 1 January 2013 until 31 December 2015.

Ms Meade is the National Technical Director at RSM Bird Cameron.

Colin Murphy

Initially appointed from 1 January 2009 until 31 December 2011, Mr Colin Murphy was re-appointed until 31 December 2014. Mr Murphy was again re-appointed from 1 January 2015 until 31 December 2017.

Mr Murphy is the Auditor-General for Western Australia.

Bernie Szentirmay

Initially appointed from 1 January 2011 to 31 December 2012, Mr Bernie Szentirmay was re-appointed until 31 December 2015.

Mr Szentirmay is a partner at KPMG.

AUDIT COMMITTEE

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

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

FRAUD

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

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

The AUASB meets the obligations arising from section 10 of the *Public Governance, Performance and Accountability Rule 2014*.

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 accounting records and financial statements of the AUASB and the Office of the AUASB are audited each year by the Australian National Audit Office (ANAO).

Under section 243 of the *Australian Securities and Investments Commission Act 2001*, the duties of The Parliamentary Joint Committee on Corporations and Financial Services (the committee) include examination of the AUASB annual reports. The committee has requested that:

- an assessment of the impact of the “clarity” auditing standards be included in the AUASB’s annual report; and
- the AUASB annual report refer to the committee’s duties, and those of The Senate Economics Legislation Committee (TSEL), in scrutinising the AUASB’s annual reports.

The committee’s requests have been incorporated into the AUASB’s 2014-15 annual report and will be incorporated into future AUASB annual reports.

In accordance with Senate Standing Order 25(20), TSEL is responsible for the scrutiny of the AUASB’s annual reports. In its first report on the AUASB’s annual reports in 2013, the TSEL made recommendations for improvements to be implemented in the production of future AUASB annual reports. Each TSEL recommendation has been incorporated into the AUASB’s 2014-15 annual report and will be included in all future AUASB annual reports.

With the exception of the matters described above, 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 HUMAN RESOURCES

Table 1a: AUASB Employees at 30 June 2015

| Classification | Persons | F/T | P/T | F/T Equivalents | | |
|-----------------------------|----------|----------|----------|-----------------|-------------|-------------|
| | | | | Female | Male | Total |
| Senior executives | 2 | 1 | 1 | 0.80 | 1.00 | 1.80 |
| Technical and support staff | 6 | 3 | 3 | 4.40 | 0.90 | 5.30 |
| Total employees | 8 | 4 | 4 | 5.20 | 1.90 | 7.10 |

Table 1b: AUASB Employees at 30 June 2014

| Classification | Persons | F/T | P/T | F/T Equivalents | | |
|-----------------------------|----------|----------|----------|-----------------|-------------|-------------|
| | | | | Female | Male | Total |
| Senior executives | 2 | 1 | 1 | 0.80 | 1.00 | 1.80 |
| Technical and support staff | 6 | 3 | 3 | 4.40 | 0.90 | 5.30 |
| Total employees | 8 | 4 | 4 | 5.20 | 1.90 | 7.10 |

As at 30 June 2015, no employees identified as Indigenous.

AUASB employees are located in one office in Melbourne.

Table 2: AUASB Salary ranges as at 30 June 2015

| | As at 30 June 2015 |
|-----------------------------|-----------------------|
| | \$ |
| Senior executives | \$195,000 - \$324,999 |
| Technical and support staff | \$0- \$194,999 |

The AUASB does not pay performance pay.

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

Auditing and Assurance Standards Board Annual Report 2014-15

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

Staff members attend seminars, conferences 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 ASIC Act, as well as under the *Public Service Act 1999*. As at 30 June 2015, all staff were employed under the ASIC Act.

The Office of the AASB has continued to provide various administrative, finance and ITC support services to the Office of the AUASB in 2014-15 as in previous years.

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.

CONSULTANTS

During 2014-15, two new consultancy contracts were entered into involving total actual expenditure of \$34,979.68 inclusive of GST. In addition, no ongoing consultancy contracts were active during the 2014-15 year, involving total actual expenditure of nil.

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.

PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

The AUASB procurement practices support Small and Medium Enterprise (SME). Officials of the AUASB apply procurement practices that do not unfairly discriminate against SMEs and provide appropriate opportunities for SMEs to compete. Officials consider the benefits of doing business with SMEs when scoping the requirements and evaluating value for money.

Small and Medium Enterprises (SMES) and Small Enterprise participation statistics are available on the Department of Finance's website (www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts)

DISABILITY REPORTING

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. Those reports are available at www.apsc.gov.au. From 2010–11, departments and agencies are no longer required to report on those functions.

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

FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Treasurer

I have audited the accompanying annual financial statements of the Office of the Auditing and Assurance Standards Board for the year ended 30 June 2015, which comprise:

- Statement by the Chair and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments;
- Schedule of Contingencies; and
- Notes to and forming part of the Financial Report, including a summary of significant accounting policies and other explanatory information.

Chair's Responsibility for the Financial Statements

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

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 the Australian National Audit Office Auditing Standards, which incorporate the 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 about 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

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internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chair of the Office of the Auditing and Assurance Standards Board, 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.

Independence

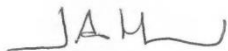
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

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

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

Australian National Audit Office



Jocelyn Ashford
Acting Group Executive Director
Delegate of the Auditor-General

Canberra
15 October 2015

STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2015 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Merran Kelsall
Chief Executive Officer
14 October 2015



Litsa Pillios
Chief Financial Officer
14 October 2015

Statement of Comprehensive Income
for the period ended 30 June 2015

| | Notes | 2015 | 2014 |
|---|-------|------------------|-----------------------|
| | | \$ | Restated ¹ |
| | | \$ | \$ |
| EXPENSES | | | |
| Employee benefits ¹ | 3A | 1,615,912 | 1,520,871 |
| Supplier expenses | 3B | 465,831 | 386,812 |
| Operating lease rentals – minimum lease payments | | 228,046 | 225,651 |
| Depreciation | | 78,183 | 74,770 |
| Amortisation | | 11,723 | 11,570 |
| Finance costs ¹ | | 3,131 | 2,979 |
| Total expenses | | 2,402,826 | 2,222,653 |
| LESS: | | | |
| OWN-SOURCE INCOME | | | |
| Own-source revenue | | | |
| Rental income | | 34,452 | 33,217 |
| Audit Services received free of charge | | 28,000 | 24,000 |
| Total own-source revenue | | 62,452 | 57,217 |
| Net cost of services and cost of outcome delivery | | 2,340,374 | 2,165,436 |
| Revenue from Government | | 2,189,000 | 2,208,000 |
| Income / (deficit) attributable to the Australian Government | | (151,374) | 42,564 |
| OTHER COMPREHENSIVE INCOME | | | |
| Remeasurements of net defined benefit plan | | (185,000) | 30,000 |
| Total other comprehensive income / (deficit) | | (185,000) | 30,000 |
| Total comprehensive income / (deficit) attributable to the Australian Government | | (336,374) | 72,564 |

