



Australian Government
Australian Accounting Standards Board



Australian Government
Auditing and Assurance Standards Board

Australian Accounting Standards Board

and

Auditing and Assurance Standards Board

2017-18 Annual Reports

**Australian Accounting
Standards Board**

and

**Auditing and Assurance
Standards Board**

2017-18 Annual Reports

Commonwealth of Australia 2018

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LETTER OF TRANSMITTAL

5 October 2018

The Hon Stuart Robert MP
Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Minister,

We have pleasure in presenting the annual reports for the year ended 30 June 2018 of the:

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

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

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

Yours sincerely



Kris Peach
Chair
Australian Accounting Standards Board



Roger Simnett
Chair
Auditing and Assurance Standards Board

CONTENTS

ABBREVIATIONS.....	VI
CONTACT DETAILS	VII
AASB AND AUASB WORKING TOGETHER.....	8
WHAT WE ACHIEVED.....	8
VISION AND MISSION.....	9
KEY ACHIEVEMENTS.....	9
AASB CHAIR’S REVIEW	11
AASB ANNUAL PERFORMANCE STATEMENT 2017-18	18
AUASB CHAIR’S REVIEW	40
AUASB ANNUAL PERFORMANCE STATEMENT 2017-18	46
MANAGEMENT AND ACCOUNTABILITY	62
How the AASB works	62
The Minister	62
Financial Reporting Council.....	63
AASB.....	63
Office of the AASB	63
Membership	63
Observers	64
How the AUASB works.....	65
The Minister	65
Financial Reporting Council.....	65
AUASB	65
Office of the AUASB.....	66
Membership	66
AASB and AUASB’s corporate governance	67
Audit Committee.....	67
Fraud	67
Ethics.....	68
AASB personnel management	69
AUASB personnel management.....	70
FINANCIAL REPORTS	74
STATEMENTS BY THE CHAIRS	79
APPENDICES.....	105
Appendix A AASB and AUASB legislative requirements	107

Appendix B Attendance at AASB and AUASB meetings	109
Appendix C Other information	111
Appendix D Agency resource statement and resources for outcomes.....	114
Appendix E List of Requirements.....	116
Appendix F Index	122

ABBREVIATIONS

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

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

CONTACT DETAILS

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AASB AND AUASB WORKING TOGETHER

WHAT WE ACHIEVED

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

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

This year, working collaboratively, we have been consolidating the excellent work that our Boards and Staff achieved in aligning the strategies, visions and missions. This year was the first year of our new strategy and corporate work plan, and we have made a great start to achieving our outcomes. This year we have been focused on engaging with our stakeholders, through roundtables, consultations, webinars and pod casts. This increased level of engagement ensures that all our stakeholders have the opportunity to engage as we continue to deliver principle based standards that meet the needs of users.

This approach to consultation and engagement is vitally important as it ensures that we can properly reflect the interest of the Australian communities both domestically and internationally.

The ability to produce quality standards is dependent upon three key factors: the quality of the board members, the quality of staff resources and the effective feedback of constituents.

The AASB and AUASB are continuing to build our strong international reputation for thought leadership, research and for the practical implementation of international standards. The AASB and AUASB have developed close working relationships with the International Accounting Standards Board (IASB), International Public Sector Accounting Standards Board (IPSASB) and International Auditing and Assurance Standards Board (IAASB) and alliances with other national standards setters in order to ensure we are able to enhance the quality of international standards setting, through effective feedback and active participation.

Our international collaboration is exemplified by the effective and productive working relationships with the New Zealand External Reporting Board (NZ XRB) and the respective accounting, auditing and assurance boards which increases our collective influence in the Asia/Oceania region.

“.....audited
financial
statements were
still “go to”
documents when
investors started to
build company
valuations.”

Michael Davern

We are looking forward to continuing to work with our New Zealand counterparts on a number of common areas such as Extended External Reporting, Management Commentary and Audit Quality.

In addition we are continuing our outreach to other international standard-setters. With the AASB's bi-lateral meeting with Japan having been a great success, we are looking forward to our first bilateral meeting with China in October 2018. These meetings are a great opportunity to build networks and connections that benefit the broader international standard-setting agenda.

Developing the National Standards Setters (NSS) as a collective voice is also a key challenge for the AUASB. This will be a key focus of our international program and the subject of our first National Standards Setters meeting being hosted in Australia in November 2018 to coincide with the World Congress of Accountants. This initiative has received support of the IAASB and will be a key outcome for AUASB in 2018-19.

