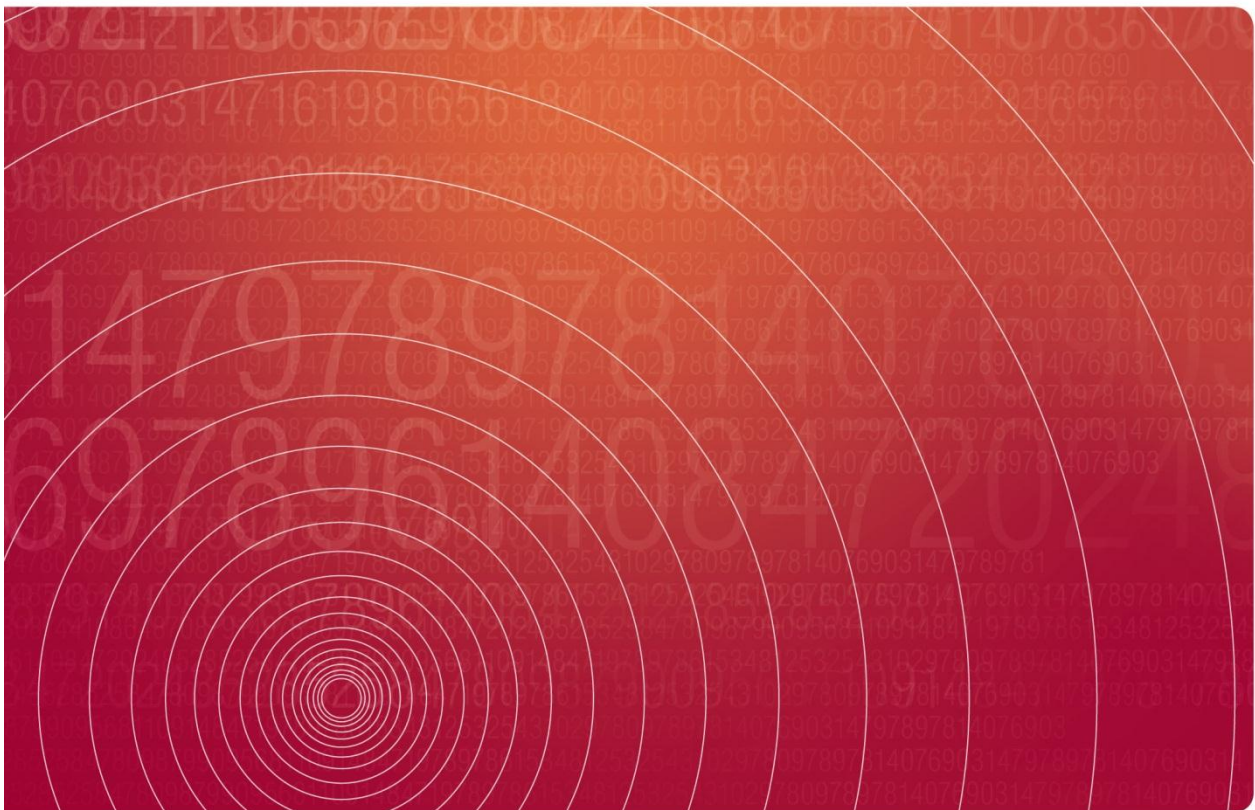




Australian Government  
Auditing and Assurance Standards Board

# 2010-11 Annual Report





# **Auditing and Assurance Standards Board**

Annual Report 2010–11

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## LETTER OF TRANSMITTAL

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4 October 2011

The Honourable Wayne Swan, MP  
Deputy Prime Minister and Treasurer  
Parliament House  
Canberra ACT 2600

Dear Deputy Prime Minister

I have pleasure in presenting the annual report of the Auditing and Assurance Standards Board (AUASB) and the Office of the Auditing and Assurance Standards Board for the year ended 30 June 2011.

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

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

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The following abbreviations are used throughout this report:

AASB	Australian Accounting Standards Board
AICD	Australian Institute of Company Directors
ANAO	Australian National Audit Office
APRA	Australian Prudential 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
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
AUASB	Auditing and Assurance Standards Board
AuASB	Auditing and Assurance Standards Board (to 30 June 2004)
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CDS	Commonwealth Disability Strategy
CLERP 9 Act	<i>Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004</i>
CPAA	CPA Australia
DCCEE	Department of Climate Change and Energy Efficiency
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMO	Finance Minister's Orders
FRC	Financial Reporting Council
FRLI	Federal Register of Legislative Instruments
GST	Goods and Services Tax
IAASB	International Auditing and Assurance Standards Board

## ABBREVIATIONS (CONTINUED)

ICAA	The Institute of Chartered Accountants in Australia
IPA	Institute of Public Accountants
ISA	International Standard on Auditing
ISQC	International Standard on Quality Control
NGER Act	<i>National Greenhouse and Energy Reporting Act 2007</i>
NSS	National Standard Setters
NZAuASB	New Zealand Auditing and Assurance Standards Board
OBPR	Office of Best Practice Regulation
OHSC	Occupational Health and Safety Committee
PSA	<i>Public Service Act 1999</i>
PSB	Professional Standards Board – New Zealand
RIS	Regulation Impact Statement
SBR	Standard Business Reporting
SMEs	Small and Medium Enterprises
TTAASAG	Trans-Tasman Accounting and Auditing Standards Advisory Group
WASB	Water Accounting Standards Board
XBRL	Extensible Business Reporting Language
XRB	External Reporting Board – New Zealand

## CONTACT DETAILS

Executive Director  
Auditing and Assurance Standards Board

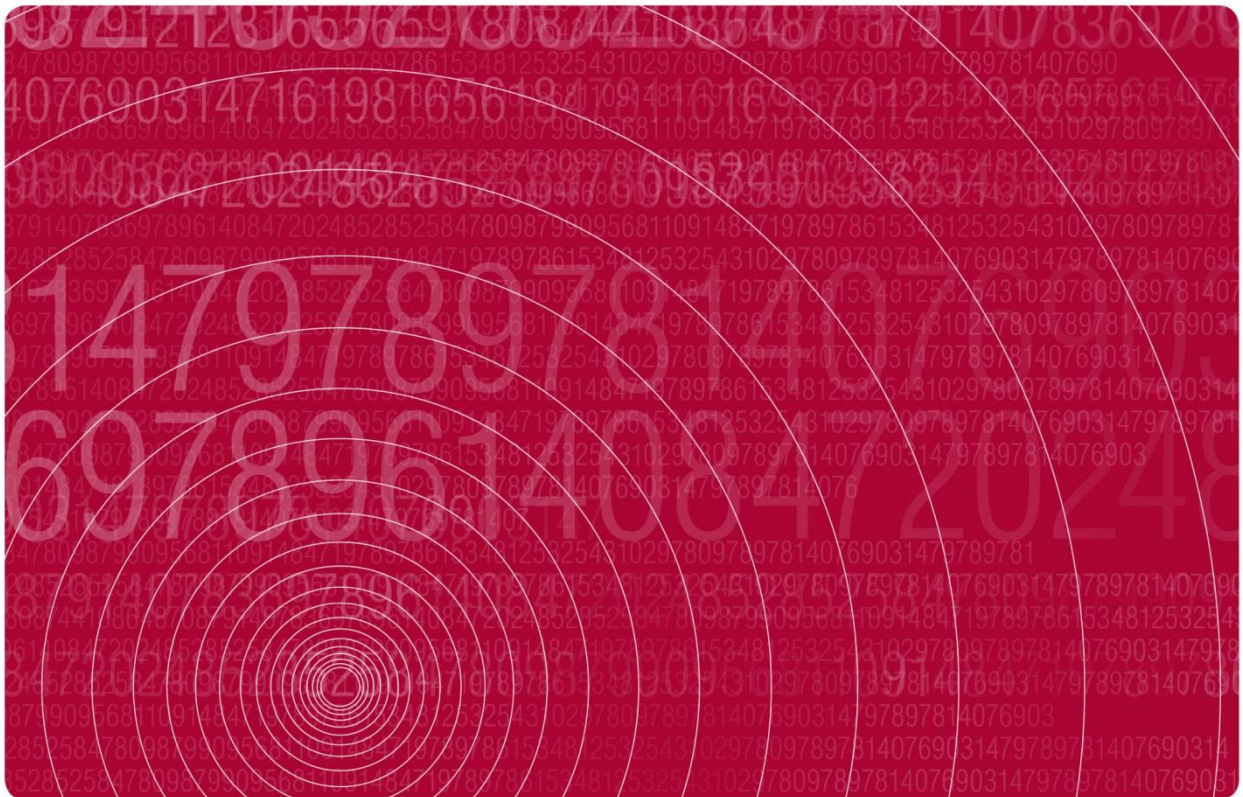
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## Chairman's Review







## CHAIRMAN'S REVIEW

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### INTRODUCTION



There are a number of current and emerging strategic issues affecting auditing and assurance practitioners. Necessarily, these issues impact on the work of the Auditing and Assurance Standards Board (AUASB).

Following the global financial crisis there has been considerable debate on auditing-related issues, including audit quality, the role of the auditor and auditor reporting. There is a considerably heightened focus on the independence of auditors and greater scrutiny over the scepticism and professional judgement exercised by auditors, and as a consequence, also growing international pressure for greater regulation of auditors.

It is important to recognise that a major focus of the International Auditing and Assurance Standards Board (IAASB) and the AUASB over the past three to four years has been the revision and re-issue of the Australian Auditing Standards (ASAs) in *Clarity* format. The IAASB issued its suite of *Clarity* auditing standards in 2009 effective for reporting periods beginning on or after 15 December 2009, and the AUASB released conforming *Clarity* auditing standards in 2009, operative for financial reporting periods that commenced on or after 1 January 2010. These revised auditing standards significantly increased the requirements on auditors in a number of areas of concern, including accounting estimates, using the work of experts, group audits and communicating with audit committees. These standards, which are now applied by auditors, address many of the areas of concern raised during the crisis.

Whilst the auditing standards are considered to be robust and have stood up well in the wake of the global financial crisis, we have and will continue to actively participate in the various forums addressing relevant concerns, and to revise and issue auditing standards and guidance that enhance and improve reporting by auditors.

Accordingly, to achieve our objectives during the past year, the AUASB agenda concentrated on:

- further facilitating the implementation of the *Clarity* ASAs via presentations and articles in professional journals
- monitoring the implementation of the *Clarity* ASAs

- issuing new standards and guidance to address specific industry and regulatory requirements
- increasing the AUASB's influence internationally by membership of the IAASB and participation in IAASB task forces
- obtaining greater input from stakeholders in making submissions on IAASB exposure drafts and discussion papers via round table discussions
- keeping pace with international and local developments on issues highlighted during the global financial crisis such as audit quality, the role of the auditor and the value of assurance
- liaison with the New Zealand Professional Standards Board
- ensuring the AUASB's processes are open and transparent with its stakeholders and receptive to their input and feedback.

During the year, the AUASB issued an amending standard and 26 compiled standards, a standard on related services, two exposure drafts, three guidance statements and made 10 formal submissions to the IAASB and other regulators. Members and staff of the AUASB held roundtable discussions on international submissions and presented to outside groups on numerous occasions.

## FORMULATE AND MAINTAIN PRONOUNCEMENTS

### Auditing Standards

The ASAs revised and redrafted in *Clarity* format were issued in 2009 and are operative for financial reporting periods commencing on or after 1 January 2010. These standards conform with the equivalent International Standards on Auditing (ISAs) issued by the IAASB, thereby promoting the consistent application of auditing standards globally.

With the issue of the *Clarity* ASAs, the AUASB's primary initiative has shifted to contributing to their successful implementation. To this end, the AUASB has undertaken and will continue to undertake significant work to communicate to auditors and other assurance practitioners the key changes in the ASAs that resulted from their redrafting and revision. This work includes making various presentations in informational sessions in various cities, which started in the prior period and continued throughout 2010–2011.



In view of the above, the AUASB undertook the following activities in the year ended 30 June 2011:

- presentations at a number of conferences in conjunction with the professional accounting bodies and various firms
- development of articles, that highlighted key principles and major changes in the revised and redrafted ASAs, for publication in the professional accounting body journals
- monitoring the implementation of the revised and redrafted ASAs, including providing feedback to the IAASB through its *Clarity* ISA implementation project task force.

In addition, the AUASB released ASA 2011-1 *Amendments to Australian Auditing Standards* in June 2011. The standard includes amendments to ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* and other miscellaneous minor amendments. Compiled standards for 26 auditing standards amended by ASA 2011-1 were also released on 27 June 2011.

## Other Standards and Guidance

The AUASB's work during the year included the release of a new standard on related services and guidance statements to address specific industry and regulatory requirements. Additionally, the AUASB revised existing auditing and assurance pronouncements.

New standard on related services issued for:

- agreed-upon procedures to report factual findings.

New guidance issued on:

- special considerations in the audit of risk management requirements for registrable superannuation franchising code of conduct – auditor's reports
- franchising code of conduct – auditors' reports
- auditing fundraising revenue of not-for-profit entities.

The AUASB also completed the revision of other auditing and assurance standards and guidance statements based on amendments to regulations and accounting standards, changes to related ASAs, legal and international developments and changes in best practice.

## **Compliance**

The AUASB undertook considerable effort to ensure it complied with the Australian Government's Best Practice Regulation requirements, administered through the Office of Best Practice Regulation (OBPR).

## **CONTRIBUTE TO AND INFLUENCE INTERNATIONAL STANDARD SETTING**

### **Appointments to the IAASB and international taskforces**

On 1 January 2011, I was appointed to the Board of the IAASB and subsequently to the IAASB task forces on Audit Quality and ISA Implementation Monitoring projects. The Executive Director of the AUASB, Mr Richard Mifsud, also attends IAASB meetings as my technical advisor.

The following AUASB members also participate as members of IAASB taskforces, which are working to revise IAASB standards:

- Ms Dianne Azoor Hughes - Review Engagements and Compilation Engagements projects
- Mr David Simmonds - Assurance on Pro-forma Financial Information project.