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

1. Comparative figures have been restated (refer Note 1.12).

Statement of Financial Position

as at 30 June 2015

| | Notes | 2015 | 2014 | 2013 |
|--|-------|------------------|-----------------------|-----------------------|
| | | | Restated ¹ | Restated ¹ |
| | | \$ | \$ | \$ |
| ASSETS | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | | 202,385 | 193,647 | 189,879 |
| Trade and other receivables | 4A | 16,546 | 14,609 | 15,923 |
| Appropriation receivable | 4B | 961,835 | 1,049,087 | 1,261,541 |
| Net defined benefit plan | 6(ii) | - | 132,000 | - |
| Total financial assets | | 1,180,766 | 1,389,343 | 1,467,343 |
| Non-financial assets | | | | |
| Furniture and computers - Level 2 | 1.9 | 39,692 | 60,275 | 71,650 |
| Leasehold improvements and make good - Level 3 | 1.9 | 56,570 | 106,484 | 155,613 |
| Intangibles | | 9,336 | 18,991 | 15,895 |
| Prepaid expenses | | 17,522 | 6,527 | 4,107 |
| Total non-financial assets | | 123,120 | 192,277 | 247,265 |
| Total assets | | 1,303,886 | 1,581,620 | 1,714,608 |
| LIABILITIES | | | | |
| Payables | | | | |
| Suppliers | 5A | 63,349 | 34,115 | 62,744 |
| Other payables ¹ | 5B | 129,878 | 193,668 | 248,299 |
| Total payables | | 193,227 | 227,783 | 311,043 |
| Provisions | | | | |
| Employee provisions ¹ | 6 | 385,591 | 332,061 | 492,942 |
| Other provisions | | 90,372 | 87,706 | 85,118 |
| Total provisions | | 475,963 | 419,767 | 578,060 |
| Total liabilities | | 669,190 | 647,550 | 889,103 |
| Net assets | | 634,696 | 934,070 | 825,505 |
| EQUITY | | | | |
| Contributed equity | | 200,000 | 163,000 | 127,000 |
| Asset revaluation reserve | | 38,995 | 38,995 | 38,995 |
| Retained surplus | | 395,701 | 732,075 | 659,510 |
| Total equity | | 634,696 | 934,070 | 825,505 |

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

1. Comparative figures have been restated (refer Note 1.12) and some have been reclassified (refer Note 1.13).

Statement of Changes in Equity
for the period ended 30 June 2015

| | Retained earnings | | Asset revaluation reserve | | Contributed equity/capital | | Total equity | |
|--|-------------------|----------|---------------------------|--------|----------------------------|---------|------------------|----------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Opening balance | | | | | | | | |
| Balance carried forward from previous period | 732,075 | 730,728 | 38,995 | 38,995 | 163,000 | 127,000 | 934,070 | 896,723 |
| Adjustment for restatement (see note 1.12) | - | (71,218) | - | - | - | - | - | (71,218) |
| Adjusted opening balance | 732,075 | 659,510 | 38,995 | 38,995 | 163,000 | 127,000 | 934,070 | 825,505 |
| Comprehensive income | | | | | | | | |
| Other comprehensive income, | | | | | | | | |
| Remeasurement of defined benefit plan | (185,000) | 30,000 | - | - | - | - | (185,000) | 30,000 |
| Surplus / (deficit) for the period | (151,374) | 42,564 | - | - | - | - | (151,374) | 42,564 |
| Total comprehensive income (deficit) | (336,374) | 72,564 | - | - | - | - | (336,374) | 72,564 |
| of which: | | | | | | | | |
| Attributable to the Australian Government | (336,374) | 72,564 | - | - | - | - | (336,374) | 72,564 |
| Transactions with owners | | | | | | | | |
| Contribution by owners | | | | | | | | |
| Departmental capital budget | - | - | - | - | 37,000 | 36,000 | 37,000 | 36,000 |
| Closing balance as at 30 June | 395,701 | 732,075 | 38,995 | 38,995 | 200,000 | 163,000 | 634,696 | 934,070 |
| Closing balance attributable to the Australian Government | 395,701 | 732,075 | 38,995 | 38,995 | 200,000 | 163,000 | 634,696 | 934,070 |

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

Cash Flow Statement

for the period ended 30 June 2015

| | Notes | 2015 | 2014 |
|--|-------|------------------|------------------|
| | | \$ | \$ |
| OPERATING ACTIVITIES | | | |
| Cash received | | | |
| Department appropriations | | 2,337,951 | 2,460,738 |
| Net GST received | | 48,593 | 55,000 |
| Other cash received | | 38,587 | 37,591 |
| Total cash received | | 2,425,131 | 2,553,329 |
| Cash used | | | |
| Employees | | 1,620,418 | 1,779,107 |
| Suppliers | | 757,388 | 732,863 |
| Net GST paid | | 4,135 | 4,374 |
| Section 74 3 rd party receipts transferred to Official Public Account | | 34,452 | 33,217 |
| Total cash used | | 2,416,393 | 2,549,561 |
| Net cash flows from operating activities | 7 | 8,738 | 3,768 |
| INVESTING ACTIVITIES | | | |
| Cash used | | | |
| Purchase of plant and equipment | | 9,753 | 28,933 |
| Total cash used | | 9,753 | 28,933 |
| Net cash flows (used by) investing activities | | (9,753) | (28,933) |
| FINANCING ACTIVITIES | | | |
| Cash received | | | |
| Contributed equity | | 9,753 | 28,933 |
| Total cash received | | 9,753 | 28,933 |
| Net cash flows from financing activities | | 9,753 | 28,933 |
| Net increase in cash held | | 8,738 | 3,768 |
| Cash and cash equivalents at the beginning of the reporting period | | 193,647 | 189,879 |
| Cash and cash equivalents at the end of the reporting period | | 202,385 | 193,647 |

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

Schedule of Commitments
as at 30 June 2015

| | 2015 \$ | 2014 \$ |
|-------------------------------------|------------------|------------|
| BY TYPE | | |
| Commitments receivable | | |
| Sublease rental income ¹ | 43,501 | 82,102 |
| GST recoverable on commitments | 34,220 | 64,686 |
| Total commitments receivable | 77,721 | 146,788 |
| Commitments payable | | |
| Operating leases ² | (376,422) | (711,546) |
| GST payable on commitments | (3,955) | (7,464) |
| Total commitments payable | (380,377) | (719,010) |
| Net commitments by type | (302,656) | (572,222) |
| BY MATURITY | | |
| Commitments receivable | | |
| One year or less | 71,742 | 69,067 |
| From one to five years | 5,979 | 77,721 |
| Over five years | - | - |
| Total commitments receivable | 77,721 | 146,788 |
| Commitments payable | | |
| One year or less | (351,222) | (338,634) |
| From one to five years | (29,155) | (380,376) |
| Over five years | - | - |
| Total commitments payable | (380,377) | (719,010) |
| Net commitments by maturity | (302,656) | (572,222) |

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 an increase of four per cent per annum as per lease agreement. |
| Lease for photocopier | The lessor provides a photocopier for 48 months at a fixed instalment rate. |

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

Schedule of Contingencies as at 30 June 2015

There are no known contingencies as at 30 June 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

Objectives of AUASB

The Office of the Auditing and Assurance Standards Board (Office of the AUASB) is an Australian Government agency, which provides technical and administrative support to the AUASB. The Office of the AUASB is the financial entity and is governed by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), whilst the AUASB is a statutory committee under the *ASIC Act*.

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

Note 1: Summary of Significant Accounting Policies

1.1 Basis of Preparation of the Financial Report

The financial report of the Office of the AUASB is required by section 42 of the PGPA Act and is a general purpose financial report.

The financial report has been prepared in accordance with:

- Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2014; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

The financial report is presented in Australian dollars.

1.2 Significant Accounting Judgements and Estimates

With the windup of the defined benefit plan (see note 6(ii)), there are no accounting assumptions or estimates at reporting date that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

1.3 Changes in Australian Accounting Standards

(a) Adoption of New Australian Accounting Standards Requirements

The adoption of AASB 1055 *Budgetary Reporting* has resulted in additional disclosures in Note 12.