With the corporate plan well underway, this year we focused on consolidating the concept of the joint operating model for the AASB and AUASB. With the appointment of a new National Director, we have continued to build our people, processes and tools to ensure that we can deliver our outcomes by 2021.

VISION AND MISSION

This is the first year of our revised strategy and corporate plan and we are pleased to be able to report that the both boards and the teams have been working hard to realise the vision and mission statements.

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

KEY ACHIEVEMENTS

Both the AASB and AUASB have engaged extensively with stakeholders during 2017-18. Outreach activities, such as roundtables, forums, presentation and Q&A sessions, as well as surveys and webinars have facilitated the development, issuance and maintenance of standards and supporting materials. Following the success of our joint AASB-AUASB roundtable briefing to

Australian Accounting Standards Board and Australian Auditing and Assurance Standards Board
Annual Reports 2017-18

the accounting firms, in Perth this year, we are ensuring that we prioritise, where appropriate, these joint opportunities to engage with our stakeholders.

The table below identifies the outcomes and activities:

AASB	AUASB
New Standards issued	
<ul style="list-style-type: none"> AASB Practice Statement 2 <i>Making Materiality Judgements</i> AASB 1059 <i>Service Concession Arrangements: Grantors</i> AASB 17 <i>Insurance Contracts</i> AASB 1048 <i>Interpretation of Standards</i> 	<ul style="list-style-type: none"> ASA 102 <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i> ASAE 3500 <i>Performance Engagements</i>
Guidance material/webinars/FAQs	
<ul style="list-style-type: none"> Webinar: Australian Financial Reporting Framework – Charities Webinar: Options for replacing SPFS Guidance on Tax Transparency Code FAQs: AASB 1056 <i>Superannuation Entities</i> FAQ's: <i>Co-operative and Mutual Enterprises</i> 	<ul style="list-style-type: none"> FAQs: Enhanced Auditor Reporting
Submissions	
<ul style="list-style-type: none"> Submission to IPSASB <ul style="list-style-type: none"> Social Benefits Submission to Parliament <ul style="list-style-type: none"> Superannuation entities Submission to the IASB <ul style="list-style-type: none"> IASB ED/2018/1 <i>Accounting Policy Changes</i> Submission to ACNC <ul style="list-style-type: none"> ACNC Legislative Review Submission to European Union Fitness Check 	<ul style="list-style-type: none"> Submissions to IAASB: <ul style="list-style-type: none"> Proposed International Standard on Auditing ISA 540 (Revised) <i>Auditing Accounting Estimates and Related Disclosures</i> Submission to ACNC <ul style="list-style-type: none"> ACNC Legislative Review Submissions to other bodies: <ul style="list-style-type: none"> The monitoring group of C/O International Organisation of Securities Commissions: <i>Consultation Paper on Strengthening the governance and oversight of the international audit-related standard-setting boards in the public interest</i> NZAASB ED 2017-2: <i>New Zealand Auditing Standard XX The Audit of Service Performance Information</i>
Material published	
<ul style="list-style-type: none"> <i>Comparison of Standards for Smaller Entities</i> <i>Financial Reporting Requirements Applicable to Charities</i> <i>Financial Reporting Requirements Applicable to For-Profit Private Sector Companies</i> <i>Financial Reporting Requirements Applicable to Public Sector Entities</i> <i>Improving Financial Reporting for Australian Charities</i> <i>Improving Financial Reporting for Australian Public Sector</i> 	<ul style="list-style-type: none"> CA ANZ Perspective article: <i>Improving transparency of the auditor's work performed on 'Other Information'</i> AUASB Bulletin: <i>The new enhanced Auditor's Report – responding to questions at AGMs.</i> AUASB Bulletin: Auditor review reports – <i>the impact of the new auditor reporting requirements</i>

AASB CHAIR'S REVIEW

OUR PERFORMANCE IN 2018



On behalf of the Australian Accounting Standards Board (AASB) and the Office of the AASB I am pleased to be able to present this year's Annual Report.

This year we have been focused on the implementation of the joint strategy developed with the AUASB. The key strategic outcome for both the AASB and AUASB is to contribute to stakeholder confidence in the Australian economy.

The AASB strives to achieve this outcome through the development, issuance and maintenance of accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions.