### **Submissions to the IAASB**

The AUASB actively monitors IAASB activities and provides submissions on IAASB exposure drafts and requests for comments. Submissions were made on the following key issues:

- IAASB strategy and work plan 2012–2014
- assurance on Greenhouse Gas Statements
- assurance reports on the process to prepare pro-forma financial information
- reviews of historical financial information
- special considerations in auditing complex financial instruments
- the evolving nature of financial reporting: disclosure and its audit implications
- using the work of internal auditors (including identifying and assessing the risks of material misstatement).

In addition to feedback from website communication, we received valuable input from roundtable discussions and individual meetings held with stakeholders during the year. This feedback was considered in formulating the AUASB submissions to the IAASB.

## **National Standard Setters Meeting**

In late April 2011, the AUASB Executive Director, Mr Richard Mifsud and I attended the National Standard Setters Meeting in Toronto, where delegates from 16 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 an opportunity to influence the IAASB strategic agenda.

## **Liaison with New Zealand**

During the year, I also participated in meetings of the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG), which brings together governmental and other stakeholders to work towards harmonisation of requirements and structures between Australia and New Zealand.

The strategy to work more closely with New Zealand is well underway. From 1 July 2011, structural changes in New Zealand established the External Review Board (XRB) and the New Zealand Auditing and Assurance Standards Board (NZAuASB), that are the equivalent of the Australian standard setting and oversight boards. Cross appointment of the Chairmen of the AUASB and NZAuASB to the respective boards from 1 July has enhanced the relationship and we are addressing the potential opportunity to progress joint initiatives on auditing and assurance matters.

## COMMUNICATE AND CONSULT WITH CONSTITUENTS

### Speaking engagements

Senior AUASB staff members and I participated in various speaking engagements during the year, focusing on the implications of the auditing and assurance standards for the profession and the current and future direction of the AUASB. These engagements included CPA Australia Sydney Congress, CPA Week Perth Conference, CPA Australia 2010 International Partnership Program, ICAA Audit Conference, ICAA Business Forum, ICAA National SMSF Conference and the audit conferences of various audit firms.

I also presented at the Financial Reporting and Audit Conference at the Victoria University of Wellington, New Zealand, on addressing the scope of assurance and provided an update on developments with regard to review engagements.

### Consultative Meeting

The annual Consultative Meeting with stakeholders was very successful in gaining valuable input from constituents on the AUASB's initiatives. The Consultative Meeting was held in Melbourne on 30 November 2010 and the next meeting is scheduled for 29 November 2011.

### Submissions

Submissions were made to various external organisations on matters of relevance to audit and assurance. These included responses to the following:

- the Australian Professional and Ethical Standards Board (APESB) on the proposed revision of the Code of Ethics for Professional Accountants (APES 110)
- the Australian Securities and Investments Commission on the *Consultation Paper: Disclosing financial information other than in accordance with accounting standards*.

## 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 for each Board meeting summarising the significant news and activities of various standard-setting bodies.

## RESPOND TO EMERGING ISSUES

### Audit quality

Considerable international debate around the issue of audit quality in the wake of the global financial crisis continues. Governments, regulators and standard-setting bodies are actively engaged in understanding the key issues surrounding audit quality. Both the European Commission (Green Paper: *Audit Policy: Lessons from the Crisis*, October 2010) and IAASB (*Audit Quality, an IAASB Perspective*, January 2011) have actively sought to take a leadership role around the audit quality debate by releasing discussion papers on the subject. Both discussion papers highlight key issues affecting audit quality and potential initiatives that can be taken to address concerns around the quality and performance of audits.

Significantly, I was appointed as a member of the IAASB from 1 January 2011 and also to the IAASB task force on Audit Quality. This provides an opportunity for the AUASB to both influence and to be appropriately informed on matters affecting the audit quality debate.

Other activities on audit quality during the year included:

- In July 2010, I participated in panel briefings for the Australian Institute of Company Directors held in Hobart and Melbourne which were attended by representatives of the ICAA, ASIC and practitioners.
- In November 2010, the Executive Director and I participated in stakeholder meetings conducted by Treasury.
- Key stakeholders were also involved in a short survey on Audit Quality.

### Emerging issues

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

- Department of Climate Change and Energy Efficiency (DCCEE), regarding assurance on sustainability matters relating to the Clean Energy Scheme and National Greenhouse and Energy Reporting Scheme reports and audit requirements
- APRA regarding audit requirements of various prudential standards for APRA-regulated entities
- ASIC in relation to its audit inspection regime and audit requirements of the *Corporations Act 2001* and various regulatory guides

- Treasury, regarding the Standard Business Reporting program (see also XBRL below), Audit Quality paper and Corporate Reporting Reform program
- XBRL Australia, in relation to international and local developments and the need for and the need for assurance on XBRL.

## Assurance on water accounting reports

The Water Accounting Standards Board (WASB), an independent advisory board to the Australian Government's Bureau of Meteorology, is working with the water industry to develop consistent standards for water accounting. During the year, the AUASB commenced working with the WASB on the development of an assurance standard for water accounting reports. A consultation paper on the proposed assurance standard has subsequently been released.

## Climate change

The AUASB continues to liaise with DCCEE regarding the development of audit requirements for reports prepared under the *Clean Energy Scheme and National Greenhouse and Energy Reporting Act* (NGER Act) 2007.

## OUTLOOK

The AUASB will continue to monitor the implementation of the *Clarity* standards, with a view to determining whether the new standards, with their revised format, are being understood and applied consistently by auditors, and providing auditors with the tools to perform their work efficiently and effectively in an ever changing and increasingly more complex market place. Feedback on implementation will be shared with the IAASB.

The AUASB will continue to assist with the implementation of the *Clarity* standards by participating in presentations at seminars and conferences to be conducted by the major accounting bodies and publishing articles in relevant professional journals.

The AUASB will also continue to participate in and closely monitor IAASB projects for any implications on the Australian auditing standards and guidance.

The AUASB will monitor the AASB Reduced Disclosure Regime project to determine the potential impact on audit practice. The proposed new accounting standards are expected to significantly reduce the disclosure burden of many entities preparing general purpose financial reports in Australia and, consequently, there are likely to be direct impacts on the audit of certain entities.

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

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

Revised assurance standards on -

- assurance engagements
- compliance engagements
- internal control and the effectiveness of control procedures
- fundraisings and prospective information
- performance engagements.

New assurance standards on -

- greenhouse gas emissions
- water accounting reports – in conjunction with the WASB.

New standard on related services -

- comfort letters engagements.

Revised guidance statements on -

- auditing complex financial statements
- auditing self-managed superannuation funds
- auditing service organisations
- engagements for the audit of grant acquittals – new guidance.

The AUASB will also continue to liaise with the DCCEE regarding assurance on sustainability matters relating to the *Clean Energy Scheme* and National Greenhouse and Energy Reporting Scheme reports.

Emerging issues will be monitored and responded to in a timely manner, including professional scepticism, quality of audit and the possibility of continuous audit.

## ACKNOWLEDGEMENTS

I would like to thank the members of the AUASB for their considerable contributions over the past year. I especially would like to thank Mr Chris Hall and Dr Christine Jubb who retired on 31 December 2010, after serving for more than four and five years respectively as Board members.

Ms Valerie Clifford, Mr John Gavens and Mr John Tyers were re-appointed as members of the AUASB following expiration of their previous terms.

Particular thanks go to the FRC and its Chairmen, Mr Jeffrey Lucy AM, until 31 December 2010, and Ms Lynn Wood, from 1 January 2011, for providing strategic oversight and support of AUASB activities.

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

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



Merran H Kelsall  
Chairman  
October 2011



## AUASB Overview







## AUASB OVERVIEW

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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*; 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).

## **MISSION OF THE AUASB**

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

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

The AUASB contributes to public confidence in the financial reporting and corporate governance frameworks by issuing auditing standards, which are legally enforceable for audits 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 standard 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

AUASB Chairman: Merran Kelsall

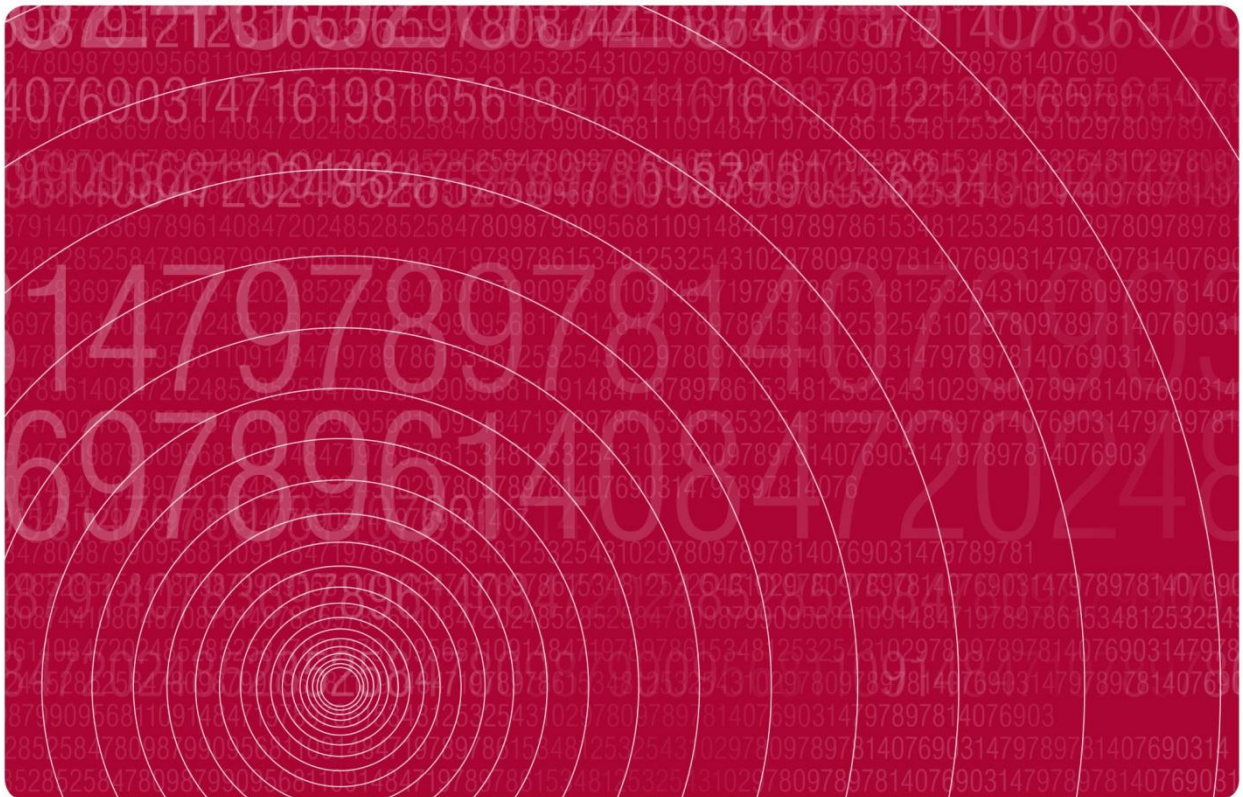
**Outcome 1:** The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements.

The key strategies to achieve Outcome 1 are:

- making auditing standards under section 336 of the *Corporations Act 2001* for use by Australian auditors who are undertaking audit engagements for the purpose of Corporations legislation, including facilitating and monitoring the implementation of the revised *Clarity* Australian Auditing standards;
- formulating auditing and assurance standards and related guidance for use by Australian auditors who are undertaking auditing and assurance engagements for purposes other than the purposes of the Corporations legislation;
- providing Australian participation in, and contribution to, the development of a single set of auditing standards for worldwide use; and
- the AUASB continuing its role in the development of auditing and assurance standards guidance, identifying emerging auditing and assurance issues and contributing to and influencing the development of international auditing standards.



# Report on Performance









## REPORT ON PERFORMANCE

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This section outlines the outputs of the Board during 2010–11, as well as the progress made on the 2010–11 Work Program.