No other new accounting standards, amendments to standards and interpretations issued, 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 these pronouncements, when effective, will have no material impact on future reporting periods, either because the AUASB does not conduct the types of transactions addressed by these pronouncements or because the extent to which they might impact the AUASB is not expected to be material.

1.4 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.

From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

Accordingly of the total comprehensive income / (deficit) of \$(336,374) (2014: \$72,564) only \$(246,468) (2014: \$158,904) is funded through revenue appropriations.

Appropriations receivable are recognised at their nominal amounts.

(b) Resources Received Free of Charge

Resources received free of charge are recognised as own-source revenue 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.

1.5 Transactions with the Government as Owner

Equity Injections

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

1.6 Leases

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.

The Office of the AUASB currently has one agreement for the leasing of premises, which has a provision 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.

1.7 Financial Assets

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

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

1.8 Financial Liabilities

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

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

1.9 Plant and equipment

(a) Asset Recognition

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 AUASB's other non-financial assets with a corresponding provision for restoration obligations recognised.

(b) Revaluations

Following initial recognition at cost, plant and equipment are carried at fair value less accumulated depreciation. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Any accumulated depreciation as at the revaluation date is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The valuation techniques used are identified in the table below.

| | Category | Valuation technique(s) | Inputs used |
|--|----------|------------------------------|---|
| Plant and equipment - Furniture and Computers | 2 | Market Approach | Adjusted market transaction |
| Plant and equipment – Leasehold improvements and make good | 3 | Depreciated replacement cost | Replacement Cost New (price per square metre) |

There has been no change to the valuation techniques used.

The different levels of the fair value hierarchy are defined below

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(c) Depreciation

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

| | 2015 | 2014 |
|--|-------------------------------|------------------------|
| Plant and equipment – Leasehold improvements and make good | Lease term — ten years | Lease term — ten years |
| Plant and equipment - Furniture and Computers | Three to ten years | Three to ten years |

(d) Impairment

All assets are assessed for impairment at the statement of financial position date. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. 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 were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

1.10 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 lives of the AUASB's software and licences is one to five years (2013-14: three to five years).

All software assets were assessed for indications of impairment at 30 June 2015.

1.11 Taxation

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

1.12 Restatement of prior year amounts – long service leave

In prior years, long service leave had been based on the Victorian private sector award conditions and contract conditions. The AUASB has since obtained legal advice that long service leave should be determined in accordance with the relevant Commonwealth Act, as AUASB employees are government employees.

Accordingly, the following adjustments have been made:

| | 30 June 2014 | Increase / (Decrease) | 30 June 2014 (Restated) | 30 June 2013 | Increase / (Decrease) | 30 June 2013 (Restated) |
|--|------------------|--------------------------|-------------------------------|-----------------|--------------------------|-------------------------------|
| Statement of Financial Position (extract) | | | | | | |
| Other payables | 188,632 | 5,036 | 193,668 | 248,299 | - | 248,299 |
| Employee provisions | 251,184 | 80,877 | 332,061 | 421,724 | 71,218 | 492,942 |
| Total Liabilities | 561,637 | 85,913 | 647,550 | 817,885 | 71,218 | 889,103 |
| Net Assets | 1,019,983 | (85,913) | 934,070 | 896,723 | (71,218) | 825,505 |
| Retained Surplus | 817,988 | (85,913) | 732,075 | 730,728 | (71,218) | 659,510 |
| Total equity | 1,019,983 | (85,913) | 934,070 | 896,723 | (71,218) | 825,505 |

| | 30 June 2014 | Increase / (Decrease) | 30 June 2014 (Restated) |
|---|------------------|--------------------------|----------------------------|
| Statement of Comprehensive Income (extract) | | | |
| Employee benefits | 1,506,567 | 14,304 | 1,520,871 |
| Finance costs ¹ | 2,588 | 391 | 2,979 |
| Total expenses | 2,207,958 | 14,695 | 2,222,653 |
| Net cost of services & cost of outcome delivery | 2,150,741 | 14,695 | 2,165,436 |
| Income attributable to the Australian Government | 57,259 | (14,695) | 42,564 |
| Total comprehensive income attributable to the Australian Government | 87,259 | (14,695) | 72,564 |

1. Interest on payments has been determined using simple interest at 10%.

There are no material consequences of the correction for the Statement or Comprehensive Income for the current year.

1.13 Restructure of financial report

A number of categories of assets and liabilities on the Statement of Financial Position have been aggregated or disaggregated to provide a better understanding of the Office of the AUASB's key transactions and balances. The Financial Report disclosures have also been streamlined to make the report easier to understand. Comparative information has been restated for these changes.

Note 2: Events After the Statement of Financial Position Date

On 29 July 2015, the AUASB signed a Memorandum of Understanding (MOU) between the Tertiary Education Quality and Standards Agency (TEQSA), the Australian Accounting Standards Board (AASB) and the AUASB. This MOU allowed the AUASB and the AASB to enter into a Shared Occupancy lease arrangement with TEQSA until 28 February 2022 (the Shared Occupancy Expiry Date).

The purpose of this agreement is to reduce the Office of the AUASB's accommodation costs.

This has had no impact on the current financial year.

Note 3: Expenses

| | 2015 | 2014 |
|---|------------------|-------------------------------|
| | \$ | \$ Restated ^{1,2} |
| Note 3A: Employee benefits | | |
| Wages and salaries ² | 1,167,353 | 1,167,524 |
| Superannuation: | | |
| Defined contribution plan | 134,117 | 121,464 |
| Defined benefit plan (note 6(ii)) | 121,000 | 54,000 |
| Leave and other entitlements ^{1,2} | 193,442 | 177,883 |
| Total employee benefits | 1,615,912 | 1,520,871 |

1. Comparative figures have been restated (refer Note 1.12)

2. \$181,746 of leave expense has been reclassified in 2014 resulting in a decrease in wages and an increase in leave expenses in the restated 2014 expense.

Note 3B: Suppliers

Goods and services

| | | |
|--|----------------|---------|
| Board Member Services | 42,820 | 46,425 |
| International Travel | 47,288 | 5,242 |
| Publications/Subscriptions | 39,938 | 35,218 |
| Administration | 285,323 | 269,995 |
| Workers compensation premiums | 6,370 | 6,287 |
| Other | 44,092 | 23,645 |
| Total goods and services expenses | 465,831 | 386,812 |

Goods and services includes \$254,948 of related party expenses (2014: \$237,959).

Note 4: Financial Assets

Note 4A: Trade and other receivables

Trade and other receivables include \$138 of related party receivables (2014: \$137). All trade and other receivables are expected to be recovered in no more than 12 months and are not overdue.

Note 4B: Appropriation receivables

| | 2015 \$ | 2014 \$ |
|--|----------------|------------------|
| Appropriation receivables are expected to be recovered in: | | |
| No more than 12 months | 524,402 | 460,654 |
| More than 12 months | 437,433 | 588,433 |
| Total appropriation receivables | 961,835 | 1,049,087 |
| Appropriation receivables are aged as follows: | | |
| Not overdue | 961,835 | 1,049,087 |

Note 5: Payables

Note 5A: Suppliers

Trade creditors and accruals include \$15,504 of related party payables (2014: \$23,310).