The two key strategies that assist the AASB meet its obligation to facilitate confidence in the Australian economy are:

- maintaining IFRS compliance for publicly accountable for profit entities (e.g. listed entities, registered management investment schemes, banks, and insurers) and using IFRS Standards as a base for other entities, modified as necessary, or developing Australian specific guidance. (Strategy 1), and
- working with other regulators to simplify and improve the Australian financial reporting framework (Strategy 2).

The Use of IFRS Standards

Using IFRS Standards has a number of benefits and is consistent with the AASB's legislative obligations and the FRC Directive in 2002. For publicly accountable entities it means overseas investors understand our financial reporting and reduces the costs incurred by our companies in raising funds.

In addition using IFRS standards as a base for all entities permits professionals to move easily between the three sectors the AASB is responsible for: for-profits (e.g. companies), public sector and not-for-profit private sector (e.g. charities, incorporated associations).

It also meets our objectives of improving comparability and user confidence in the robustness of our financial reporting requirements.

To make sure the use of IFRS Standards remains appropriate, the AASB performed a review in 2016-2017. The feedback indicated the AASB's use of IFRS Standards remains appropriate.

However for not-for-profits, consideration should be given to providing further modification and guidance.

To provide greater clarity to our stakeholders on how the AASB operates, we have:

- updated our Not-for-Profit Standard Setting Framework, setting out when and how the AASB will amend IFRS Standards for the Not-for-Profit (NFP) sectors and provide Australian specific guidance,
- developed the For-Profit Standard Setting Framework, setting out the exceptional circumstances in which the AASB will amend IFRS Standards for the for-profit sector,
- issued in draft for consultation an update of our approach to using standards developed by the International Public Sector Accounting Standards Board (IPSASB),
- documented details of all NFP amendments, guidance and examples issued to date
- identified differences between Australian Accounting Standards and IPSAS to enable stakeholders to advise any differences that the AASB should address, and
- finalised NFP standards, implementation guidance and specific examples for revenue, grants and donations, government accounting for public private partnerships and licences.

We know we have more to do and we will be continuing to work with our stakeholders to ensure that Australian accounting standards continue to support and contribute to confidence in the Australian economy.

Improving the Australian Financial Reporting Framework

The increasingly complex international and domestic business environment, and the underlying complexity of the Australian financial reporting framework ultimately impact consistency, quality and comparability of financial reporting.

In order to improve the Australian Reporting Framework the AASB is working with other key regulators to achieve more objective, transparent and fair reporting and assurance requirements, proportionately balancing the burden for preparers with the benefits to users of the financial reports.

To achieve these improvements, the following critical issues need to be addressed:

For profit and not-for-profit private sectors

- removing a preparer's ability under current accounting standards to self-assess their financial reporting requirements,
- establishing nationally consistent thresholds and reporting requirements, and
- filling gaps in current financial reporting requirements on remuneration, fundraising, and service performance reporting.

Public sector

- reducing the reporting overload.

During 2017-18, the AASB has been working hard to improve the understanding of the issues across the for-profit, not-for-profit and public sectors with a range of research reports, discussion papers, international benchmarks, and thought leadership papers which are published to inform,

educate and promote possible alternatives to improving the current financial reporting requirements.

Our key focus for 2018-19 will be to progress improvement in the for-profit and not-for-profit private sector financial reporting frameworks.

DELIVERY ON OUR STANDARD-SETTING AGENDA

The Board and the technical team have been supporting the adoption of IFRS standards and ensuring they remain appropriate.

This year has continued the strong engagement with our stakeholders and I am particularly pleased to see how the relationships between the AASB and other agencies have continued to grow.

We have worked closely with the Australian Charities and Not-for-profits Commission (ACNC) in relation to the review of the ACNC legislation. We were very pleased to see our recommendations being reflected in the findings of the review, and the discussions during our outreach being reflected in submissions made by others to the review.

We continued our good engagement with the Australian Tax Office (ATO) and the Australian Securities and Investments Commission (ASIC), ensuring we have ongoing and open dialogue on our work plan and in particular our work to reform the Australian financial reporting framework, including the removal of special purpose financial reporting.

This year I was pleased to host our Academic Research Forum, at the University of Melbourne. This forum continues to be a resounding success that brings together a wide range of financial reporting stakeholders – including policy makers, preparers, auditors, analysts, directors, academics and standard-setters – to discuss implications from recent academic research and its contribution to future financial reporting.

MAINTAINING OUR INTERNATIONAL INFLUENCE

It remains critical that we are able to influence international developments to ensure future accounting standards meet the needs of the Australian community.