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

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

## Agency Resource Statement

	Actual Available Appropriations \$	Payments Made \$	Balance Remaining \$
<b>Ordinary annual services</b>			
Departmental			
Prior year departmental appropriation	1,079,137	104,972	974,165
Departmental appropriation	1,151,000	828,846	322,154
Section 31 relevant agency receipts	585,201	585,201	-
<b>Total ordinary annual services</b>	2,815,338	1,519,019	1,296,319
Departmental non-operating			
Equity injection	-	-	-
<b>Total other services</b>	-	-	-
Special accounts			
Opening balance	-	-	-
Appropriation receipts	594,000	594,000	-
<b>Total special accounts</b>	594,000	594,000	-
<b>Total resourcing and payments</b>	3,409,338	2,113,019	1,296,319

## Agency Summary Resource Table by Outcomes

### Office of the AUASB: Resources for outcomes 2010-11

	Budget \$	Actual Expenses \$	Variation \$
<b>Outcome 1:</b>			
The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements			
<b>Output Group 1.1:</b>			
AUASB			
<b>Departmental expenses</b>			
Ordinary annual services (Appropriation Bill No. 1)	1,151,000	872,969	278,031
Revenues from independent sources (section 31)	536,000	585,201	(49,201)
Special accounts	594,000	594,000	-
Expenses not requiring appropriation	49,000	54,835	(5,835)
Less revenue to be carried forward	-	-	-
<b>Total for Outcome 1</b>	2,330,000	2,107,005	222,995

## OUTPUTS

Output Groups	2010–11 Target	Output to 30 June 2011
Formulate and maintain auditing standards that are legally enforceable under section 336 of the <i>Corporations Act 2001</i>	Contribute to the successful implementation of the <i>Clarity</i> Auditing Standards released in October 2009, including development of articles that will highlight key principles, present at various information sessions and monitor implementation Revise auditing standards	The AUASB monitored the implementation of the <i>Clarity</i> Standards issued in October 2009 and: <ul style="list-style-type: none"> <li>presented at ten seminars and information sessions</li> <li>published articles in media and journals of the accounting bodies</li> <li>issued Auditing Standard ASA 2011-1 <i>Amendments to Australian Auditing Standards</i> (issued June 2011)</li> <li>prepared compiled Auditing Standards for the 26 standards amended by ASA 2011-1</li> </ul>
Formulate and maintain other auditing and assurance standards and related guidance for purposes other than the purposes of the Corporations legislation	Issue new auditing standard on related services  Issue new standards on assurance engagements  Issue new and revised guidance statements on auditing and assurance matters	ASRS 4400 <i>Agreed-Upon Procedures to Report Factual Findings</i> (issued June 2011)  Projects in progress include: <ul style="list-style-type: none"> <li>fundraising and prospective information</li> <li>comfort letters engagements</li> <li>water accounting reports</li> </ul> New or revised guidance statements were issued on the following: <ul style="list-style-type: none"> <li>special considerations in the audit of risk management requirements for registrable superannuation entities (issued September 2010)</li> <li>franchising code of conduct – auditor's reports (issued October 2010)</li> <li>auditing fundraising revenue of not-for-profit entities (issued April 2011)</li> </ul> Projects in progress include revision of guidance statements on: <ul style="list-style-type: none"> <li>auditing self-managed superannuation funds</li> <li>auditing service organisations</li> </ul>
Contribute to and influence the development of international auditing standards	Attend annual NSS meeting and selected IAASB meetings  Contribute to and participate in designated IAASB projects       Monitor other IAASB projects	The Chairman and Executive Director participated in the NSS meeting in April 2011  AUASB members have been appointed to IAASB task forces on: <ul style="list-style-type: none"> <li>audit quality</li> <li>ISA Implementation monitoring</li> <li>pro-forma financial information</li> <li>review engagements and compilation engagements</li> </ul> Updates on these projects were provided at all AUASB meetings  The Chairman was appointed to the Board of the IAASB on 1 January 2011 and attended all meetings for the six months to 30 June 2011 Key IAASB agenda items were discussed at AUASB meetings

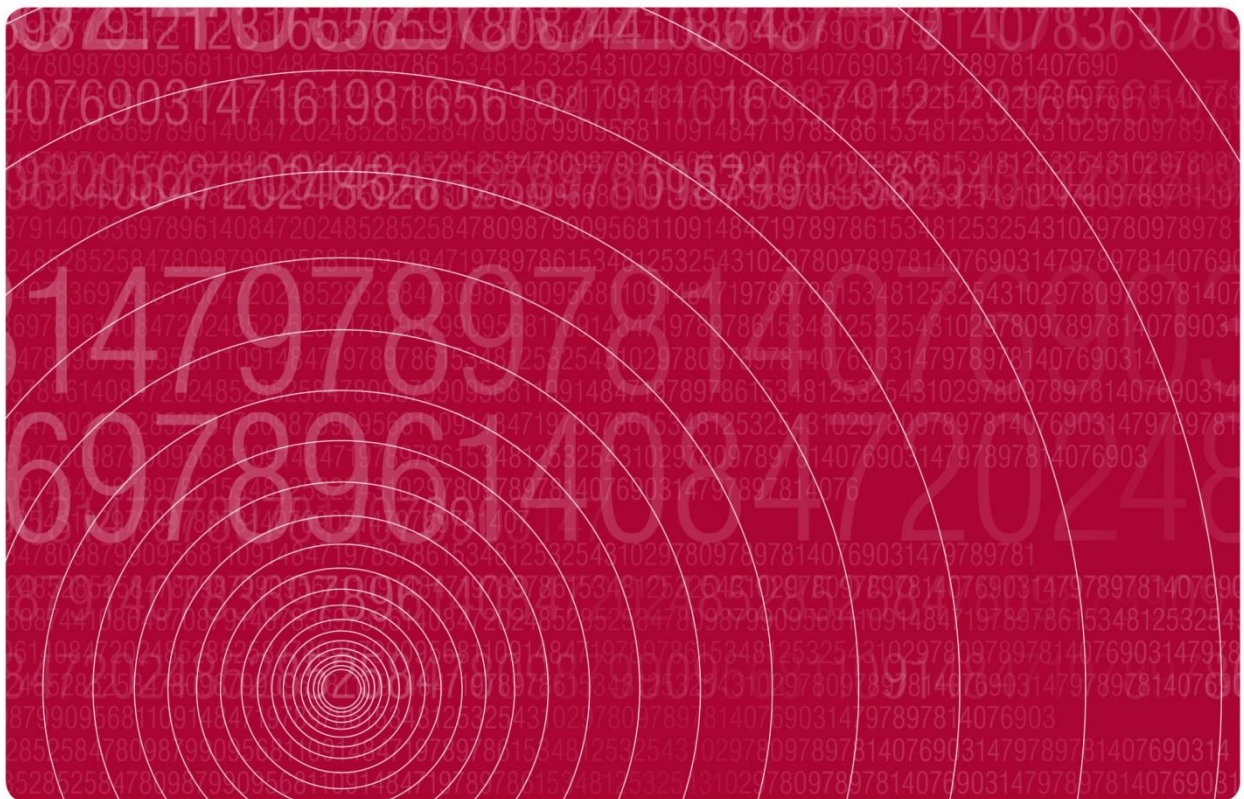
## Auditing and Assurance Standards Board Annual Report 2010–11

Output Groups	2010–11 Target	Output to 30 June 2011
	Provide comment on IAASB exposure drafts	<p>Formal submissions were made on all IAASB exposure drafts and comment papers, including:</p> <ul style="list-style-type: none"> <li>• ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment and ISA 610 (Revised), Using the Work of Internal Auditors</li> <li>• ISAE 3410, Assurance Engagements on Greenhouse Gas Statements</li> <li>• ISAE 3420, Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus</li> <li>• ISRE 2400 (Revised), Engagements to Review Historical Financial Statements</li> <li>• Proposed IAASB Strategy and Work Program for 2012-2014</li> <li>• Proposals Relating to International Auditing Practice Statements (IAPs) and IAPS 1000, Special Considerations in Auditing Complex Financial Instruments</li> <li>• The Evolving Nature of Financial Reporting: Disclosure and its Audit Implications</li> </ul> <p>The AUASB received and considered the views of stakeholders in formulating the above submissions via:</p> <ul style="list-style-type: none"> <li>• AUASB website releases</li> <li>• roundtable discussions with key stakeholders</li> <li>• individual meetings with stakeholders on various topics</li> <li>• involvement of Australian stakeholders in a survey for the IAASB Audit Quality project</li> </ul>
	Liaise and engage with other national standard setters and regulatory bodies	Ongoing liaison with other national auditing standard setters, including those from Canada, France, Germany, New Zealand, South Africa, USA and UK. International developments monitored and reported to the AUASB at each meeting
	Participate in periodic TAASAG meetings	All TTAASAG meetings attended by the Chairman and opportunities explored for working towards closer co-operation between the NZ PSB (now NZAuASB) and the AUASB
	Track international developments on audit and assurance matters	<p>The AUASB monitored international developments from the IAASB, other national standard setters and other international regulatory bodies</p> <p>An International Update on key developments, including IAASB matters, was provided to AUASB at all Board meetings and was published on the AUASB website</p>
	Address public interest issues	<p>Key issues of public interest were addressed including:</p> <ul style="list-style-type: none"> <li>• audit quality</li> <li>• SBR</li> <li>• assurance on NGERs</li> <li>• assurance on water reporting</li> </ul>

Output Groups	2010–11 Target	Output to 30 June 2011
Communicate and consult with constituents	<p>Publish the AUASB e-newsletter <i>Independence</i></p> <p>Continue to engage with key stakeholders and conduct annual consultation meeting</p> <p>Conduct communication and consultation that will address emerging issues</p> <p>Publish articles for AUASB website and professional journals</p> <p>Liaise and engage with Australian regulatory bodies, professional bodies and other organisations</p> <p>Present at conferences and seminars on topics relating to the AUASB activities</p> <p>Maintain the AUASB website</p> <p>Issue media releases</p>	<p>The AUASB e-newsletter was published periodically in 2010</p> <p>Issues raised at the annual AUASB Consultative meeting held December 2010 were addressed in the work plan to June 2011 and in the Business Plan for 2011–2012</p> <p>Emerging issues addressed promptly via:</p> <ul style="list-style-type: none"> <li>• website media releases</li> <li>• annual consultation meeting</li> <li>• roundtable discussions with key stakeholders</li> </ul> <p>Four articles on the implementation of <i>Clarity</i> standards were prepared for the IIAA and CPA Australia publications</p> <p>Attendance at meetings with stakeholders and other liaison specific to issue of legally enforceable standards</p> <p>The Chairman participated in meetings of the ASIC Standing Chairs Committee on Accounting and Auditing</p> <p>Presentations by the Chairman, Executive Director and senior staff members, at various conferences and briefings held by the professional accounting bodies and various constituents</p> <p>The AUASB website was updated regularly</p> <p>Media releases were issued for all new standards and guidance</p>
Thought leadership and responding to emerging issues	<p>Promote thought leadership, and research on emerging issues relevant to the AUASB</p> <p>Identify and respond on a timely basis to significant auditing and assurance issues of public interest</p> <p>Participate in the early stages of development of legislation to better define audit requirements</p> <p>Work with regulators in developing regulations, legislation and regulatory guides</p> <p>Identify and respond on a timely basis to significant issues of public interest</p> <p>Track local and international research projects and consider implications for the AUASB</p>	<p>Public interest issues prioritised and addressed promptly</p> <p>Significant auditing and assurance issues of public interest responded to on a timely basis</p> <p>Assisted and provided technical advice to regulators and other standard-setters including:</p> <ul style="list-style-type: none"> <li>• DCCEE on audit requirements under NGERs</li> <li>• WASB</li> <li>• APRA</li> </ul> <p>Worked with:</p> <ul style="list-style-type: none"> <li>• DCCEE on audit requirements under NGERs</li> <li>• WASB</li> <li>• APRA</li> </ul> <p>Regular meetings with APRA and ASIC and periodic meetings with Treasury and other constituents on relevant auditing and assurance matters</p> <p>International update prepared for each AUASB meeting and published on website</p>



# Management and Accountability









# MANAGEMENT AND ACCOUNTABILITY

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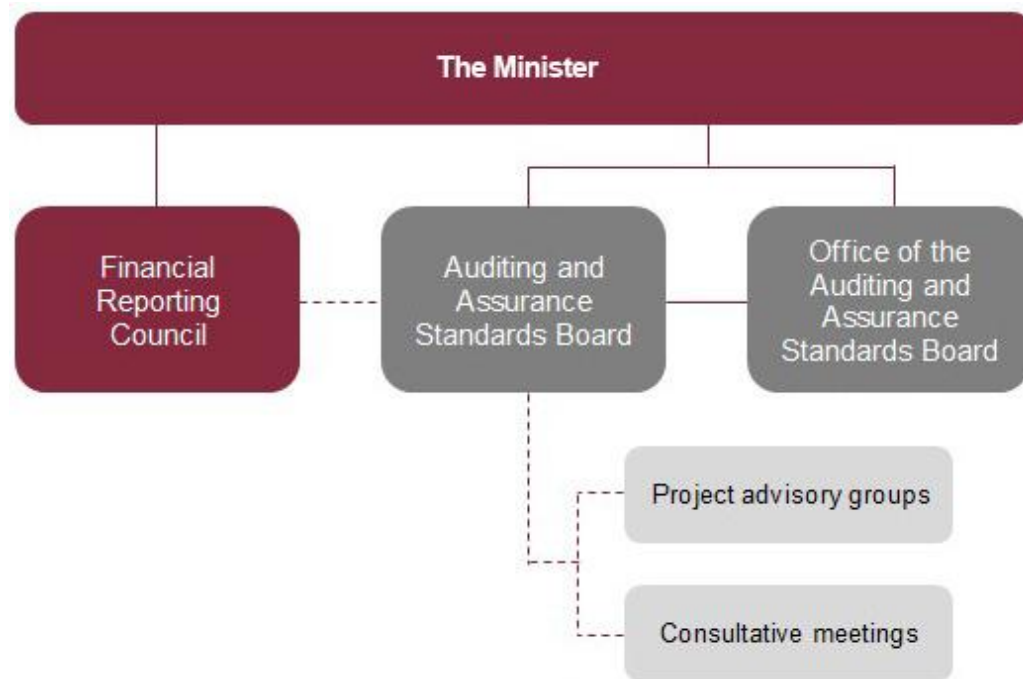
## CORPORATE GOVERNANCE

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

As part of its ongoing focus on effective governance arrangements, the 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 its stakeholders;
- comprehensive risk management, compliance and assurance systems; and
- strategic planning, performance monitoring and evaluation.

## ORGANISATIONAL STRUCTURE



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

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

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

## **The Minister**

The Minister appoints the Chairman of the Auditing and Assurance Standards Board (AUASB). The Chairman of the AUASB is accountable to the Minister regarding the operations of the AUASB and the Office of the AUASB.

## **Financial Reporting Council (FRC)**

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 (AUASB)**

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 comprises an independent part-time Chairman (appointed by the Minister) and 12 part-time members (appointed by the FRC).

The members during 2010–11 were:

### **Merran Kelsall, Chairman**

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

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

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

Initially appointed 1 January 2005 until 31 December 2007, Jon Tyers was reappointed until 31 December 2010 and again until 31 December 2013.

Mr Tyers is the Deputy Chairman of the AUASB and is General Manager, Internal Audit at Perpetual Limited in the Risk Group – Internal Audit.

### **Dianne Azoor Hughes**

Initially appointed 1 January 2005 until 31 December 2006, Dianne Azoor Hughes was reappointed until 31 December 2009, and again until 31 December 2012.

Ms Azoor Hughes is a partner of Pitcher Partners.

### **Mike Blake**

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

Mr Blake is the Auditor-General of Tasmania.