All trade creditors and accruals are expected to be settled within 12 months.

| | 2015 \$ | 2014 Restated ¹ \$ |
|---|----------------|-------------------------------------|
| Note 5B: Other payables | | |
| Lease commitments | 83,650 | 152,257 |
| Long service leave payable ¹ | 5,501 | 5,036 |
| Other | 40,727 | 36,375 |
| Total other payables | 129,878 | 193,668 |
| Other payables are expected to be settled within: | | |
| No more than 12 months | 106,612 | 101,651 |
| More than 12 months | 23,266 | 92,017 |
| Total other payables | 129,878 | 193,668 |

1. Comparative figures have been restated (refer Note 1.12).

Note 6: Employee Provisions

| | 2015 | 2014 | 2013 |
|--|----------------|-----------------------------|-----------------------------|
| | \$ | \$ Restated ¹ | \$ Restated ¹ |
| Leave [Note 6 (i)] ¹ | 385,591 | 332,061 | 347,942 |
| Superannuation | - | - | 145,000 |
| Total employee provisions | 385,591 | 332,061 | 492,942 |
| Employee provisions are expected to be settled in: | | | |
| No more than 12 months | 70,396 | 56,909 | 91,335 |
| More than 12 months | 315,195 | 275,152 | 401,607 |
| Total employee provisions | 385,591 | 332,061 | 492,942 |

1. Comparative figures have been restated (refer Note 1.12).

Note 6(i): 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 and the average sick leave taken in future years by employees of the Office of the AUASB is estimated to be less than the annual entitlement for sick leave.

Note 6(ii): Superannuation provisions

The defined benefit plan sponsored by the Office of the AUASB closed with effect from 1 May 2015 and all of the Office's legal and constructive obligations under the plan have been settled as at 30 June 2015. The settlement involved making lump sum rollover payments to members in settlement of their promised benefits. The settlement was achieved in consultation with the Office's actuarial advisors and the Trustee of the Office's defined benefit plan. The settlement was an efficiency measure in view of the small number of employees in the plan and the relatively high fixed costs associated with maintaining the plan. The settlement has resulted in a settlement loss of \$82,000 in the current year. Ongoing savings are expected to be achieved in terms of plan operating costs and savings in management time needed to monitor the plan and manage the budgetary impacts from volatility in the liability calculation.

Office of the AUASB staff, including members of the former defined benefit plan, are defined contribution members of the Office's default superannuation plan or are members of superannuation plans of their own choosing.

The following tables summarise the components of net benefit expense recognised in the Statement of Comprehensive Income and the funded status and amounts recognised in the statement of financial position for the plan:

Statement of Financial Position 30 June 2015

| As at 30 June | 2015 | 2014 |
|---|-------------|------------------|
| | \$ | \$ |
| Defined Benefit obligation (DBO) [^] | - | 871,000 |
| Fair value of AASB Plan assets | - | (1,003,000) |
| Net superannuation (asset) | - | (132,000) |

[^] includes contributions tax provision

Statement of Comprehensive Income 2014-15

| Financial year ending | 2015 | 2014 |
|---|----------------|---------------|
| | \$ | \$ |
| Current service cost | 42,000 | 51,000 |
| Settlement losses | 82,000 | - |
| Net interest on net defined liability / (asset) | (3,000) | 3,000 |
| Superannuation expense | 121,000 | 54,000 |

Other Comprehensive Income 2014-15

| Financial year ending | 2015 | 2014 |
|---|-----------------|-----------------|
| | \$ | \$ |
| Remeasurements of net defined liability/asset: | | |
| Actuarial (gains)/losses on DBO | 207,000 | (14,000) |
| Return on Assets, excl amounts already recognised | (22,000) | (16,000) |
| Superannuation expense/(income) | 185,000 | (30,000) |

Progression in Net defined Benefit Liability

| Financial year ending | 2015 | 2014 |
|--|------------------|------------------|
| | \$ | \$ |
| Net superannuation liability / (asset) at start of year | (132,000) | 145,000 |
| Expense recognised in statement of comprehensive income | 121,000 | 54,000 |
| Remeasurements of net defined liability recognised in other comprehensive income | 185,000 | (30,000) |
| Employer contributions | (174,000) | (301,000) |
| Net superannuation (asset) at end of year | - | (132,000) |

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Reconciliation of the defined benefit obligation – 2014-15

| Financial year ending | 2015 | 2014 |
|--|--------------------|----------|
| | \$ | \$ |
| Present value of DBO at start of year | 871,000 | 841,000 |
| Current service cost | 42,000 | 51,000 |
| Settlement cost | 82,000 | - |
| Interest cost (at discount rate) | 22,000 | 24,000 |
| Contributions by AUASB members | 15,000 | 17,000 |
| Benefits transferred to accumulation on settlement | (1,211,000) | - |
| Taxes, premiums and expenses paid | (28,000) | (48,000) |
| Actuarial (gains)/losses - expenses | (17,000) | (3,000) |
| Actuarial (gains)/losses – financial assumptions | 200,000 | (11,000) |
| Actuarial (gains)/losses – demographic assumptions | 24,000 | - |
| Present value of DBO at end of year | - | 871,000 |

Reconciliation of AASB Plan assets

| Financial year ending | 2015 | 2014 |
|--|--------------------|-----------|
| | \$ | \$ |
| Fair value of AASB Plan assets at start of year | 1,003,000 | 696,000 |
| Expected return on AASB Plan assets | 25,000 | 21,000 |
| Employer Contributions | 174,000 | 301,000 |
| Contributions by AUASB members | 15,000 | 17,000 |
| Benefits paid | - | - |
| Benefits transferred to accumulation on settlement | (1,211,000) | - |
| Taxes, premiums and expenses paid | (28,000) | (48,000) |
| Return on assets, over and above expected return | 22,000 | 16,000 |
| Fair value of AASB Plan assets at end of year | - | 1,003,000 |

Actuarial assumptions

| As at | 30 June 2015 | 30 June 2014 | Comments |
|--|--|--------------|---|
| | % | % | |
| Discount rate | n/a | 3.0 | Based on 5-year Government bond rate, less allowance for investment tax |
| Salary inflation | n/a | 2.5 | |
| Expected return on assets | n/a | n/a | Based on Plan's mix of asset classes |
| Contributions tax rate | - | - | |
| Method of recognising actuarial gains and losses | Immediate recognition of actuarial gains and losses through retained earnings (now as a AASB119 requirement) | | |

Note 7: Cash Flow Reconciliation

| | 2015 | 2014 |
|--|--------------|-----------------------------|
| | \$ | \$ Restated ¹ |
| Reconciliation of net cost of services to net cash from operating activities: | | |
| Net cost of services ¹ | (2,340,374) | (2,165,436) |
| Add revenue from Government | 2,189,000 | 2,208,000 |
| Other movement in retained surplus – Long Service Leave adjustment ¹ | (85,914) | (71,219) |
| Other movement in retained surplus – defined benefit plan actuarial gain and losses | (185,000) | 30,000 |
| Adjustments for non-cash items: | | |
| Depreciation/amortisation | 89,906 | 86,340 |
| Lease incentive – amortisation | (42,973) | (42,973) |
| Lease – straight-line of lease | (25,634) | (17,412) |
| Provision for required restoration of premises | 2,666 | 2,588 |
| Changes in assets/liabilities: | | |
| (Increase)/decrease in net receivables | 112,562 | 220,835 |
| (Increase)/decrease in prepayments | (10,995) | (2,420) |
| Increase/(decrease) in superannuation provision | 132,000 | (277,000) |
| Increase/(decrease) in other employee provisions ¹ | 134,408 | 55,338 |
| Increase/(decrease) in supplier payables | 29,089 | (23,591) |
| Increase/(decrease) in other payables ¹ | 9,997 | 718 |
| Net cash from operating activities | 8,738 | 3,768 |