The key to our international strategy during 2017-18 has been the AASB's, in partnership with the NZASB, role on the IASB's premier advisory body, the Accounting Standards Advisory Forum (ASAF). Australia's and New Zealand's membership on ASAF is important as our combined GDP is the fourth largest in the Asia/Pacific region and both countries have active capital markets that rely on IFRS accounting standards to participate in domestic, Trans-Tasman and global markets.

We have worked with our New Zealand colleagues to put forward a comprehensive and well supported application for renomination as joint members, however it is unclear whether our renomination will be successful.

To ensure we can continue to lead and influence we continue to play an active role with the Asian-Oceanian Standards-Setters Group (AOSSG). The AOSSG's objectives include:

Australian Accounting Standards Board and Australian Auditing and Assurance Standards Board
Annual Reports 2017-18

- promoting the adoption of, and convergence with, IFRSs,
- promoting the consistent application of IFRS standards,
- coordinating input from the region to the technical activities of the International Accounting Standards Board (IASB), and
- cooperating with governments and regulators and other regional and international organisations to improve the quality of financial reporting in the region.

The AASB has been an effective member of the AOSSG Chair Advisory Committee (CAC) working with standards setters from China (Chair), Hong Kong, India, (Vice-chair), Japan, Korea, Malaysia and Singapore to ensure that the group is able to represent the broader views of standards setters in the Asia/Oceania region who have adopted – or importantly are considering adopting IFRS standards as the single global standard for accounting.

In addition to our work with the CAC, the AASB in 2017-18 contributed to the success of the AOSSG through:

- playing a leading role in rearranging working groups, including the way in which feedback is provided to ASAF, to ensure the most effective input to the IASB, and
- assisting with the transition to IFRS Standards of other nations, by responding to requests for assistance and interpretation guidance from Saudi Arabia, Cambodia and Syria.

In addition to our work with the international bodies, we have also:

- held a bilateral meeting with Japan,
- hosted international dignitaries from the IASB, and
- sourced suitable industry nominees for international working groups, panels and advisory committees.

Our international activities are further complemented by the ongoing and productive relationships with the NZASB and XRB.

This year I have continued to serve on the NZASB as a board member and we have had the benefit of the NZASB Chair, as a member of the AASB. Our working relations are strong and an exemplar for regional cooperation.

This year we also participated in the XRB strategy day, where we identified a number of areas, such as External Reporting where the AASB, AUASB and our New Zealand counter parts can collaborate and further our partnership in enabling for-profit entities in Australia and New Zealand to report seamlessly between the two jurisdictions.

STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS

Improving our Stakeholder Engagement and Communications

To achieve our vision of having a much stronger and more resilient Australian economy, we realise that we are only one contributing party. It is important that we not only develop principle

based accounting standards, but that we listen and respond appropriately to the concerns of our stakeholders, and ensure that our standards and guidance are appropriately understood and implemented.

A key feature of our strategy is putting stakeholders first and we are keen to build and maintain our key relationships. To that extent we have had a deliberate focus on enhancing our stakeholder engagement and communications, to ensure we have a holistic understanding the issues and refinements concerning our work and better represent the interests of Australia in the international standards setting arena.

Our stakeholder engagement and communications in 2017-18 included:

- Project Advisory Panels – comprising recognised technical experts with one or more assigned AASB members – established to provide practical and technical input to the AASB on key issues,
- forming new relationships with key stakeholders, for example the Australasian Council of Public Accounts Committees (ACPAC),
- hosting the AASB Accounting Firms Forum, and the first AASB/AUASB Joint Accounting Firms Forum in Brisbane and Perth respectively,
- facilitating Australia's direct input to the IASB, through events such as AASB Forums,
- driving thought leadership on financial reporting issues through the AASB Research Forum, featuring a keynote speech by Sue Lloyd, IASB Vice-Chair,
- presenting project updates, roundtable consultations and education sessions at various industry events across the country,
- working in collaboration with ACNC and the Board of Taxation on the Financial Reporting Framework project and the draft guidance on voluntary tax disclosures respectively,
- publishing research reports to promote debate and discussion on possible reforms to the financial reporting framework, and
- over 200 targeted discussions with key stakeholders as part of the Financial Reporting Framework project.

LOOKING TOWARD 2019

While this year has been a great start to our new strategic plan, we know there is plenty more to do in 2018-19.

