



Australian Government

Auditing and Assurance Standards Board

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Melbourne VIC 8007

12 February 2009

Senator the Hon Nick Sherry
Minister for Superannuation and Corporate Law
Parliament House
CANBERRA ACT 2600

Dear Minister,

Statement of Intent

This Statement of Intent provides the response of the Office of the Auditing and Assurance Standards Board and the associated Auditing and Assurance Standards Board (jointly referred to in this letter as the AUASB) to the Government's Statement of Expectations of 18 November 2008 in relation to the AUASB's role and responsibilities, relationships with the Government and the Financial Reporting Council (FRC), accountability and operational issues.

Background

The AUASB is constituted under Part 12 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). The functions of the AUASB, as reflected in Section 227B of that Act, include the development and maintenance of auditing and assurance standards and related guidance statements for all sectors of the Australian economy.

The Minister appoints the Chair of the AUASB and the FRC appoints the other members of the AUASB. The AUASB may appoint one of its members to be Deputy Chair of the AUASB. An AUASB member is appointed, in their personal capacity on the basis of their knowledge of, or experience in, business, accounting, law or government.

Since 1 July 2008, the AUASB has been governed by the *Financial and Management Accountability Act 1997* (the FMA Act), which deals with the proper management by government agencies of public money and public property and the lines of accountability and reporting for these matters within agencies.

The AUASB's status as an FMA agency follows general recommendations in the Review of the Corporate Governance of Statutory Authorities and Office Holders (the Uhrig report) directed to the clarification of lines of accountability between agencies and their Ministers and how agencies relate to their portfolio departments.

The Role and Responsibilities of AUASB

The AUASB will perform its functions and exercise its powers, as provided in the ASIC Act, in accordance with the requirements of that Act, the FMA Act and other applicable legislation.

The AUASB will continue to contribute towards the achievement of a sound and effective corporate framework. In carrying out its responsibilities the AUASB will:

- make auditing standards under section 336 of the *Corporations Act 2001* for the purposes of the corporations legislation;
- formulate auditing and assurance standards for other purposes;
- formulate guidance on auditing and assurance matters;
- participate in and contribute to the development of a single set of auditing standards for world-wide use; and
- advance and promote the main objects of Part 12 of the ASIC Act.

When developing a conceptual framework and participating in the development of a single set of auditing standards for world-wide use, the AUASB will have regard to the interests of Australian corporations which raise or propose to raise capital in major international financial centres. In addition, the AUASB in performing its functions will follow the broad strategic direction determined by the FRC under section 225 of the ASIC Act. In conjunction with the performance of its functions the AUASB will undertake an appropriate level of consultation with its stakeholders.

Relationship between the AUASB and the Government

The AUASB acknowledges that its roles, in the context of the Government having prime responsibility for setting corporate regulatory policy, is to set auditing and assurance standards used by companies and other entities which have financial reporting obligations.

Relationship with Treasury Ministers

The AUASB will provide the Treasury Ministers with timely and accurate advice on significant matters relating to its functions and activities.

Relationship with Treasury

The AUASB notes and understands the role of Treasury in supporting and advising Treasury Ministers across the range of their responsibilities.

Given the complementary roles of Treasury and the AUASB in the area of corporate regulation, the AUASB will continue to maintain a close working relationship with Treasury and continue its practice of inviting officers of Treasury to attend meetings of the AUASB. In the AUASB's experience, this practice enables Treasury to take into account the views and experience of the AUASB on a continuing basis and keeps the AUASB informed of relevant developments in other policy and legislative areas. This practice also promotes clear communication on administrative matters.

The AUASB will copy to the Secretary to the Treasury all information, briefings, press releases and correspondence provided to Treasury Ministers, and will also support the Secretary to the Treasury by providing briefings on significant issues relating to its activities and the activities of the AUASB that may arise from time to time.

Relationship with Financial Reporting Council

The AUASB notes and understands the role of the FRC in supporting and advising Treasury Ministers across the range of their responsibilities.

The AUASB will continue its practice of providing the Chairman of the FRC with all information reasonably needed by the FRC, including reports in relation to the setting of the Board's priorities, its

progress against those priorities and in respect of the Board's budget and staffing arrangements. This will be primarily provided through the Board's reports prepared for FRC meetings.

Accountability

The AUASB acknowledges that, in the performance of its functions, it remains accountable to the Parliament and ultimately the public through the Treasury Ministers, the Parliamentary Committee process and the tabling of its annual report.

Operational Issues

The AUASB acknowledges that it has the capacity to employ staff under the Public Service Act 1999 (PS Act) and under the ASIC Act. For staff employed under the PS Act, staff have obligations to act in accordance with the Australian Public Service Code of Conduct. For staff employed under the ASIC Act, the AUASB has a separate code of conduct which will be placed on the AUASB's website.

Financial Management

The AUASB acknowledges that it now has operational responsibilities under the FMA Act. The AUASB acknowledges that it is Government policy that all departments and portfolio bodies should continue efforts to secure improved efficiency in their operations and demonstrate value for money for the services they deliver. The AUASB will continue to seek opportunities to achieve outcomes in the most cost-effective manner.

In framing its future work programs and associated expenditures, the AUASB will proceed in the expectation that the funding available to it will be limited to budgetary appropriations agreed with the Government and contributions provided by non-government bodies.

Conclusion

The AUASB is pleased to note the Government's appreciation of the AUASB's performance to date. The AUASB looks forward to enhance the administration of a principles-based regulatory framework that minimises procedural requirements and business costs, and working with the Minister under the new governance arrangements.

Yours sincerely



Merran Kelsall
Chief Executive
Office of the Auditing and Assurance Standards Board

cc: The Hon Lindsay Tanner, Minister for Finance & Deregulation