1. Comparative figures have been restated (refer Note 1.12).

Note 8: Senior Management Personnel Remuneration

| | 2015 | 2014 |
|---|----------------|-------------------------------|
| | \$ | \$ Restated ^{1,2} |
| Short-term employee benefits: | | |
| Salary ^{1,2} | 499,852 | 469,491 |
| Total short-term employee benefits | 499,852 | 469,491 |
| Post-employment benefits: | | |
| Superannuation | 50,001 | 48,002 |
| Total post-employment benefits | 50,001 | 48,002 |
| Other long-term benefits: | | |
| Annual leave | 42,140 | 39,919 |
| Long-service leave ^{1,2} | 13,696 | 13,507 |
| Total other long-term benefits | 53,836 | 53,426 |
| Total Senior Management Personnel Remuneration | 605,689 | 570,919 |

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The restatement of prior year's total Senior Management Personnel Remuneration has resulted in an increase of \$7,280. The restatement is due to:

1. The restatement of Long Service Leave provisions (refer Note 1.19) resulted in an increase of \$7,280.
2. Long service leave has been restated to reflect the expense rather than the movement in provision. This has resulted in a reclassification to correct an understatement of leave balances and an overstatement of salaries.

The total number of senior management personnel that are included in the above table is two (2014: two).

Note 9: Remuneration of Auditors

| | 2015 | 2014 |
|---|---------------|--------|
| | \$ | \$ |
| The fair value of the services provided: | | |
| Remuneration to the ANAO for auditing the financial statements for the reporting period | 28,000 | 24,000 |
| | 28,000 | 24,000 |

No other services were provided by the ANAO.

Note 10: Financial Instruments

Note 10A: Fair value of financial instruments

Financial instrument assets

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

Financial instrument liabilities

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

Note 10B: Credit risk

The Office of the AUASB is exposed to minimal credit risk with the maximum exposure arising from the default of a debtor. The amount is equal to the total amount of trade receivables of \$1,447 (2014: \$3,512).

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

Note 10C: 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.

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

Note 10D: 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 11: Appropriations

Table A: Annual Appropriations ('Recoverable GST exclusive')

| | 2015 \$ | 2014 \$ Restated ⁶ |
|---|------------------|-------------------------------------|
| Unspent Annual Appropriations ('Recoverable GST exclusive) – Opening balance (Table B) | | |
| Cash | 193,647 | 189,879 |
| Receivables | 1,049,087 | 1,261,541 |
| | 1,242,734 | 1,451,420 |
| Ordinary Annual Services | | |
| Annual Appropriation – Revenue from Government | | |
| Departmental appropriations ¹ | 2,189,000 | 2,208,000 |
| Departmental capital budget ^{2, 5} | 37,000 | 36,000 |
| PGPA Act – Section 74 (2014: FMA Act – Section 31) ³ | | |
| 3 rd party receipts transferred to Official Public Account | 34,452 | 33,217 |
| Total Appropriation - 2014/15 | 2,260,452 | 2,277,217 |
| Appropriation applied (current and prior years)³ | | |
| Employees | 1,620,418 | 1,779,107 |
| Suppliers | 757,388 | 732,863 |
| Purchase of plant and equipment | 9,753 | 28,933 |
| Less net GST received | (48,593) | (55,000) |
| Total appropriation applied (current and prior years) | 2,338,966 | 2,485,903 |
| Appropriation allocated to: | | |
| Prior year capital 2012/13 ⁵ | - | 2,370 |
| Prior year capital 2013/14 ⁵ | 1,657 | - |
| Prior year ordinary 2010/11 | - | 128,028 |
| Prior year ordinary 2011/12 | - | 536,826 |
| Prior year ordinary 2012/13 | 151,000 | 195,764 |
| Prior year ordinary 2013/14 | 644,864 | - |
| Total Prior years | 797,521 | 862,988 |
| Current year capital 2014/15 | 8,098 | 26,563 |
| Current year ordinary 2014/15 | 1,533,347 | 1,596,352 |
| Current year | 1,541,445 | 1,622,915 |
| Total appropriation applied (current and prior years) | 2,338,966 | 2,485,903 |
| Excess of appropriations applied over received⁴ | (78,514) | (208,686) |
| Unspent Annual Appropriations ('Recoverable GST exclusive) – Closing balance (Table B) | | |
| Cash | 202,385 | 193,647 |
| Receivables | 961,835 | 1,049,087 |
| | 1,164,220 | 1,242,734 |

1. Statement of Comprehensive Income.
2. Statement of Changes in Equity.
3. Cash flow statement - PGPA Act – Section 74 (2014: FMA Act – Section 31) appropriations are funds received from outside sources and transferred to the Official Public Account (OPA).
- 4 Variance:
 - (a) 2015 – a lump sum payment of \$151,000 was paid from prior year appropriations to wind up the Defined Benefit Fund.
 - (b) 2014 - a voluntary contribution of \$274,000 from prior year appropriations was made to the Defined Benefit Fund in 2013-2014.
 - (c) The Capital budget variance is due to IT infrastructure upgrades still in progress 2015: \$27,247 (2014: \$7,067)
5. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.
6. Prior year's total appropriation applied has been restated to correct the treatment of cash flow receivables and has decreased by \$56,314.

Table B: Unspent Annual Appropriations ('Recoverable GST exclusive')

| Authority | 2015 | 2014 |
|--|------------------|-------------|
| Appropriation Act 1 2012/13 | - | 588,433 |
| Appropriation Act 1 2013/14 | - | 644,864 |
| Appropriation Act 1 2014/15 | 1,127,537 | - |
| Appropriation Act 1 2013/14 - capital budget | 7,781 | 9,437 |
| Appropriation Act 1 2014/15 - capital budget | 28,902 | - |
| Total | 1,164,220 | 1,242,734 |

During 2013/14, the Office of the AUASB re-allocated the unspent balance of Appropriation (Act 1) 2011/12 to Appropriation (Act 1) 2012/13 to cover forward estimates period potential cash shortfalls.

Note 12: Compliance with Statutory Conditions for payments from the Consolidated Revenue Fund

On the basis of legal advice received during the current reporting period, the AUASB has identified payments made during the current and previous reporting periods which may not have met the statutory pre-conditions for a payment from the Consolidated Revenue Fund, and as a result, may potentially breach section 83 of the Constitution.

These potential breaches were the result of payments made to a member of AUASB senior management personnel who may have been paid in excess of their remuneration entitlement, as set out in Ministerial Determinations under section 236F of the *Australian Securities and Investments Commission Act 2001*. The potential overpayments, not exceeding \$150,000, occurred over the period 1 July 2012 to 30 June 2015.

The resolution of the matter is subject to further legal advice. As a result of this uncertainty, the AUASB has not amended the current year's financial statements, or those of previous reporting periods, to reflect any future recovery of potential overpayments.

The AUASB is working to limit the likelihood of overpayments of this nature occurring in the future, and will continue to monitor the risks associated with potential and actual breaches of section 83 of the Constitution in future reporting periods

Note 13: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2014-15 Portfolio Budget Statements (PBS) to the 2014-15 final outcome as presented in accordance with Australian Accounting Standards for the AASB. The Budget is not audited and where applicable, the original budget numbers have been reclassified to align with the financial statement.