Our key priority remains focused on reforming the Australian Reporting Framework, which aims to simplify reporting requirements by working with other policy-makers and regulators to clarify public reporting criteria and thresholds.

We are continuing our program of consultation through roundtable meetings, regulator briefings, Frequently asked Questions (FAQ's), research reports and discussion papers.

We have a major piece of research to finalise which will identify the scope of the proposed financial reporting framework reforms and assess the impact of any proposals to improve

reporting. Our initial research is insightful as to the nature of financial reporting across the population for reporting entities.

On the international front we will be continuing our active participation to build and maintain our international influence to ensure that IFRS remains relevant to the needs of Australian preparers and users of external reporting. This year will also include my participation on the IASB's Management Commentary Committee.

We will continue to work with the IASB through ASAF and the AOSSG to ensure IFRS remains relevant and applicable to Australian requirements.

We have a full agenda in 2018-19 and we are looking forward to continuing our work to ensure that principle based accounting standards contribute to confidence in the Australian economy.

FINANCIAL RESULTS

The AASB has recognised a Total Comprehensive Surplus of \$240,578 (2017: Surplus of \$388,038) primarily as a result of additional staff positions budgeted for not being filled during the year. Contractors were engaged during the year to assist the AASB, with expenses of \$832,121 (2017: \$686,168) (refer to Note 3A to the Financial Statements).

Management fees received from the AUASB were \$777,072 (2017: \$865,033) as set out in our Memorandum of Understanding (MoU) (refer to Note 2A and 2B to the Financial Statements). The reduction was due to reduced administration costs for the year.

Travel costs increased to \$284,077 (2017: \$220,479) due to more roundtables/education sessions in other states and attendance at more international conferences.

Publications/Subscriptions increased to \$115,886 (2017: 87,993) due to further outreach and training costs being incurred, which are a sub-set of Publications/Subscriptions line (refer to Note 3B to the Financial Statements).

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

ACKNOWLEDGEMENTS

This year saw a number of key appointments to the AASB Board.

Alison White is the leader of the National Accounting Technical Team in Deloitte's Assurance and Advisory division. She has over 19 years' audit and accounting advisory experience in Australia, Hong Kong and South Africa, specialising in the resolution of complex accounting issues.

Ken Liow is an experienced investment professional with a background in funds management and advising institutional investors. With over 25 years of experience, he has been Head of Investment Research at Mercer and Chief Investment Officer of Domestic Equities at BlackRock.

I would like to thank Megan Wilson and Andrew Kearnan, our retiring Board members, for their valuable contributions to the AASB during their terms and we wish them all the very best.

I would also like to welcome Damian Paull, our National Director, who is enabling the Chairs of the AASB and AUASB to focus more on the strategic issues impacting us.

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



Kris Peach
Chair and CEO
25 September 2018

AASB ANNUAL PERFORMANCE STATEMENT 2017-18

I, Kris Peach, as the accountable authority of the Australian Accounting Standards Board, present the 2017-18 annual performance statement of the Australian Accounting Standards Board, as required under paragraph 39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act Entity Purpose.



ENTITY PURPOSE

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

AASB's SEVEN 2017- 2021 STRATEGIES FOR ACHIEVING ITS PURPOSE

Strategy 1: Standard-setting	Strategy 2: Australian external reporting framework	Strategy 3: International thought leadership	Strategy 4: Stakeholder engagement	Strategy 5: Influencing beyond financial reporting	Strategy 6: Emerging Issues	Strategy 7: Enhancing Consistency
Develop, issue and maintain principle based Australian accounting and reporting standards and guidance that meet the needs of users.	With the AUASB, and working with regulators, play a leading role in reshaping Australian external reporting.	Actively influence the IASB, IPSAB and other international and external reporting standards and guidance, through thought leadership and international relationships. Build international influence with the IASB and IPSASB.	Attain a significant level of stakeholder engagement through collaboration, partnership and outreach.	Influence initiatives to develop standards and guidance that meet the user needs for external reporting beyond financial reporting.	Monitor and respond to emerging issues impacting the development of accounting and external reporting standards and guidance, including changing technologies.	Develop guidance and education initiatives to enhance the consistent application of accounting and external reporting standards and guidance.

RESULTS AND ANALYSIS

The 2017-18 year commenced with the implementation of our new AASB Strategy and Corporate Plan, which was developed in conjunction with the AUASB and is reflected in our technical work program.