### **Valerie Clifford**

Initially appointed 1 January 2008 until 31 December 2010, Valerie Clifford was reappointed until 31 December 2012.

Ms Clifford is a partner of PricewaterhouseCoopers.

### **John Gavens**

Initially appointed 1 January 2008 until 31 December 2010, John Gavens was reappointed until 31 December 2013.

Mr Gavens is a principal at Crowe Horwath.

### **Chris Hall**

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

Mr Hall is partner of KPMG. Mr Hall retired effective 31 December 2010.

### **Elizabeth Johnstone**

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

Ms Johnstone is a consultant with Blake Dawson.

### **Christine Jubb**

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

Dr Jubb is a Research Fellow at the Australian National University. Dr Jubb retired on 31 December 2010.

### **Colin Murphy**

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

Mr Murphy is the Auditor-General for Western Australia.

### **Greg Pound**

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

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

### **David Simmonds**

Initially appointed from 1 January 2006 until 31 December 2008, David Simmonds was reappointed until 31 December 2011.

Mr Simmonds is a partner at Ernst & Young.

### **Bernie Szentirmay**

Appointed from 1 January 2011 to 31 December 2012.

Mr Szentirmay is a partner at KPMG.

### **Kristen Wydell**

Appointed from 1 January 2011 to 31 December 2013.

Ms Wydell is a partner at Deloitte.

## **AUDIT COMMITTEE**

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

During 2010–11, the Audit Committee membership was:

- Mr Stuart Alford, Chairman
- Ms Sue Tait
- Mr Kevin Stevenson, Chairman and CEO of the AASB.

During the financial year, the Audit Committee:

- reviewed the AUASB 2010–11 financial statements and recommended that they be adopted by the Chairman of the AUASB; and
- reviewed a report from the ANAO, which stated that there were no matters arising from the 2010–11 audit that should be brought to the attention of management or the Audit Committee.

## **FRAUD**

The Office of the AUASB adopted a new Fraud Control Plan in July 2010. Currently, the Office of the AUASB has adequate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet its needs and comply with the Commonwealth Fraud Control Guidelines (including the reporting aspects of those guidelines).

## **ETHICS**

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

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

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

## **EXTERNAL SCRUTINY**

The AUASB accounting records and financial statements are audited each year by the ANAO.

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

## MANAGEMENT OF HUMAN RESOURCES

As at 30 June 2011, the Office of the AUASB had six full-time and four part-time staff based in Melbourne (three males and seven females), comprising:

- 1 Chairman;
- 1 Executive Director;
- 7 Technical Group staff; and
- 1 Executive Assistant.

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

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

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

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

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

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

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

## PURCHASING

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

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



## **CONSULTANTS**

During the 2010–11 financial year, the AUASB did not engage any consultants as defined by the FMA Act.

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

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

## **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 on the Australian Public Service Commission website ([www.apsc.gov.au](http://www.apsc.gov.au)). From 2010–11, departments and agencies are no longer required to report on those functions.



Financial Report







## FINANCIAL REPORT

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## INDEPENDENT AUDITOR'S REPORT

### To the Deputy Prime Minister and Treasurer

I have audited the accompanying financial statements of the Office of the Auditing and Assurance Standards Board for the year ended 30 June 2011, which comprise: a Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Schedule of Asset Additions; and Notes to and forming part of the Financial Report comprising a Summary of Significant Accounting Policies and other explanatory information.

### *Chief Executive's Responsibility for the Financial Statements*

The Chief Executive of the Office of the Auditing and Assurance Standards Board is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as the Chief Executive determines is necessary to enable the preparation of the 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 internal control relevant to the Office of the Auditing and Assurance Standards Board's preparation of the financial statements that give a true and fair view 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 Office of the Auditing and Assurance Standards Board's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive 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) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Office of the Auditing and Assurance Standards Board's financial position as at 30 June 2011 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



John Jones  
Executive Director

Delegate of the Auditor-General

Canberra

6 September 2011



## STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

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In our opinion, the attached financial statements for the year ended 30 June 2011 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Merran Kelsall  
Chief Executive Officer  
6 September 2011



Litsa Pillios  
Chief Financial Officer  
6 September 2011

### Statement of Comprehensive Income for the period ended 30 June 2011

	Notes	2011 \$	2010 \$
<b>EXPENSES</b>			
Employee benefits	3A	1,351,181	1,351,363
Supplier expenses	3B	686,857	724,817
Depreciation and amortisation	3C	63,949	55,933
Finance costs	3D	3,697	3,505
Write-down and impairment of assets	3E	1,321	
<b>Total expenses</b>		<b>2,107,005</b>	<b>2,135,618</b>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	4A	109	364
Rental income	4B	29,905	28,723
Other revenue	4C	1,100,000	1,160,000
<b>Total own-source revenue</b>		<b>1,130,014</b>	<b>1,189,087</b>
<b>GAINS</b>			
Other gains	4D	23,500	19,000
<b>Total gains</b>		<b>23,500</b>	<b>19,000</b>
<b>Total own-source income</b>		<b>1,153,514</b>	<b>1,208,087</b>
<b>Net cost of services</b>		<b>953,491</b>	<b>927,531</b>
Revenue from Government	4E	1,106,000	1,115,000
<b>Surplus attributable to the Australian Government</b>		<b>152,509</b>	<b>187,469</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation reserves		(3,104)	33,415
Actuarial gains/(losses) on defined benefit plans		(31,000)	24,000
<b>Total other comprehensive income</b>		<b>(34,104)</b>	<b>57,415</b>
<b>Total comprehensive income attributable to the Australian Government</b>		<b>118,405</b>	<b>244,885</b>

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

**Balance Sheet**  
as at 30 June 2011

	Notes	2011 \$	2010 \$
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	5A	184,310	156,705
Trade and other receivables	5B	1,120,094	925,543
<b>Total financial assets</b>		<b>1,304,404</b>	1,082,248
<b>Non-financial assets</b>			
Infrastructure, plant and equipment	6A,C	248,074	300,105
Intangibles	6B,C	17,747	1,453
Other non-financial assets	6D	3,455	11,103
<b>Total non-financial assets</b>		<b>269,276</b>	312,661
<b>Total assets</b>		<b>1,573,680</b>	1,394,909
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	44,582	41,288
Other payables	7B	246,148	287,141
<b>Total payables</b>		<b>290,730</b>	328,429
<b>Provisions</b>			
Employee provisions	8A	271,268	221,900
Other provisions	8B	71,377	67,680
<b>Total provisions</b>		<b>342,645</b>	289,580
<b>Total liabilities</b>		<b>633,375</b>	618,009
<b>Net assets</b>		<b>940,305</b>	776,900
<b>EQUITY</b>			
Contributed equity		45,000	-
Asset revaluation reserve		30,311	33,415
Retained surplus		864,994	743,485
<b>Total equity</b>		<b>940,305</b>	776,900

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

### Statement of Changes in Equity

for the period ended 30 June 2011

	Retained earnings		Asset revaluation reserve		Contributed equity/capital		Total equity	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Opening balance</b>								
Balance carried forward from previous period	<b>743,485</b>	532,016	<b>33,415</b>	-			<b>776,900</b>	532,016
<b>Comprehensive income</b>								
Other comprehensive income								
Changes in asset revaluation reserves	-	-	<b>(3,104)</b>	33,415			<b>(3,104)</b>	33,415
Actuarial gains/(losses)	<b>(31,000)</b>	24,000	-	-			<b>(31,000)</b>	24,000
Surplus for the period	<b>152,509</b>	187,469	-	-			<b>152,509</b>	187,469
<b>Total comprehensive income</b>	<b>121,509</b>	211,469	<b>(3,104)</b>	33,415			<b>118,405</b>	244,884
of which:								
Attributable to the Australian Government	<b>121,509</b>	211,469	<b>(3,104)</b>	33,415			<b>118,405</b>	244,884
<b>Transactions with owners</b>								
<b>Contribution by owners</b>								
Departmental capital budget	-	-	-	-	<b>45,000</b>	-	<b>45,000</b>	-
<b>Closing balance as at 30 June</b>	<b>864,994</b>	743,485	<b>30,311</b>	33,415	<b>45,000</b>	-	<b>940,305</b>	776,900
<b>Closing balance attributable to the Australian Government</b>	<b>864,994</b>	743,485	<b>30,311</b>	33,415	<b>45,000</b>	-	<b>940,305</b>	776,900

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

## Cash Flow Statement

for the period ended 30 June 2011

	Notes	2011 \$	2010 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		1,513,986	1,800,000
Goods and services		109	4,653
Net GST received		71,459	74,758
Other cash received		1,211,200	1,263,685
<b>Total cash received</b>		<b>2,796,754</b>	<b>3,143,096</b>
<b>Cash used</b>			
Employees		1,332,813	1,389,626
Suppliers		788,367	854,433
Net GST paid		62,768	63,688
Section 31 receipts transferred to Official Public Account		585,201	874,452
<b>Total cash used</b>		<b>2,769,149</b>	<b>3,182,199</b>
<b>Net cash flows from (used by) operating activities</b>	9	<b>27,605</b>	<b>(39,103)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of infrastructure, plant and equipment		32,638	1,514
<b>Total cash used</b>		<b>32,638</b>	<b>1,514</b>
<b>Net cash flows from (used by) investing activities</b>		<b>(32,638)</b>	<b>(1,514)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity		32,638	-
<b>Total cash received</b>		<b>32,638</b>	<b>-</b>
<b>Net cash flows from (used by) financing activities</b>		<b>32,638</b>	<b>-</b>
<b>Net increase / (decrease) in cash held</b>		<b>27,605</b>	<b>(40,617)</b>
Cash and cash equivalents at the beginning of the reporting period		156,705	197,322
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<b>184,310</b>	<b>156,705</b>

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

**Schedule of Commitments**

as at 30 June 2011

	2011 \$	2010 \$
<b>BY TYPE</b>		
<b>Commitments receivable</b>		
Sublease rental income <sup>1</sup>	172,022	202,019
GST recoverable on commitments	148,378	175,681
<b>Total commitments receivable</b>	<b>320,400</b>	<b>377,700</b>
<b>Commitments payable</b>		
Operating leases <sup>2</sup>	(1,632,160)	(1,932,487)
GST payable on commitments	(17,202)	(20,203)
<b>Total commitments payable</b>	<b>(1,649,362)</b>	<b>(1,952,690)</b>
<b>Net commitments by type</b>	<b>(1,328,962)</b>	<b>(1,574,990)</b>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
<b>Operating lease income</b>		
One year or less	31,197	29,997
From one to five years	140,825	132,475
Over five years	-	39,547
<b>Total operating lease income</b>	<b>172,022</b>	<b>202,019</b>
<b>Other commitments receivable</b>		
One year or less	27,323	26,544
From one to five years	121,055	115,142
Over five years	-	33,995
<b>Total commitments receivable</b>	<b>148,378</b>	<b>175,681</b>
<b>Commitments payable</b>		
<b>Operating lease commitments payable</b>		
One year or less	(300,549)	(291,984)
From one to five years	(1,331,611)	(1,266,559)
Over five years	-	(373,944)
<b>Total operating lease commitments payable</b>	<b>(1,632,160)</b>	<b>(1,932,487)</b>
<b>GST payable on commitments</b>		
One year or less	(3,120)	(3,000)
From one to five years	(14,082)	(13,248)
Over five years	-	(3,955)
<b>Total GST payable on commitments</b>	<b>(17,202)</b>	<b>(20,203)</b>
<b>Net commitments by maturity</b>	<b>(1,328,962)</b>	<b>(1,574,990)</b>

NB: Commitments are GST inclusive where relevant.

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

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

Nature of lease	General description of leasing arrangement
Lease for office accommodation	Lease payments are subject to increase of 4 percent per annum as per lease agreement.
Lease for photocopier	The lessor provides a photocopier for 42 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 2011

There are no known contingencies as at 30 June 2011.

(Nil contingencies as at 30 June 2010.)

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

### Schedule of Asset Additions

for the period ended 30 June 2011

The following non-financial non-current assets were added in 2010-11:

	Infrastructure, plant & equipment	Intangibles	Total
	\$	\$	\$
By purchase – appropriation ordinary annual services			
Departmental capital budget	10,713	21,925	32,638
<b>Total additions</b>	<b>10,713</b>	<b>21,925</b>	<b>32,638</b>

The following non-financial non-current assets were added in 2009-10:

	Infrastructure, plant & equipment	Intangibles	Total
	\$	\$	\$
By purchase – appropriation ordinary annual services			
Ordinary operating costs	1,514	-	1,514
<b>Total additions</b>	<b>1,514</b>	<b>-</b>	<b>1,514</b>

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

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

### Note 1: Summary of significant accounting policies

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#### 1.1 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 *Financial Management and Accountability Act 1997* (FMA Act), whilst the AUASB is a statutory committee under the *ASIC Act*.

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

The 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.

The key strategies to achieve this outcome are:

- to make auditing standards under section 336 of the *Corporations Act 2001* and related guidance for use by Australian auditors who are undertaking audit engagements for the purposes of Corporations legislation, including facilitating and monitoring the implementation of the revised *Clarity* Australian Auditing standards
- to formulate auditing and assurance standards and related guidance for use by Australian auditors who are undertaking auditing or assurance engagements for purposes other than the Corporations legislation
- to provide Australian participation in, and contribution to, the development of a single set of auditing standards for worldwide use
- to continue its role in the development of auditing and assurance standards and guidance, identifying emerging auditing and assurance issues and contributing to and influencing the development of international auditing standards

The continued existence of the Office of the AUASB, in its present form and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Office of the AUASB's administration.

## **1.2 Basis of Preparation of the Financial Report**

The financial report of the Office of the AUASB is required by section 49 of the FMA Act and is a general purpose financial report.

The financial report has been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2010; 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. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars.

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

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

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

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

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

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

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

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

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

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

## **1.5 Revenue**

### **(a) Revenue from Government**

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

Appropriations receivable are recognised at their nominal amounts.