Note 13A: Major Budget Variances for 2015

| Explanations of major variances | Footnote reference and affected statement (Note 13B) |
|--|--|
| Due to potential office move the planned capital purchases were put on hold. | 1 (SoFP and CFS) |
| The depreciation rate for some Intangibles was higher than budgeted. | 2 (SOCl) |
| Increase in prepaid expenses due to purchase of assets not received until July 2015. | 3 (SoFP) |
| Adjustment to long service leave (note 1.12). | 4 (SoFP) |
| Defined Benefit Fund wind up (note 6(ii)). | 5 (SoCl, SoFP, SoCE and CFS) |
| Section 74 3rd party receipts, drawn down from Appropriations, are shown in other cash received in the budget. | 6 (CFS) |

Note 13B: Net Cost of Outcome Delivery

Statement of Comprehensive Income

for the period ended 30 June 2015

| | Actual | Budget estimate | |
|--|------------------|------------------|------------------|
| | | Original | Variance |
| | \$ | \$ | \$ |
| EXPENSES | | | |
| Employee benefits ⁵ | 1,615,912 | 1,536,000 | 79,912 |
| Supplier expenses | 465,831 | 481,000 | (15,169) |
| Operating lease rentals – minimum lease payments | 228,046 | 228,000 | 46 |
| Depreciation | 78,183 | 79,000 | (817) |
| Amortisation ² | 11,723 | 10,000 | 1,723 |
| Finance costs | 3,131 | 3,000 | 131 |
| Total expenses | 2,402,826 | 2,337,000 | 65,826 |
| LESS: | | | |
| OWN-SOURCE INCOME | | | |
| Own-source revenue | | | |
| Rental income | 34,452 | 35,000 | (548) |
| Audit Services | 28,000 | 24,000 | 4,000 |
| Total own-source revenue | 62,452 | 59,000 | 3,452 |
| Net cost of services | 2,340,374 | 2,278,000 | 62,374 |
| Revenue from Government – departmental appropriations | 2,189,000 | 2,189,000 | - |
| Deficit attributable to the Australian Government | (151,374) | (89,000) | (62,374) |
| OTHER COMPREHENSIVE INCOME | | | |
| Remeasurements of net defined liability ⁵ | (185,000) | - | (185,000) |
| Total other comprehensive deficit | (185,000) | - | (185,000) |
| Total comprehensive deficit attributable to the Australian Government⁵ | (336,374) | (89,000) | (247,374) |

Statement of Financial Position
as at 30 June 2015

| | Actual | Budget estimate | |
|--|------------------|------------------|------------------|
| | | Original | Variance |
| | \$ | \$ | \$ |
| ASSETS | | | |
| Financial assets | | | |
| Cash and cash equivalents | 202,385 | 200,000 | 2,385 |
| Trade and other receivables ¹ | 978,381 | 926,000 | 52,381 |
| Total financial assets | 1,180,766 | 1,126,000 | 54,766 |
| Non-financial assets | | | |
| Plant and equipment ¹ | 96,262 | 112,000 | (15,738) |
| Intangibles ¹ | 9,336 | 27,000 | (17,664) |
| Prepaid expenses ³ | 17,522 | 4,000 | 13,522 |
| Total non-financial assets | 123,120 | 143,000 | (19,880) |
| Total assets | 1,303,886 | 1,269,000 | 34,886 |
| LIABILITIES | | | |
| Payables | | | |
| Suppliers | 63,349 | 51,000 | 12,349 |
| Other payables ⁴ | 129,878 | 137,000 | (7,122) |
| Total payables | 193,227 | 188,000 | 5,227 |
| Provisions | | | |
| Employee provisions ⁴ | 385,591 | 199,000 | 186,591 |
| Other provisions | 90,372 | 91,000 | (628) |
| Total provisions | 475,963 | 290,000 | 185,963 |
| Total liabilities | 669,190 | 478,000 | 191,190 |
| Net assets | 634,696 | 791,000 | (156,304) |
| EQUITY | | | |
| Contributed equity | 200,000 | 200,000 | - |
| Asset revaluation reserve | 38,995 | 39,000 | (5) |
| Retained surplus ^{4,5} | 395,701 | 552,000 | (156,299) |
| Total equity | 634,696 | 791,000 | (156,304) |

Statement of Changes in Equity for the period ended 30 June 2015

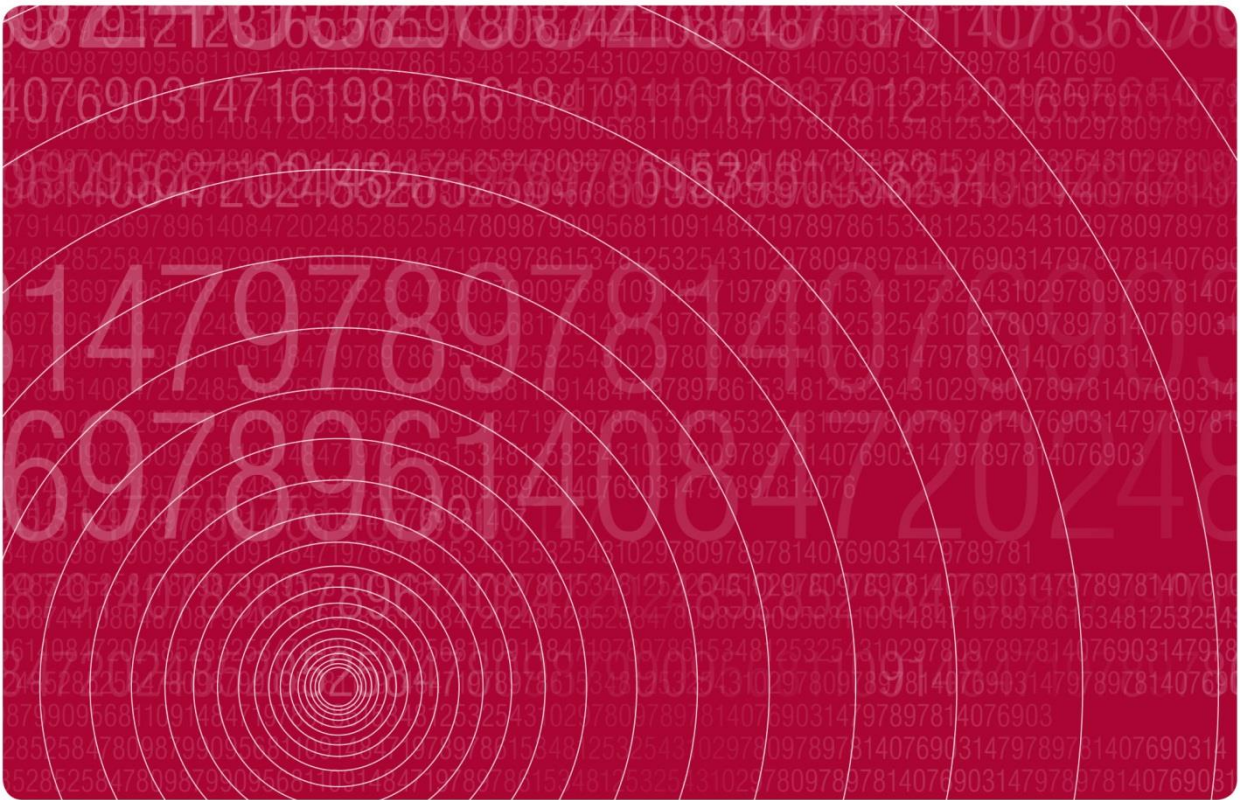
| | Retained earnings | | | Asset revaluation reserve | | | Contributed equity/capital | | | Total equity | | |
|--|-------------------|-----------------|-----------|---------------------------|-----------------|----------|----------------------------|-----------------|----------|------------------|-----------------|-----------|
| | Actual | Budget Estimate | | Actual | Budget Estimate | | Actual | Budget Estimate | | Actual | Budget Estimate | |
| | | Original | Variance | | Original | Variance | | Original | Variance | Original | Variance | |
| | 2015 | 2015 | 2015 | 2015 | 2015 | 2015 | 2015 | 2015 | 2015 | 2015 | 2015 | |
| Opening balance | | | | | | | | | | | | |
| Balance carried forward from previous period | 732,075 | 731,000 | 1,075 | 38,995 | 39,000 | (5) | 163,000 | 127,000 | 36,000 | 934,070 | 897,000 | 37,070 |
| Actuarial losses ⁵ | (185,000) | - | (185,000) | - | - | - | - | - | - | (185,000) | - | (185,000) |
| Deficit for the period | (151,374) | (90,000) | (61,374) | - | - | - | - | - | - | (151,374) | (90,000) | (61,374) |
| Total comprehensive deficit | (336,374) | (90,000) | (246,374) | - | - | - | - | - | - | (336,374) | (90,000) | (246,374) |
| Attributable to the Australian Government | (336,374) | (90,000) | (246,374) | - | - | - | - | - | - | (336,374) | (90,000) | (246,374) |
| Departmental capital budget | - | - | - | - | - | - | 37,000 | 36,000 | 1,000 | 37,000 | 36,000 | 1,000 |
| Closing balance as at 30 June | 395,701 | 641,000 | (245,299) | 38,995 | 39,000 | (5) | 200,000 | 163,000 | 37,000 | 634,696 | 843,000 | (208,304) |

Cash Flow Statement

for the period ended 30 June 2015

| | Actual | Budget estimate | |
|--|------------------|------------------|-----------------|
| | | Original | Variance |
| | 2015 | 2015 | 2015 |
| | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | |
| Cash received | | | |
| Department appropriations ^{5 6} | 2,337,951 | 2,189,000 | 148,951 |
| Receipts from Government | - | - | - |
| Net GST received | 48,593 | | 48,593 |
| Other cash received ⁶ | 38,587 | 55,000 | (16,413) |
| Total cash received | 2,425,131 | 2,244,000 | 181,131 |
| Cash used | | | |
| Employees ⁵ | 1,620,418 | 1,498,000 | 122,418 |
| Suppliers | 757,388 | 746,000 | 11,388 |
| Net GST paid | 4,135 | | 4,135 |
| Section 74 3 rd party receipts transferred to Official Public Account | 34,452 | - | 34,452 |
| Total cash used | 2,416,393 | 2,244,000 | 172,393 |
| Net cash flows from operating activities | 8,738 | - | 8,738 |
| INVESTING ACTIVITIES | | | |
| Cash used | | | |
| Purchase of plant and equipment ¹ | 9,753 | 37,000 | (27,247) |
| Total cash used | 9,753 | 37,000 | (27,247) |
| Net cash flows used by investing activities | (9,753) | (37,000) | 27,247 |
| FINANCING ACTIVITIES | | | |
| Cash received | | | |
| Contributed equity ¹ | 9,753 | 37,000 | (27,247) |
| Total cash received | 9,753 | 37,000 | (27,247) |
| Net cash flows from financing activities | 9,753 | 37,000 | (27,247) |
| Net increase in cash held | 8,738 | - | 8,738 |
| Cash and cash equivalents at the beginning of the reporting period | 193,647 | 200,300 | (6,653) |
| Cash and cash equivalents at the end of the reporting period | 202,385 | 200,300 | 2,085 |

Appendices





APPENDIX A

AUASB LEGISLATIVE REQUIREMENTS

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

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

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

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

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

Other relevant objectives of Part 12 are summarised below:

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

APPENDIX B

ATTENDANCE AT AUASB MEETINGS

The AUASB held seven meetings during 2014–15 for a total of seven meeting days. Member attendance is shown in the table below:

| Members | Number of days eligible to attend | Number of days attended | Apologies (days) |
|----------------------------|--|--------------------------------|-------------------------|
| M Kelsall (Chairman) | 7 | 6 | 1 |
| G Pound (Deputy Chairman)* | 3 | 3 | 0 |
| J Cain | 7 | 6 | 1 |
| N Cherry | 7 | 5 | 2 |
| V Clifford | 7 | 7 | 0 |
| J Gavens** | 7 | 5 | 2 |
| C George | 7 | 7 | 0 |
| R. Low | 7 | 6 | 1 |
| N Martinov-Bennie | 7 | 7 | 0 |
| C Mc Cabe | 7 | 6 | 1 |
| J Meade | 7 | 7 | 0 |
| C Murphy | 7 | 7 | 0 |
| B Szentirmay | 7 | 7 | 0 |

* Retirement on 30 December 2014, Mr G Pound.

** Retirement on 30 June 2015, Mr J Gavens.

APPENDIX C

OTHER MANDATORY REQUIREMENTS

OCCUPATIONAL HEALTH AND SAFETY

The AUASB has fewer 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*.

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 2014–15 financial year.

FREEDOM OF INFORMATION

Information Publication Scheme

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

ADVERTISING AND MARKET RESEARCH

The AUASB did not carry out any advertising or market research during the 2014–15 financial year.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE REPORTING

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

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

The principal environmental impact minimisation activities employed are:

- Waste management, through a fully commingled and organic recycling programme;

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- Energy efficient practises in lighting, air-conditioning and computer use;
- Limited water use; and
- Travel restrictions limiting meetings to only essential obligations. Teleconferencing and videoconferencing are used whenever possible.

DISCRETIONARY GRANTS

The AUASB did not administer any discretionary grant programs in the 2014–15 financial year.

APPENDIX D

AGENCY RESOURCE STATEMENT AND RESOURCES FOR OUTCOMES

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, except for a deficit incurred as a result of winding up the defined benefit superannuation fund and recalculating employee entitlements.

Agency Summary Resource Table by Outcomes

Office of the AUASB: Resources for outcomes 2014-15

| | Budget \$ | Actual Expenses \$ | Variation \$ |
|---|------------------|--------------------------|-----------------|
| 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 | | | |
| Departmental expenses | | | |
| Ordinary annual services (Appropriation Bill No. 1) | 2,189,000 | 2,250,468 | (61,468) |
| Revenues from independent sources (PGPA Act - section 74) | 35,000 | 34,452 | 548 |
| Expenses not requiring appropriation | 113,000 | 117,906 | (4,906) |
| Less revenue to be carried forward | - | - | - |
| Total for Outcome 1 | 2,337,000 | 2,397,484 | (60,484) |