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

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

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

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

## **1.6 Gains**

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

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

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

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

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

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

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

## 1.8 Employee Benefits

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

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

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

### (a) Leave

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

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

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

### (b) Superannuation

The Office of the AUASB sponsors the AASB Superannuation Plan.

The defined benefit plan requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in retained earnings.

The defined benefit liability recognised in the balance sheet represents the present value of the defined benefit obligation, net of the fair value of the plan assets.

## 1.9 Leases

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

The Office of the AUASB has no finance leases.

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

### **1.10 Cash**

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

Cash is recognised at its nominal amount.

### **1.11 Financial Assets**

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

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

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

#### **(a) Loans and Receivables**

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

Loans and receivables are measured at their nominal amounts.

#### **(b) Impairment of Financial Assets**

Financial assets are assessed for impairment at each balance date.

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

### **1.12 Financial Liabilities**

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

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



**(a) Supplier and Other Payables**

Suppliers and other payables are recognised at their amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

**1.13 Contingent Liabilities and Contingent Assets**

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

**1.14 Acquisition of Assets**

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

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

**1.15 Property, Plant and Equipment****(a) Asset Recognition Threshold**

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

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

**(b) Revaluations**

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

	<b>2011</b>	<b>2010</b>
Leasehold Improvements	<b>Depreciated replacement cost or market selling price</b>	Depreciated replacement cost or market selling price
Plant and Equipment	<b>Depreciated replacement cost or market selling price</b>	Depreciated replacement cost or market selling price

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

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

Any accumulated depreciation, as at the revaluation date, is 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.

**(c) Depreciation**

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

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

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

	2011	2010
Leasehold Improvements	<b>Lease term — ten years</b>	Lease term — ten years
Plant and Equipment	<b>Three to ten years</b>	Three to ten years

**(d) Impairment**

All assets were assessed for impairment at 30 June 2011. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

### **1.16 Intangibles**

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

Software and licences are amortised on a straight-line basis over their anticipated useful life. The useful life of the Office of the AUASB's software and licences is three to five years (2009-10: three to five years).

All software assets were assessed for indications of impairment at 30 June 2011.

### **1.17 Taxation**

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

Revenues, expenses and assets are recognised net of GST:

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

### **1.18 Insurance**

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

### **1.19 Comparative Figures**

Comparative figures have been adjusted to conform to changes in presentation in this financial report where required.

### **Note 2: Events After the Balance Sheet Date**

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The Office of the AUASB has no reportable events after the balance sheet date.

**Note 3: Expenses**

	2011 \$	2010 \$
<b>Note 3A: Employee benefits</b>		
Wages and salaries	1,203,048	1,189,906
Superannuation:		
Defined contribution plans	84,096	66,331
Defined benefit plans	36,681	39,045
Leave and other entitlements	27,356	56,081
<b>Total employee benefits</b>	<b>1,351,181</b>	<b>1,351,363</b>
<b>Note 3B: Suppliers</b>		
<b>Goods and services</b>		
Board Member Services	62,070	96,565
International Travel	30,803	35,862
Publications/Subscriptions	6,877	57,873
Administration	282,362	272,821
Other	87,457	53,420
<b>Total goods and services expenses</b>	<b>469,569</b>	<b>516,541</b>
Goods and services are made up of:		
Provision of goods — related entities	19	—
Provision of goods — external parties	20,791	35,188
Rendering of services — related entities	184,040	266,592
Rendering of services — external parties	264,719	214,761
<b>Total goods and services expenses</b>	<b>469,569</b>	<b>516,541</b>
<b>Other supplier expenses</b>		
Operating lease rentals – external parties:		
Minimum lease payments	214,091	203,931
Workers compensation premiums	3,197	4,345
<b>Total other supplier expenses</b>	<b>217,288</b>	<b>208,276</b>
<b>Total supplier expenses</b>	<b>686,857</b>	<b>724,817</b>
<b>Note 3C: Depreciation and amortisation</b>		
Depreciation:		
Infrastructure, plant and equipment	58,318	53,264
<b>Total depreciation</b>	<b>58,318</b>	<b>53,264</b>
Amortisation:		
Intangibles:		
Computer software	5,631	2,669
<b>Total amortisation</b>	<b>5,631</b>	<b>2,669</b>
<b>Total depreciation and amortisation</b>	<b>63,949</b>	<b>55,933</b>
<b>Note 3D: Finance costs</b>		
Unwinding of discount on leasehold restoration obligation (see 8B)	3,697	3,505
<b>Total finance costs</b>	<b>3,697</b>	<b>3,505</b>
<b>Note 3E: Write-down and impairment of assets</b>		
Write-down of infrastructure, plant and equipment	1,321	-
<b>Total write-down and impairment of assets</b>	<b>1,321</b>	<b>-</b>

**Note 4: Income**

	2011	2010
	\$	\$
<b>REVENUE</b>		
<b>Note 4A: Sale of goods and rendering of services</b>		
Provision of goods — external parties	109	364
<b>Total sale of goods and rendering of services</b>	<b>109</b>	<b>364</b>
<b>Note 4B: Rental income</b>		
Operating lease:		
Sub-lease	29,905	28,723
<b>Total rental income</b>	<b>29,905</b>	<b>28,723</b>
<b>Note 4C: Other revenue</b>		
Contributions from CPA Australia	198,000	198,000
Contributions from the Institute of Chartered Accountants in Australia	198,000	198,000
Contributions from the National Institute of Accountants	198,000	198,000
Contributions from Companies Unclaimed Monies Account	506,000	566,000
<b>Total contributions</b>	<b>1,100,000</b>	<b>1,160,000</b>
<b>Total other revenue</b>	<b>1,100,000</b>	<b>1,160,000</b>
<b>GAINS</b>		
<b>Note 4D: Other gains</b>		
Resources received free of charge in relation to audit services	23,500	19,000
<b>Total other gains</b>	<b>23,500</b>	<b>19,000</b>
<b>REVENUE FROM GOVERNMENT</b>		
<b>Note 4E: Revenue from Government</b>		
Appropriations:		
Departmental appropriation	1,106,000	1,115,000
<b>Total revenue from Government</b>	<b>1,106,000</b>	<b>1,115,000</b>

**Note 5: Financial Assets**

	2011 \$	2010 \$
<b>Note 5A: Cash and cash equivalents</b>		
Cash on hand or on deposit	184,310	156,705
<b>Total cash and cash equivalents</b>	184,310	156,705
<b>Note 5B: Trade and other receivables</b>		
<b>Goods and Services:</b>		
Goods and services – related entities	138	274
Goods and services – external parties	5,195	-
<b>Total receivables for goods and services</b>	5,333	274
<b>Appropriations receivable:</b>		
For existing programs	1,111,814	922,238
<b>Total appropriations receivable</b>	1,111,814	922,238
<b>Other receivables:</b>		
GST receivable from the Australian Taxation Office	2,947	3,031
<b>Total other receivables</b>	2,947	3,031
<b>Total trade and other receivables (gross)</b>	1,120,094	925,543
Receivables are expected to be recovered in:		
No more than 12 months	541,094	346,543
More than 12 months	579,000	579,000
<b>Total trade and other receivables (gross)</b>	1,120,094	925,543
Receivables are aged as follows:		
Not overdue	1,119,847	925,543
Overdue by:		
31 to 60 days	247	-
<b>Total receivables (gross)</b>	1,120,094	925,543

**Note 6: Non-Financial Assets**

	2011 \$	2010 \$
<b>Note 6A: Infrastructure, plant and equipment</b>		
Infrastructure, plant and equipment:		
Gross carrying value (at fair value)	504,165	394,361
Accumulated depreciation	(256,091)	(94,256)
<b>Total infrastructure, plant and equipment (non-current)</b>	248,074	300,105

All revaluations were conducted in accordance with the revaluation policy stated at Note 1. On 30 June 2011, the Australian Valuation Office, an independent valuer, conducted the revaluation.

A revaluation decrement of \$3,104 (2010: increment of \$33,415) for infrastructure, plant and equipment was recognised in the statement of comprehensive income and transferred to the asset revaluation reserve.

No indicators of impairment were found for infrastructure, plant and equipment.

**Note 6B: Intangibles**

	2011	2010
	\$	\$
Computer software at cost:		
Purchased	43,734	21,809
Accumulated amortisation	(25,987)	(20,356)
<b>Total computer software</b>	<b>17,747</b>	<b>1,453</b>

No indicators of impairment were found for intangible assets.

No intangibles are expected to be sold or disposed of within the next 12 months.

**Note 6C: Analysis of infrastructure, plant and equipment and intangibles**

Table A — Reconciliation of the opening and closing balances of infrastructure, plant and equipment and intangibles (2010-11)

	Infrastructure, plant and equipment	Computer software purchased
	\$	\$
<b>As at 1 July 2010</b>		
Gross book value	394,361	21,809
Accumulated depreciation/amortisation and impairment	(94,256)	(20,356)
<b>Net book value 1 July 2010</b>	<b>300,105</b>	<b>1,453</b>
Additions:		
By purchase	10,713	21,925
Revaluations recognised in other comprehensive income	(3,104)	-
Depreciation/amortisation expense	(58,318)	(5,631)
Disposals:		
Write-down of assets	(1,322)	-
<b>Net book value 30 June 2011</b>	<b>248,074</b>	<b>17,747</b>
<b>Net book value as of 30 June 2011 represented by:</b>		
Gross book value	504,165	43,734
Accumulated depreciation/amortisation and impairment	(256,091)	(25,987)
	<b>248,074</b>	<b>17,747</b>



Table B — Reconciliation of the opening and closing balances of infrastructure, plant and equipment and intangibles (2009-10)

	Infrastructure, plant and equipment \$	Computer software purchased \$
<b>As at 1 July 2009</b>		
Gross book value	488,932	21,809
Accumulated depreciation/amortisation and impairment	(170,492)	(17,687)
<b>Net book value 1 July 2009</b>	<b>318,440</b>	<b>4,122</b>
Additions:		
By purchase	1,514	-
Revaluations recognised in other comprehensive income	33,415	-
Depreciation/amortisation expense	(53,264)	(2,669)
<b>Net book value 30 June 2010</b>	<b>300,105</b>	<b>1,453</b>
<b>Net book value as of 30 June 2010 represented by:</b>		
Gross book value	394,361	21,809
Accumulated depreciation/amortisation and impairment	(94,256)	(20,356)
	<b>300,105</b>	<b>1,453</b>
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Note 6D: Other non-financial assets</b>		
Prepayments	<b>3,455</b>	11,103
<b>Total other non-financial assets</b>	<b>3,455</b>	<b>11,103</b>
Total other non-financial assets are expected to be recovered in:		
No more than 12 months	<b>3,455</b>	11,103
<b>Total other non-financial assets</b>	<b>3,455</b>	<b>11,103</b>

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

**Note 7: Payables**

	2011	2010
	\$	\$
<b>Note 7A: Suppliers</b>		
Trade creditors and accruals	<b>44,582</b>	41,288
<b>Total supplier payables</b>	<b>44,582</b>	41,288
Supplier payables are made up of:		
Related entities	<b>27,378</b>	18,946
External parties	<b>17,204</b>	22,342
<b>Total supplier payables</b>	<b>44,582</b>	41,288
<b>Note 7B: Other payables</b>		
Lease commitments	<b>218,443</b>	261,416
Other	<b>27,705</b>	25,725
<b>Total other payables</b>	<b>246,148</b>	287,141
Other payables are expected to be settled within:		
No more than 12 months	<b>70,677</b>	68,697
More than 12 months	<b>175,471</b>	218,444
<b>Total other payables</b>	<b>246,148</b>	287,141

**Note 8: Provisions****Note 8A: Employee provisions**

	2011 \$	2010 \$
Leave	227,268	205,900
Superannuation [Note 8A (i)]	44,000	16,000
<b>Total employee provisions</b>	<b>271,268</b>	<b>221,900</b>
Employee provisions are expected to be settled in:		
No more than 12 months	112,419	98,850
More than 12 months	158,849	123,050
<b>Total employee provisions</b>	<b>271,268</b>	<b>221,900</b>

**Note 8A (i): Superannuation provisions**

The AUASB has one defined benefit fund, which requires contributions to be made to the separately administered fund. The defined benefit plan is only open to existing employees who have always been members of the plan, and is not open to new employees.