APPENDIX E

GLOSSARY

The following terms used in the AUASB's Annual Report have the following meanings:

| Term | Meaning |
|---|---|
| Pronouncements Issued by the AUASB | |
| Pronouncements | Standards and Guidance Statements |
| AUASB Standards | Standards issued by the AUASB, comprising: <ul style="list-style-type: none">(a) Australian Auditing Standards;(b) Standards on Review Engagements;(c) Standards on Assurance Engagements; and(d) Standards on Related Services. |
| Australian Auditing Standards | Australian Auditing Standards means the suite of auditing standards issued by the AUASB, comprising: <ul style="list-style-type: none">(a) Auditing Standards made under section 336 of the <i>Corporations Act 2001</i>;(b) <i>ASA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i>; and(c) <i>ASA 810 Engagements to Report on Summary Financial Statements</i>. |
| Auditing Standards | Auditing Standards made under section 336 of the <i>Corporations Act 2001</i> , and include : <ul style="list-style-type: none">(a) <i>ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i>;(b) <i>ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity</i>; and(c) <i>ASRE 2415 Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation</i>. |
| Amending Standard | A standard used to amend an existing Auditing Standard made under section 336 of the <i>Corporations Act 2001</i> . |

| Term | Meaning |
|------------------------------------|---|
| Compiled Standard | A standard that comprises the aggregation of an original Auditing Standard with one or more amending standards. |
| Standards on Review Engagements | These standards apply only to reviews of historical financial information. |
| Standards on Related Services | These standards apply only to engagements other than assurance engagements covered by Australian Auditing Standards, Standards on Review Engagements or Standards on Assurance Engagements. |
| Standards on Assurance Engagements | These standards apply only to engagements other than audits or reviews of historical financial information. |
| Guidance Statement | A Guidance Statement (GS) is issued when the AUASB wishes to provide guidance on procedural matters; or on entity or industry specific matters. GSs are designed to provide assistance to auditors and assurance practitioners to assist them in fulfilling the objectives of the engagement. |

Types of Engagements covered by the AUASB Standards

| | |
|------------------------------------|---|
| Assurance Engagement | An engagement in which an assurance practitioner (including auditors) expresses a conclusion designed to enhance the degree of confidence of the intended user about the outcome of the evaluation or measurement of a subject matter against criteria. |
| Reasonable Assurance Engagement | <p>An assurance engagement where the assurance practitioner's objective is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the assurance engagement as the basis for a positive form of expression of the assurance practitioner's conclusion.</p> <p>A reasonable assurance engagement is commonly referred to as an audit.</p> |
| Limited Assurance Engagement | <p>A limited assurance engagement means an assurance engagement where the assurance practitioner's objective is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the assurance engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the assurance practitioner's conclusion.</p> <p>A limited assurance engagement is commonly referred to as a review.</p> |
| Standards on Assurance Engagements | An assurance engagement in which an assurance practitioner expresses a conclusion, after evaluating an entity's compliance with the requirements as measured by the suitable criteria. Standards on assurance engagements are engagements other than audits or reviews of historical financial information. |

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| Term | Meaning |
|-------------------------------|---|
| Standards on Related Services | Standards on related services are engagements where no assurance is provided. |

APPENDIX F

LIST OF REQUIREMENTS

| Description | Requirement | Page/s |
|---|-----------------------------------|---------|
| Introduction | | |
| Letter of transmittal | Mandatory | iii |
| Table of contents | Mandatory | v |
| Index | Mandatory | 82 |
| Glossary | Mandatory | vii, 74 |
| Contact officer(s) | Mandatory | ix |
| Internet home page address and Internet address for report | Mandatory | ix |
| Review by Secretary | | |
| Review by departmental secretary | Mandatory | 11 |
| Summary of significant issues and developments | Suggested | 11 |
| Overview of department's performance and financial results | Suggested | 19 |
| Outlook for following year | Suggested | n/a |
| Significant issues and developments – portfolio | Suggested | n/a |
| Departmental Overview | | |
| Role and functions | Mandatory | 21 |
| Organisational structure | Mandatory | 28 |
| Outcome and programme structure | Mandatory | 21 |
| Where outcome and program structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change | Mandatory | 21 |
| Portfolio structure | Portfolio departments - mandatory | n/a |
| Report on Performance | | |
| Review of performance during the year in relation to programs and contribution to outcomes | Mandatory | 22 |
| Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements | Mandatory | 22 |

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| Description | Requirement | Page/s |
|---|--------------------------|---------------|
| Where performance targets differ from the PBS/ PAES, details of both former and new targets, and reasons for the change | Mandatory | 22 |
| Narrative discussion and analysis of performance | Mandatory | 22 |
| Trend information | Mandatory | 22 |
| Significant changes in nature of principal functions/ services | Suggested | n/a |
| Performance of purchaser/provider arrangements | If applicable, suggested | n/a |
| Factors, events or trends influencing departmental performance | Suggested | n/a |
| Contribution of risk management in achieving objectives | Suggested | n/a |
| Performance against service charter customer service standards, complaints data, and the department's response to complaints | If applicable, mandatory | n/a |
| Discussion and analysis of the department's financial performance | Mandatory | 73 |
| Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations. | Mandatory | 73 |
| Agency resource statement and summary resource tables by outcomes | Mandatory | 73 |
| Management and Accountability | | |
| Corporate Governance | | |
| Agency heads are required to certify that their agency's actions in dealing with fraud. | Mandatory | 31 |
| Statement of the main corporate governance practices in place | Mandatory | 27 |
| Names of the senior executive and their responsibilities | Suggested | 29 |
| Senior management committees and their roles | Suggested | 28 |
| Corporate and operational planning and associated performance reporting and review | Suggested | n/a |
| Internal audit arrangements including approach adopted to identifying areas of significant financial or operational risk and arrangements to manage those risks | Suggested | n/a |
| Policy and practices on the establishment and maintenance of appropriate ethical standards | Suggested | 31 |
| How nature and amount of remuneration for SES officers is determined | Suggested | n/a |

Appendix F: List of Requirements

| Description | Requirement | Page/s |
|---|--------------------------|---------------|
| External Scrutiny | | |
| Significant developments in external scrutiny | Mandatory | 32 |
| Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner | Mandatory | 32 |
| Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman or an agency capability review | Mandatory | 32 |
| Management of Human Resources | | |
| Assessment of effectiveness in managing and developing human resources to achieve departmental objectives | Mandatory | 33 |
| Workforce planning, staff retention and turnover | Suggested | n/a |
| Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and Australian Workplace Agreements (AWAs) | Suggested | n/a |
| Training and development undertaken and its impact | Suggested | n/a |
| Work health and safety performance | Suggested | 71 |
| Productivity gains | Suggested | n/a |
| Statistics on staffing | Mandatory | 33 |
| Statistics on employees who identify as Indigenous | Mandatory | 33 |
| Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs | Mandatory | 33 |
| Performance pay | Mandatory | 33 |
| Assets management | | |
| Assessment of effectiveness of assets management | If applicable, mandatory | n/a |
| Purchasing | | |
| Assessment of purchasing against core policies and principles | Mandatory | 34 |

| Description | Requirement | Page/s |
|--|--------------------------|---------------|
| Consultants | | |
| The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website. | Mandatory | 34 |
| Australian National Audit Office Access Clauses | | |
| Absence of provisions in contracts allowing access by the Auditor-General | Mandatory | 34 |
| Exempt contracts | | |
| Contracts exempt from publication in AusTender | Mandatory | 34 |
| Procurement initiatives to support small business | Mandatory | 35 |
| Financial Statements | Mandatory | 36 |
| Other Mandatory Information | | |
| Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>) | Mandatory | 71 |
| Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns | Mandatory | 71 |
| Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>) | Mandatory | 71 |
| Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i> | If applicable, mandatory | n/a |
| Grant programmes | Mandatory | 72 |
| Disability reporting – explicit and transparent reference to agency-level information available through other reporting mechanisms | Mandatory | 35 |
| Information Publication Scheme statement | Mandatory | 71 |
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