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 Balance Sheet for the plan:

**Balance sheet and profit and loss impact**

As at 30 June	2011 \$	2010 \$
Defined Benefit obligation^	568,000	482,000
(-) Fair value of AASB Plan assets	524,000	466,000
<b>Deficit/(Surplus)</b>	<b>44,000</b>	<b>16,000</b>
(-) Unrecognised past service cost	-	-
(-) Unrecognised net (gains)/losses	-	-
(+) Adjustment for limitation on net asset	-	-
<b>Net superannuation liability/(asset)</b>	<b>44,000</b>	<b>16,000</b>

^ includes contributions tax provision

Financial year ending	2011 \$	2010 \$
Service cost	32,000	26,000
Interest cost	23,000	21,000
Expected return on assets	(34,000)	(23,000)
Actuarial gains/(losses)	-	-
Past service cost	-	-
Movement in limitation on net asset	-	-
Effect of curtailments/settlements	-	-
<b>Superannuation expense/(income)</b>	<b>21,000</b>	<b>24,000</b>

## Actuarial (gains)/losses recognised in the statement of comprehensive income

Financial year ending	2011	2010
	\$	\$
Actuarial (gains)/losses	31,000	(24,000)

## Movement in net liability/(asset)

Financial year ending	2011	2010
	\$	\$
<b>Net superannuation liability(asset) at start of year</b>	<b>16,000</b>	129,000
(+) Expense recognised in statement of comprehensive income	21,000	24,000
(+) Amount recognised in retained earnings	31,000	(24,000)
(-) Employer contributions	24,000	113,000
<b>Net superannuation liability(asset) at end of year</b>	<b>44,000</b>	16,000

## Estimate of expense for 2012

Financial year ending	2012
	\$
Service cost	34,000
Interest cost	26,000
Expected return on assets	(38,000)
Actuarial losses/(gains)	-
Past service cost	-
Movement in limitation on net asset	-
Effect of curtailments/settlements	^
<b>Estimated superannuation expense/(income)</b>	<b>22,000</b>

^ not known until end of year

## Estimate of net liability/(asset) at 30 June 2012

Financial year ending	2012
	\$
<b>Net superannuation liability(asset) at start of year</b>	<b>44,000</b>
(+) Estimated expense recognised in statement of comprehensive income	22,000
(+) Estimated amount recognised in retained earnings	^
(-) Estimated employer contributions	25,000
<b>Estimated net superannuation liability(asset) at end of year</b>	<b>41,000</b>

^ not known until end of year

Reconciliation of the defined benefit obligation – para 120A(c)

Financial year ending	2011	2010
	\$	\$
<b>Present value of DBO at start of year</b>	<b>482,000</b>	432,000
(+) Current service cost	<b>32,000</b>	26,000
(+) Interest cost	<b>23,000</b>	21,000
(+) Contributions by AASB Plan members	<b>16,000</b>	15,000
(+) Actuarial (gains)/losses	<b>21,000</b>	5,000
(-) Benefits paid	-	-
(-) Taxes, premiums and expenses paid	<b>6,000</b>	17,000
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Past service cost	-	-
(+) Curtailments	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
<b>Present value of DBO at end of year</b>	<b>568,000</b>	482,000

Reconciliation of the fair value of AASB Plan assets – para 120A(e)

Financial year ending	2011	2010
	\$	\$
<b>Fair value of AASB Plan assets at start of year</b>	<b>466,000</b>	303,000
(+) Expected return on AASB Plan assets	<b>34,000</b>	23,000
(+) Actuarial (gains)/losses	<b>(10,000)</b>	29,000
(+) Employer Contributions	<b>24,000</b>	113,000
(+) Contributions by AASB Plan members	<b>16,000</b>	15,000
(-) Benefits paid	-	-
(-) Taxes, premiums and expenses paid	<b>6,000</b>	17,000
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
<b>Fair value of AASB Plan assets at end of year</b>	<b>524,000</b>	466,000

Reconciliation of the assets and liabilities recognised in the balance sheet –  
para 120A(f)

As at 30 June	2011	2010
	\$	\$
Defined Benefit Obligation ^	568,000	482,000
(-) Fair value of AASB Plan assets	524,000	466,000
Deficit/(surplus)	44,000	16,000
(-) Unrecognised past service cost	-	-
(-) Unrecognised net (gains)/losses	-	-
(+) Adjustment for limitation on net asset	-	-
<b>Net superannuation liability/(asset)</b>	<b>44,000</b>	<b>16,000</b>

^ includes contributions tax provision

Expense recognised in the statement of comprehensive income – para 120A(g)

Financial year ending	2011	2010
	\$	\$
Service cost	32,000	26,000
Interest cost	23,000	21,000
Expected return on assets	(34,000)	(23,000)
Actuarial losses/(gains)	-	-
Past service cost	-	-
Movement in limitation on net asset	-	-
Effect of curtailments/settlements	-	-
<b>Superannuation expense/(income)</b>	<b>21,000</b>	<b>24,000</b>

Amounts recognised in the statement of comprehensive income – para 120A(h)

Financial year ending	2011	2010
	\$	\$
Actuarial (gains)/losses	31,000	(24,000)

Cumulative amount recognised in the statement of comprehensive income –  
para 120A(i)

Financial year ending	2011	2010
	\$	\$
Cumulative amount of actuarial (gains)/losses	144,000	113,000

**AASB Plan assets – para 120A(j)**

<b>As at 30 June</b>	<b>2011</b>	<b>2010</b>
	<b>%</b>	<b>%</b>
Australian equities	<b>48</b>	45
International equities	<b>24</b>	25
Fixed income	<b>14</b>	15
Property	<b>10</b>	9
Alternatives/other	<b>2</b>	3
Cash	<b>2</b>	3
	<b>100%</b>	100%

**Actual return on AASB Plan assets – para 120A(m)**

<b>Financial year ending</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Actual return on AASB Plan assets	<b>24,000</b>	52,000

**Principal actuarial assumptions at the balance sheet date – para 120A(n)**

<b>Financial year ending</b>	<b>2011</b>	<b>2010</b>
	<b>%</b>	<b>%</b>
Discount rate	<b>4.6</b>	4.8
Expected rate of return on AASB Plan assets	<b>7.0</b>	7.0
Expected salary increase rate	<b>2.5</b>	2.5

**Historical information – para 120A(p)**

<b>Financial year ending 30 June</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Present value of DBO	<b>568,000</b>	482,000	432,000	407,000	367,000
Fair value of AASB Plan assets	<b>524,000</b>	466,000	303,000	315,000	341,000
Surplus/deficit in AASB Plan	<b>44,000</b>	16,000	129,000	92,000	26,000
<b>Experience adjustments (gains)/losses:</b>					
AASB Plan assets	<b>10,000</b>	(29,000)	85,000	106,000	(27,000)
<b>Experience adjustments (gains)/losses:</b>					
AASB Plan liabilities	<b>7,000</b>	(15,000)	(3,000)	14,000	71,000



## Expected contributions – para 120A(q)

Financial year ending	2012 \$
Expected employer contributions *	25,000

\* based on the current AUASB contribution rate of 9% of Salary

## Actuarial assumptions

As at	30 June 2011 %	30 June 2010 %	Comments
Discount rate	4.6	4.8	Based on 10-year Government bond rate, less allowance for investment tax
Salary inflation	2.5	2.5	
Expected return on assets	7.0	7.0	Based on Plan's mix of asset classes
Contributions tax rate	15	15	
Method of recognising actuarial gains and losses	Immediate recognition of actuarial gains and losses through retained earnings		
Vested benefit minimum	None	None	Not required by AASB 119

## Supplemental information:

## Service cost

Financial year ending	2011 \$	2010 \$
1. Total service cost at beginning of year	38,000	34,000
2. Interest cost for year	2,000	2,000
3. Expected contributions tax and expenses	9,000	6,000
4. Expected employee contributions	16,000	15,000
5. Expected (increase) in contributions tax provisions	(1,000)	(1,000)
6. Current service cost (1+2+3-4+5)	32,000	26,000

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### Interest cost

Financial year ending	2011	2010
	\$	\$
1. DBO at start of year ^	480,000	413,000
2. Expected distributions	-	-
3. Average DBO over year (1 + 50% x 2)	480,000	413,000
4. Discount rate	4.8%	5.1%
5. Interest cost (3 x 4)	23,000	21,000

^ before contributions tax provision

### Expected return on AASB Plan assets

Financial year ending	2011	2010
	\$	\$
1. Fair value of AASB Plan assets at start of year	466,000	303,000
2. Expected employer contributions	24,000	43,000
3. Expected employee contributions	16,000	15,000
4. Expected distributions during year	-	-
5. Expected expenses, tax and insurance premiums	6,000	6,000
6. Average expected fair value of assets (1+50% (2+3-4-5))	483,000	329,000
7. Expected rate of return on AASB Plan assets	7.0%	7.0%
8. Expected return on AASB Plan assets (6x7)	34,000	23,000

### Actuarial (gains)/losses (recognised in retained earnings)

Financial year ending	2011	2010
	\$	\$
1. Actuarial (gain)/loss on assets - experience	10,000	(29,000)
2. Actuarial (gain)/loss on DBO ^ - experience	7,000	(15,000)
3. Actuarial (gain)/loss on DBO ^ - change in assumptions	14,000	20,000
4. Total actuarial (gain)/loss (1+2+3)	31,000	(24,000)

^ includes movement of contributions tax provision

### Calculation of total defined benefit obligation

Financial year ending	2011	2010
	\$	\$
1. Defined benefit obligation ^	561,000	480,000
2. Fair value of AASB Plan assets	(524,000)	(466,000)
3. (Deficit)/surplus (1+2)	37,000	14,000
4. Provision for contributions tax (3x15%/85%)	7,000	2,000
5. Total defined benefit obligation (1+4)	568,000	482,000

^ before contributions tax provision

## Expected change in contributions tax provision

Financial year ending	2011	2010
	\$	\$
1. Expected defined benefit obligation at end of current year	544,000	479,000
2. Expected assets at end of current year	(536,000)	(378,000)
3. Expected provision at end of current year $[(1+2)*15\%/85\%]$	1,000	18,000
4. Actual provision at end of prior year	2,000	19,000
5. Expected change in tax provision (3-4)	(1,000)	(1,000)

## Note 8B: Other provisions

	2011	2010
	\$	\$
Leasehold restoration obligations	71,377	67,680
<b>Total other provisions</b>	<b>71,377</b>	<b>67,680</b>
Other provisions are expected to be settled within:		
More than 12 months	71,377	67,680
<b>Total other provisions</b>	<b>71,377</b>	<b>67,680</b>
	<b>Provision for restoration 2011</b>	<b>Provision for restoration 2010</b>
<b>Carrying amount 1 July</b>	<b>67,680</b>	<b>64,175</b>
Unwinding of discount	3,697	3,505
<b>Closing balance 30 June</b>	<b>71,377</b>	<b>67,680</b>

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.

**Note 9: Cash Flow Reconciliation**

	2011	2010
	\$	\$
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>		
<b>Cash equivalents as per:</b>		
Cash flow statement	184,310	156,705
Balance sheet	184,310	156,705
Difference	-	-
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	(953,491)	(927,531)
Add revenue from Government	1,106,000	1,115,000
Other movement in retained surplus – superannuation actuarial gain and losses	(31,000)	24,000
<b>Adjustments for non-cash items:</b>		
Depreciation/amortisation	63,949	55,933
Lease incentive – amortisation	(42,973)	(42,972)
Unwinding of discount on provision for required restoration of premises	3,697	3,505
Net write down of non-financial assets	1,321	-
<b>Changes in assets/liabilities:</b>		
(Increase)/decrease in net receivables	(182,189)	(187,383)
(Increase)/decrease in prepayments	7,647	(4,667)
Increase/(decrease) in superannuation provision	28,000	(113,000)
Increase/(decrease) in other employee provisions	21,368	50,737
Increase/(decrease) in supplier payables	3,295	(7,220)
Increase/(decrease) in other payables	1,980	(5,505)
<b>Net cash from/(used by) operating activities</b>	<b>27,605</b>	<b>(39,103)</b>

**Note 10: Executive Remuneration****Note 10A: Senior executive remuneration expense for the reporting period**

	2011 \$	2010 \$
<b>Short-term employee benefits:</b>		
Salary	387,660	343,103
Annual leave accrued	31,785	29,505
<b>Total short-term employee benefits</b>	<b>419,445</b>	<b>372,608</b>
<b>Post-employment benefits:</b>		
Superannuation	37,151	54,041
<b>Total post-employment benefits</b>	<b>37,151</b>	<b>54,041</b>
<b>Other long-term benefits:</b>		
Long-service leave	(1,929)	9,569
<b>Total other long-term benefits</b>	<b>(1,929)</b>	<b>9,569</b>
<b>Total</b>	<b>454,667</b>	<b>436,218</b>

**Note 10B: Actual remuneration paid to senior executives**

## Average annual remuneration packages for substantive senior executives

**Fixed Elements:**

	As at 30 June 2011			As at 30 June 2010		
	No. senior executives	Base salary (inc. annual leave)	Total	No. senior executives	Base salary (inc. annual leave)	Total remuneration package
Less than \$150,000	-	-	-	1	122,710	122,710
\$150,000 to \$179,999	1	170,321	170,321	-	-	-
\$240,000 to \$269,999	1	248,669	248,669	1	241,426	241,426
<b>Total</b>	<b>2</b>	<b>418,990</b>	<b>418,990</b>	<b>2</b>	<b>364,136</b>	<b>364,136</b>

**Variable Elements:**

(a) On average senior executives are entitled to the following leave entitlements:

- Annual Leave (AL): entitled to 20 days (2010: 20 days) each full year worked or part-time equivalent
- Personal Leave (PL): entitled to 10 days (2010: 10 days) each full year worked or part-time equivalent
- Long Service Leave (LSL): entitled to 8.67 weeks after 10 years (2010: 8.67 weeks after 10 Years) or part-time equivalent or in accordance with Long Service Leave (Commonwealth Employees) Act 1976 for statutory office holder

(b) Senior executives are members of the AASB superannuation plan (Defined Benefit (DB) plan) or are members of a defined contribution fund. Employee contributions are provided at 9% for all executives. A further contribution of 6% is provided to DB members of the AASB superannuation plan under the conditions of the fund.

### Note 10C: Other highly paid staff

During the reporting period, there was one employee whose salary was \$150,000 or more. These employees did not have a role as senior executive and are therefore not disclosed as senior executive in Note 10A and Note 10B.

### Note 11: Remuneration of Auditors

	2011	2010
	\$	\$
The fair value of the services provided:		
Remuneration to the ANAO for auditing the financial statements for the reporting period	23,500	19,000
	23,500	19,000

No other services were provided by the ANAO



**Note 12: Financial Instruments**

	2011	2010
	\$	\$
<b>Note 12A: Categories of financial instruments</b>		
<b>Financial assets</b>		
Held-to-maturity financial assets		
Cash and cash equivalents	184,310	156,705
Trade receivables	5,333	274
<b>Total held-to-maturity financial assets</b>	<b>189,643</b>	<b>156,979</b>
<b>Carrying amount of financial assets</b>	<b>189,643</b>	<b>156,979</b>
<b>Financial liabilities</b>		
At amortised cost		
Trade creditors	44,582	41,288
<b>Carrying amount of financial liabilities</b>	<b>44,582</b>	<b>41,288</b>

**Note 12B: Fair value of financial instruments****Financial assets**

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

**Financial liabilities**

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

**Note 12C: Credit risk**

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

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

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

**The following table illustrates the entity's gross exposure to credit risk, excluding any collateral or credit enhancements**

	2011	2010
	\$	\$
Cash and cash equivalents	184,310	156,705
Trade receivables	5,333	274
<b>Total</b>	<b>189,643</b>	<b>156,979</b>

**Credit quality of financial instruments not past due or individually determined as impaired**

	<b>Not past due nor impaired</b>	Not past due nor impaired	<b>Past due or impaired</b>	Past due or impaired
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade receivables	<b>5,086</b>	274	<b>247</b>	-
<b>Total</b>	<b>5,086</b>	274	<b>247</b>	-

**Ageing of financial assets that were past due but not impaired for 2011**

	<b>31 to 60 days</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	<b>247</b>	<b>247</b>
<b>Total</b>	<b>247</b>	<b>247</b>

There were no past due amounts in the prior year.

**Note 12D: Liquidity risk**

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

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

**Note 12E: Market risk**

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

## Note 13: Appropriations

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

	2011 Appropriations				Appropriation applied in 2011 (current and prior years)	Variance <sup>(b)</sup>
	Appropriation Act		FMA Act	Total appropriation		
	Annual Appropriation	Appropriations reduced <sup>(a)</sup>	Section 31			
	\$	\$	\$			
DEPARTMENTAL						
Ordinary annual services	1,151,000	-	585,201	1,736,201	1,546,624	189,576
Total departmental	1,151,000	-	585,201	1,736,201	1,546,624	189,576

	2010 Appropriations				Appropriation applied in 2010 (current and prior years)	Variance <sup>(b)</sup>
	Appropriation Act		FMA Act	Total appropriation		
	Annual Appropriation	Appropriations reduced <sup>(a)</sup>	Section 31			
	\$	\$	\$			
DEPARTMENTAL						
Ordinary annual services	1,126,000	(11,000)	1,251,692	2,366,692	2,083,212	283,480
Total departmental	1,126,000	(11,000)	1,251,692	2,366,692	2,083,212	283,480

(a) Appropriations reduced under Appropriation Acts (No. 1,3) 2009-10: sections 10, 11 and 12 and under Appropriation Acts (No. 2,4) 2009-10: sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. The reduction was approved by the Finance Minister on 29 June 2010. The reduction was under Operation Sunlight.

(b) Material variances were due to travel savings and staff movements.

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

Authority	2011	2010
	\$	\$
Act 4 - Non Operating - Equity Injection	579,000	579,000
Appropriation Act 1 2008/09	153,981	153,981
Appropriation Act 1 2009/10	241,184	346,156
Appropriation Act 1 2010/11	309,792	-
Appropriation Act 1 2010/11 - capital budget	12,362	-
<b>Total</b>	<b>1,296,319</b>	<b>1,079,137</b>

## Note 14: Special Accounts

### Office of the Auditing and Assurance Standards Board Special Account

Legal Authority: Minister for Finance and Deregulation. Determination under subsection 20(1) of the FMA Act 1997. Special Account established 2008.  
 Appropriation: FMA Act 1997, section 20  
 Purpose: The purpose of this Special Account is to enable the Office of the AUASB to manage moneys received primarily from the professional accounting bodies.

	2011	2010
	\$	\$
Balance carried from previous period	-	-
Appropriation for reporting period (Departmental)	594,000	594,000
<b>Total increase</b>	<b>594,000</b>	594,000
Available for payments	594,000	594,000
Payments made	594,000	594,000
<b>Total decrease</b>	<b>594,000</b>	594,000
<b>Total balance carried to the next period</b>	<b>-</b>	-

### Office of the Auditing and Assurance Standards Board Services for Other Entities and Trust Moneys Special Account (abolished)

Legal Authority: Minister for Finance and Deregulation. Determination under subsection 20(1) of the FMA Act 1997. Special Account established 2008.  
 This account has been closed under the Financial Management and Accountability Determination 2010/13 – Abolition of Inactive Special Accounts 2010.  
 Appropriation: FMA Act 1997, section 20  
 Purpose: The purpose of this Special Account was to enable the Office of the AUASB to manage moneys held on trust or otherwise for the benefit of a person other than the Commonwealth.  
 No transactions occurred in this account and the account was abolished October 2010.

**Note 15: Reporting of Outcomes**

The Office of the AUASB has one outcome and therefore all items relate to the sole outcome.

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

<b>Outcome 1</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Departmental	<b>2,107,005</b>	2,135,618
<b>Total expenses</b>	<b>2,107,005</b>	2,135,618
<b>Income from non-government sector:</b>		
Departmental	<b>624,014</b>	623,087
<b>Total departmental</b>	<b>624,014</b>	623,087
<b>Other own-source income</b>		
Other revenue	<b>506,000</b>	566,000
Gains	<b>23,500</b>	19,000
<b>Total other own-source income</b>	<b>529,500</b>	585,000
<b>Net cost/(contribution) of outcome delivery</b>	<b>953,491</b>	927,531

**Note 16: Comprehensive Income (Loss) Attributable to the Entity**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Total Comprehensive Income (loss) Attributable to the entity</b>		
Total comprehensive income (loss) attributable to the Australian Government <sup>1</sup>	<b>118,405</b>	244,884
Plus: non-appropriated expenses		
Depreciation and amortisation expenses	<b>63,949</b>	-
<b>Total comprehensive income (loss) attributable to the entity</b>	<b>182,354</b>	244,884

<sup>1</sup> As per the Statement of Comprehensive Income

**Note 17: Compensation and Debt Relief**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
No 'Act of Grace payments' were expended during the reporting period (2010: nil expenses)	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997(2010: nil waivers)	-	-
No ex-gratia payments were provided for during the reporting period (2010: nil payments)	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 (PS Act) during the reporting period (2010: nil payments)	-	-









## OTHER MANDATORY INFORMATION

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### OCCUPATIONAL HEALTH AND SAFETY

The AUASB has less than 50 employees and is therefore not required to establish an Occupational Health and Safety Committee under section 34 of the *Occupational Health and Safety Act 2001*.

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 2010-11 financial year.

### FREEDOM OF INFORMATION

*Statement covering the period from 1 July 2010 to 30 April 2011*

The AUASB maintains a website, [www.auasb.gov.au](http://www.auasb.gov.au), which describes its organisation and functions, and on which its standards, interpretations, framework documents, proposed agenda decisions, exposure drafts, draft interpretations, invitations to comment, discussion papers, annual reports, all non-confidential submissions and contact details are publicly available.

*Statement covering the period from 1 May 2011 to 30 June 2011*

From 1 May 2011, agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report.

No matter involving freedom of information arose during the 2010-11 financial year. No applications under the *Freedom of Information Act 1982* were received by the AUASB in 2010-11.

Requests under the *Freedom of Information Act 1982* for access to other documents in the possession of the AUASB can be directed to the AUASB Secretary.

### ADVERTISING AND MARKET RESEARCH

The AUASB did not carry out any advertising or market research during the 2010-11 financial year.

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

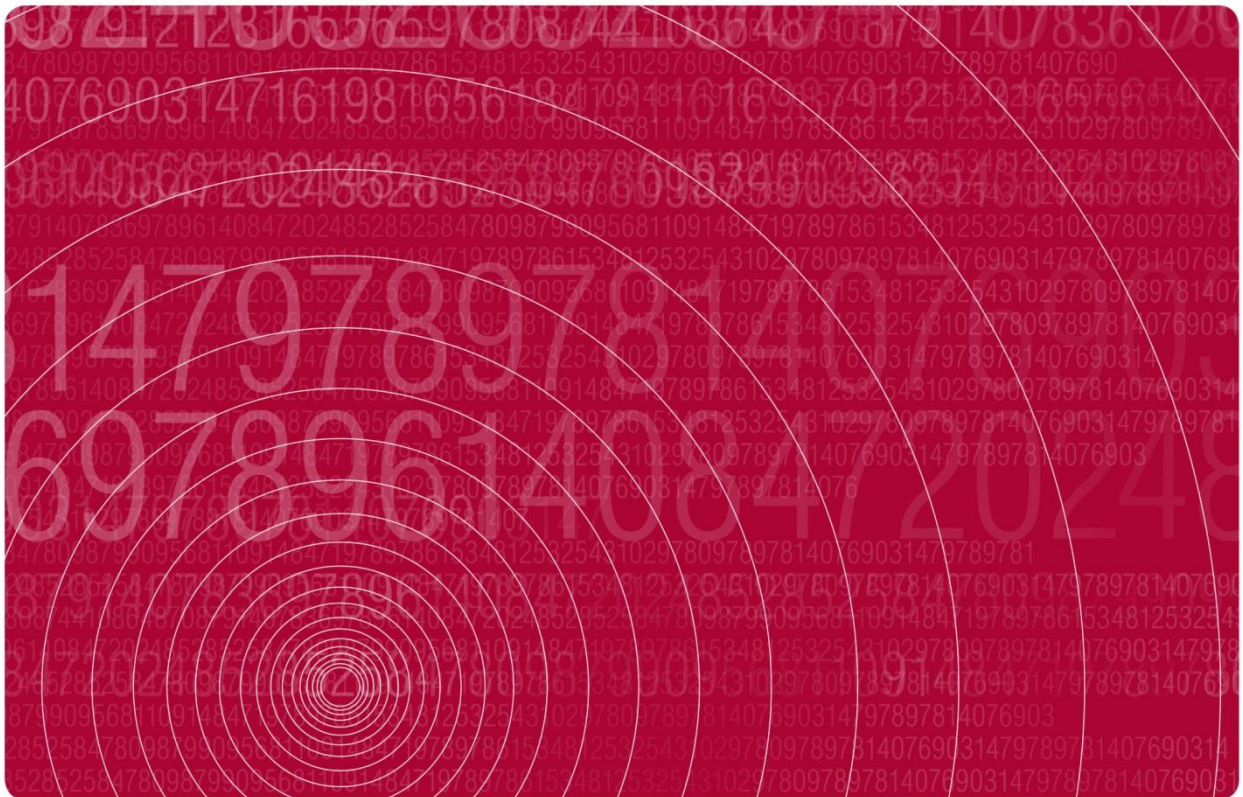
The AUASB seeks to use the minimum resources necessary to perform its functions.

### **DISCRETIONARY GRANTS**

The AUASB did not administer any discretionary grant programs in the 2010–11 financial year.



## Appendices







## APPENDIX A

### ATTENDANCE AT AUASB MEETINGS

The AUASB met seven times during 2010–11 for a total of eight 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)	8	8	0
J Tyers (Deputy Chairman)	8	7	1
D Azoor Hughes	8	8	0
M Blake	8	5	3
V Clifford	8	7	1
J Gavens	8	6	2
C Hall*	4	4	0
E Johnstone	8	6	2
C Jubb*	4	4	0
C Murphy	8	8	0
G Pound	8	6	2
D Simmonds	8	7	1
B Szentirmay^	4	3	1
K Wydell^	4	4	0

\* Mr Hall retired 31 December 2010

\* Dr Jubb retired 31 December 2010

^ Mr Szentirmay commenced 1 January 2011

^ Ms Wydell commenced 1 January 2011





## APPENDIX B

### PRONOUNCEMENTS (30 June 2011)

The following pronouncements have been issued by the AUASB.

#### Foreword, glossary and framework

Title	Reissued
<i>Foreword to AUASB Pronouncements</i>	23 Dec 2009
<i>AUASB Glossary</i>	27 Oct 2009
<i>Framework for Assurance Engagements</i>	19 Apr 2010

#### Clarity Auditing Standards – issued as legislative instruments

The AUASB has made the following *Clarity Auditing Standards*, pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003* and are operative for financial reporting periods commencing on or after 1 January 2010.

Standard	Title	Issued
ASA 101	<i>Preamble to Australian Auditing Standards</i>	27 Oct 2009
ASA 102	<i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i>	27 Oct 2009
ASQC 1	<i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i>	27 Oct 2009
ASA 200	<i>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards</i>	27 Oct 2009
ASA 210	<i>Agreeing the Terms of Audit Engagements</i>	27 Oct 2009
ASA 220	<i>Quality Control for an Audit of a Financial Report and Other Historical Financial Information</i>	27 Oct 2009
ASA 230	<i>Audit Documentation</i>	27 Oct 2009
ASA 240	<i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i>	27 Oct 2009
ASA 250	<i>Consideration of Laws and Regulations in an Audit of a Financial Report</i>	27 Oct 2009
ASA 260	<i>Communication with Those Charged with Governance</i>	27 Oct 2009
ASA 265	<i>Communicating Deficiencies in Internal Control to Those Charged with Governance and Management</i>	27 Oct 2009
ASA 300	<i>Planning an Audit of a Financial Report</i>	27 Oct 2009
ASA 315	<i>Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment</i>	27 Oct 2009
ASA 320	<i>Materiality in Planning and Performing an Audit</i>	27 Oct 2009
ASA 330	<i>The Auditor's Responses to Assessed Risks</i>	27 Oct 2009
ASA 402	<i>Audit Considerations Relating to an Entity Using a Service Organisation</i>	27 Oct 2009

## Auditing and Assurance Standards Board Annual Report 2010–11

Standard	Title	Issued
ASA 450	<i>Evaluation of Misstatements Identified during the Audit</i>	27 Oct 2009
ASA 500	<i>Audit Evidence</i>	27 Oct 2009
ASA 501	<i>Audit Evidence—Specific Considerations for Inventory and Segment Information</i>	27 Oct 2009
ASA 502	<i>Audit Evidence—Specific Considerations for Litigation and Claims</i>	27 Oct 2009
ASA 505	<i>External Confirmations</i>	27 Oct 2009
ASA 510	<i>Initial Audit Engagements—Opening Balances</i>	27 Oct 2009
ASA 520	<i>Analytical Procedures</i>	27 Oct 2009
ASA 530	<i>Audit Sampling</i>	27 Oct 2009
ASA 540	<i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures</i>	27 Oct 2009
ASA 550	<i>Related Parties</i>	27 Oct 2009
ASA 560	<i>Subsequent Events</i>	27 Oct 2009
ASA 570	<i>Going Concern</i>	27 Oct 2009
ASA 580	<i>Written Representations</i>	27 Oct 2009
ASA 600	<i>Special Considerations – Audits of a Group Financial Report (including the Work of Component Auditors)</i>	27 Oct 2009
ASA 610	<i>Using the Work of Internal Auditors</i>	27 Oct 2009
ASA 620	<i>Using the Work of an Auditor's Expert</i>	27 Oct 2009
ASA 700	<i>Forming an Opinion and Reporting on a Financial Report</i>	27 Oct 2009
ASA 705	<i>Modifications to the Opinion in the Independent Auditor's Report</i>	27 Oct 2009
ASA 706	<i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i>	27 Oct 2009
ASA 710	<i>Comparative Information – Corresponding Figures and Comparative Financial Reports</i>	27 Oct 2009
ASA 720	<i>The Auditor's Responsibility in Relation to Other Information in Documents Containing an Audited Financial Report</i>	27 Oct 2009
ASA 800	<i>Special Considerations - Audits of Financial Reports Prepared in accordance with Special Purpose Frameworks</i>	27 Oct 2009
ASRE 2410	<i>Review of a Financial Report Performed by the Independent Auditor of the Entity</i>	27 Oct 2009
ASRE 2415	<i>Review of a Financial Report – Company Limited by Guarantee</i>	30 Jun 2010

### Clarity Auditing Standards – issued as non-legislative instruments

The following Auditing Standards are non-legislative instruments and are operative for financial reporting periods commencing on or after 1 January 2010.

Standard	Title	Issued
ASA 805	<i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i>	27 Oct 2009
ASA 810	<i>Engagements to Report on Summary Financial Statements</i>	27 Oct 2009
ASA 2011-1	<i>Amendments to Australian Auditing Standards</i>	27 Jun 2011

## Compiled Auditing Standards issued in June 2011

Following the issue of ASA 2011-1 *Amendments to Australian Auditing Standards*, the AUASB has prepared the following compiled versions of affected Auditing Standards. These compiled versions incorporate the amendments contained in ASA 2011-1.

Standard	Title	Approval Date
ASQC 1	<i>Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements (Compiled)</i>	27 Jun 2011
ASA 101	<i>Preamble to Australian Auditing Standards (Compiled)</i>	27 Jun 2011
ASA 102	<i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements (Compiled)</i>	27 Jun 2011
ASA 210	<i>Agreeing the Terms of Audit Engagements (Compiled)</i>	27 Jun 2011
ASA 220	<i>Quality Control for an Audit of a Financial Report and Other Historical Financial Information (Compiled)</i>	27 Jun 2011
ASA 240	<i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report (Compiled)</i>	27 Jun 2011
ASA 250	<i>Consideration of Laws and Regulations in an Audit of a Financial Report (Compiled)</i>	27 Jun 2011
ASA 260	<i>Communication with Those Charged with Governance (Compiled)</i>	27 Jun 2011
ASA 300	<i>Planning an Audit of a Financial Report (Compiled)</i>	27 Jun 2011
ASA 315	<i>Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment (Compiled)</i>	27 Jun 2011
ASA 320	<i>Materiality in Planning and Performing an Audit (Compiled)</i>	27 Jun 2011
ASA 402	<i>Audit Considerations Relating to an Entity Using a Service Organisation (Compiled)</i>	27 Jun 2011
ASA 500	<i>Audit Evidence (Compiled)</i>	27 Jun 2011
ASA 501	<i>Audit Evidence—Specific Considerations for Inventory and Segment Information (Compiled)</i>	27 Jun 2011
ASA 502	<i>Audit Evidence—Specific Considerations for Litigations and Claims (Compiled)</i>	27 Jun 2011
ASA 540	<i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures (Compiled)</i>	27 Jun 2011
ASA 550	<i>Related Parties (Compiled)</i>	27 Jun 2011
ASA 560	<i>Subsequent Events (Compiled)</i>	27 Jun 2011
ASA 570	<i>Going Concern (Compiled)</i>	27 Jun 2011
ASA 580	<i>Management Representations (Compiled)</i>	27 Jun 2011
ASA 700	<i>Forming an Opinion and Reporting on a Financial Report (Compiled)</i>	27 Jun 2011
ASA 705	<i>Modifications to the Opinion in the Independent Auditor's Report (Compiled)</i>	27 Jun 2011
ASA 706	<i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report (Compiled)</i>	27 Jun 2011
ASA 710	<i>Comparative Information—Corresponding Figures and Comparative Financial Reports (Compiled)</i>	27 Jun 2011
ASA 800	<i>Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks (Compiled)</i>	27 Jun 2011
ASRE 2410	<i>Review of a Financial Report Performed by the Independent Auditor of the Entity (Compiled)</i>	27 Jun 2011

## Auditing Standards – issued as legislative instruments

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

Standard	Title	Issued
ASA 100	<i>Preamble to AUASB Standards</i>	28 Apr 2006
ASA 200	<i>Objective and General Principles Governing an Audit of a Financial Report</i>	28 Apr 2006
ASA 210	<i>Terms of Audit Engagements</i>	28 Apr 2006
ASA 220	<i>Quality Control for Audits of Historical Financial Information</i>	28 Apr 2006
ASA 230	<i>Audit Documentation</i>	28 Apr 2006
ASA 240	<i>The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report</i>	28 Apr 2006
ASA 250	<i>Consideration of Laws and Regulations in an Audit of a Financial Report</i>	28 Apr 2006
ASA 260	<i>Communication of Audit Matters with Those Charged with Governance</i>	28 Apr 2006
ASA 300	<i>Planning an Audit of a Financial Report</i>	28 Apr 2006
ASA 315	<i>Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement</i>	28 Apr 2006
ASA 320	<i>Materiality and Audit Adjustments</i>	28 Apr 2006
ASA 330	<i>The Auditor's Procedures in Response to Assessed Risks</i>	28 Apr 2006
ASA 402	<i>Audit Considerations Relating to Entities Using Service Organisations</i>	28 Apr 2006
ASA 500	<i>Audit Evidence</i>	28 Apr 2006
ASA 501	<i>Existence and Valuation of Inventory</i>	28 Apr 2006
ASA 505	<i>External Confirmations</i>	28 Apr 2006
ASA 508	<i>Enquiry Regarding Litigation and Claims</i>	28 Apr 2006
ASA 510	<i>Initial Engagements — Opening Balances</i>	28 Apr 2006
ASA 520	<i>Analytical Procedures</i>	28 Apr 2006
ASA 530	<i>Audit Sampling and Other Means of Testing</i>	28 Apr 2006
ASA 540	<i>Audit of Accounting Estimates</i>	28 Apr 2006
ASA 545	<i>Auditing Fair Value Measurements and Disclosures</i>	28 Apr 2006
ASA 550	<i>Related Parties</i>	28 Apr 2006 [Re-issued 9 Oct. 2006]
ASA 560	<i>Subsequent Events</i>	28 Apr 2006
ASA 570	<i>Going Concern</i>	28 Apr 2006
ASA 580	<i>Management Representations</i>	28 Apr 2006
ASA 600	<i>Using the Work of Another Auditor</i>	28 Apr 2006
ASA 610	<i>Considering the Work of Internal Audit</i>	28 Apr 2006
ASA 620	<i>Using the Work of an Expert</i>	28 Apr 2006
ASA 700	<i>The Auditor's Report on a General Purpose Financial Report</i>	27 Jun 2007
ASA 701	<i>Modifications to the Auditor's Report</i>	27 Jun 2006

Standard	Title	Issued
ASA 710	<i>Comparatives</i>	27 Jun 2007
ASA 720	<i>Other Information in Documents Containing Audited Financial Reports</i>	28 Apr 2006
ASA 800	<i>The Auditor's Report on Special Purpose Audit Engagements</i>	27 Jun 2007
ASRE 2410	<i>Review of an Interim Financial Report Performed by the Independent Auditor of the Entity</i>	21 Aug 2008
ASA 2007-1	<i>Amendments to Australian Auditing Standards</i>	27 Jun 2007
ASA 2008-1	<i>Amendments to Australian Auditing Standards</i>	21 Aug 2008

### Compiled Auditing Standards issued in prior years

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

Standard	Title	Issued
ASA 200	<i>Objective and General Principles Governing an Audit of a Financial Report (Compiled)</i>	27 Jun 2007
ASA 210	<i>Terms of Audit Engagements (Compiled)</i>	27 Jun 2007
ASA 510	<i>Initial Engagements — Opening Balances (Compiled)</i>	27 Jun 2007
ASA 570	<i>Going Concern (Compiled)</i>	27 Jun 2007
ASA 700	<i>The Auditor's Report on a General Purpose Financial Report (Compiled)</i>	27 Jun 2007
ASA 701	<i>Modifications to the Auditor's Report (Compiled)</i>	27 Jun 2007
ASA 710	<i>Comparatives (Compiled)</i>	27 Jun 2007
ASA 800	<i>The Auditor's Report on Special Purpose Audit Engagements (Compiled)</i>	27 Jun 2007
ASRE 2410	<i>Review of an Interim Financial Report Performed by the Independent Auditor of the Entity (Compiled)</i>	27 Jun 2007
ASRE 2410	<i>Review of an Interim Financial Report Performed by the Independent Auditor of the Entity (Compiled)</i>	21 Aug 2008

### Standards on Assurance Engagements

The following Standards on Assurance Engagements were issued or reissued by the AUASB:

Standard	Title	Issued
ASAE 3000	<i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>	9 Jul 2007
ASAE 3100	<i>Compliance Engagements</i>	9 Sep 2008
ASAE 3402	<i>Assurance Reports on Controls at a Service Organisation</i>	29 Jun 2010
ASAE 3500	<i>Performance Engagements</i>	30 Oct 2008

## Standards on Review Engagements

The following Standards on Review Engagements were issued or reissued by the AUASB:

Standard	Title	Issued
ASRE 2400	<i>Review of a Financial Report Performed by an Assurance Practitioner Who is not the Auditor of the Entity</i>	21 Aug 2008
ASRE 2405	<i>Review of Historical Financial Information Other than a Financial Report</i>	21 Aug 2008

## Standards on Related Services

The following Standard on Related Services was issued by the AUASB:

Standard	Title	Issued
ASRS 4400	<i>Agreed-Upon Procedures Engagements to Report Factual Findings</i>	8 Jun 2011

## Explanatory Guide to Review Engagements

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

Title	Issued
<i>Explanatory Guide to Review Engagements</i>	Apr 2008

## Auditing Standards – Other

The following Auditing Standards (AUSs), issued by the former Auditing and Assurance Standards Board (AuASB) of the Australian Accounting Research Foundation prior to 1 July 2004, and remain current:

Standard	Title	Issued
AUS 804	<i>The Audit of Prospective Financial Information</i>	Jul 2002
AUS 810	<i>Special Purpose Reports on the Effectiveness of Control Procedures</i>	Jul 2002 [Reissued as GS 007, Oct 2007]

## Auditing and Assurance Guidance Statements

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

Guidance	Title	Issued
GS 001	<i>Concise Financial Reports Under the Corporations Act 2001</i>	Dec 2008 [Reissued Mar 2010]
GS 002	<i>Special Considerations in the Audit of Risk Management Requirements for Registrable Superannuation Entities and Licensees</i>	Jul 2007 [Reissued Sep 2010]
GS 003	<i>Audit and Review Requirements for Australian Financial Services Licensees under the Corporations Act 2001</i>	Oct 2007
GS 004	<i>Audit Implications of Prudential Reporting Requirements for General Insurers</i>	Oct 2007
GS 005	<i>Using the Work of an Actuary</i>	Oct 2007
GS 006	<i>Electronic Publication of the Auditor's Report</i>	Mar 2010
GS 007	<i>Audit Implications of the Use of Service Organisations for Investment Management Services</i>	Mar 2008
GS 008	<i>The Auditor's Report on a Remuneration Report Under Section 300A of the Corporations Act 2001</i>	Mar 2010
GS 009	<i>Auditing Self Managed Superannuation Funds</i>	Oct 2008
GS 010	<i>Responding to Questions at an Annual General Meeting</i>	Mar 2009
GS 011	<i>Third Party Access to Audit Working Papers</i>	Apr 2009
GS 012	<i>Prudential Reporting Requirements for Authorised Deposit-taking Institutions</i>	Jun 2009
GS 013	<i>Special Considerations in the Audit of Compliance Plans of Managed Investment Schemes</i>	Aug 2009
GS 014	<i>Auditing Mortgage Schemes</i>	Aug 2009
GS 015	<i>Audit Implications of Accounting for Investments in Associates</i>	Nov 2009
GS 016	<i>Bank Confirmation Requests</i>	Jun 2010
GS 017	<i>Prudential Reporting Requirements for Auditors of a Life Company</i>	Jun 2010
GS 018	<i>Franchising Code of Conduct – Auditor's Reports</i>	Oct 2010
GS 019	<i>Auditing Fundraising Revenue of Not-for-Profit Entities</i>	Apr 2011

The following Auditing and Assurance Guidance Statements were issued by the former Auditing and Assurance Standards Board (AuASB) of the Australian Accounting Research Foundation prior to 1 July 2004, and remain current. The AUASB is progressively reviewing these Auditing and Assurance Guidance Statements.

Guidance	Title	Issued
AGS 1014	<i>Privity Letter Requests</i>	Jul 2002
AGS 1030	<i>Auditing Derivative Financial Instruments</i>	Jul 2002
AGS 1062	<i>Reporting in Connection with Proposed Fundraisings</i>	Aug 2002

## Bulletins

The following Bulletins were issued by the AUASB:

<b>Title</b>	<b>Issued</b>
<i>Auditing Small and Medium Sized Entities (SMEs)</i>	Sep 2007
<i>Auditing Considerations in an Uncertain Economic Environment</i>	Apr 2009
<i>Standard Business Reporting and XBRL: Information for Audit and Assurance Practitioners</i>	Jun 2010