The 2017-18 technical work program covers not only our primary function to develop, issue and maintain Australian accounting standards that meet the user needs, but also includes a greater emphasis on how the AASB can engage, influence and lead to ensure that the our standards contribute to confidence in the Australian economy.

A summary of the AASB's key projects and initiatives achieved this year have been highlighted in this report and a more complete summary of how we have performed against our key outcome is contained in the following performance reporting table.

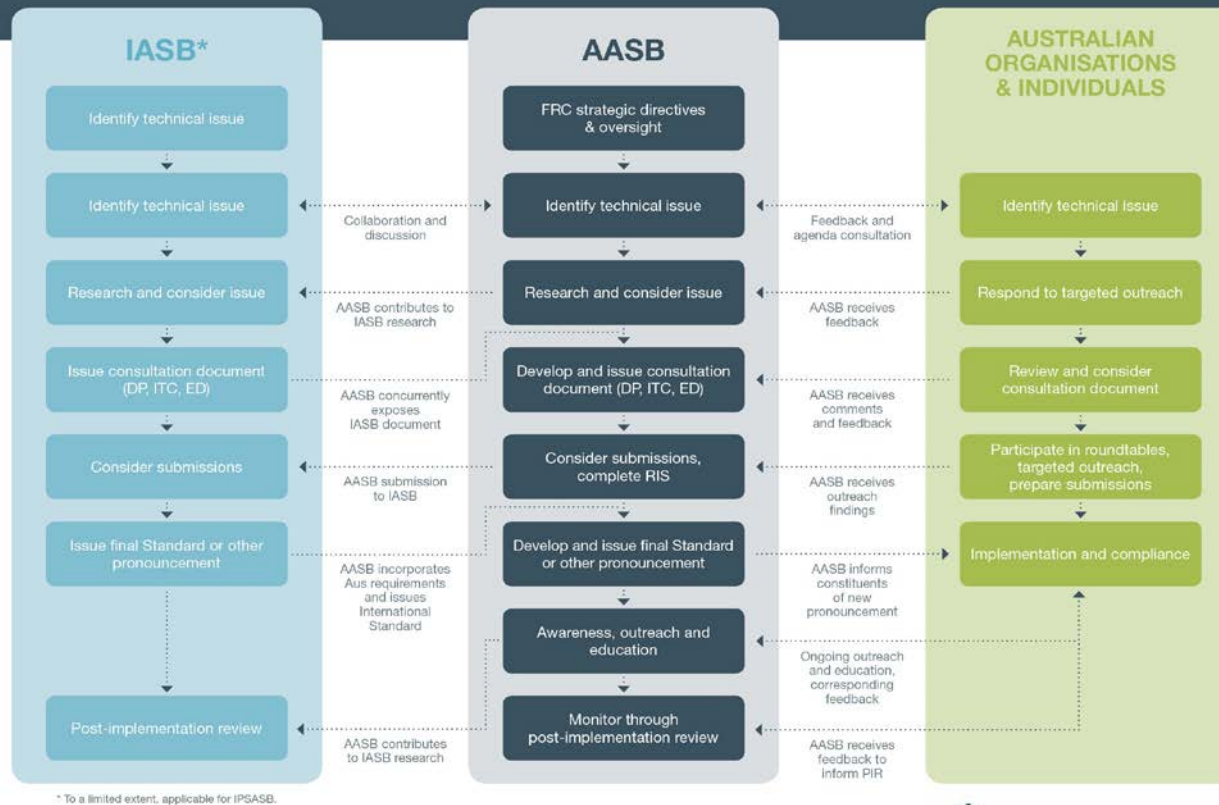
Developing issuing and maintaining principles based accounting standards

The AASB, in accordance with the FRC direction in 2002, has adopted IFRS accounting and external reporting standards as part of our strategy to facilitate confidence in the Australian economy.

Maintaining IFRS compliance for publicly accountable for profit entities and using IFRS as a baseline for other entities, means that overseas investors understand our financial reporting and consistency helps reduce the costs incurred by our companies seeking to raise funds. In addition using IFRS as a basis for other entities promotes professional mobility across the three sectors and also meets our objectives for improving comparability and user confidence in financial reporting.

The following diagram identifies the high level interaction undertaken by the AASB in developing, issuing and maintaining Australian Accounting Standards.

AASB Standard-Setting Process



The principles that underpin the standard-setting process, those of identifying issues, researching, consulting, and considering feedback, enable us to develop, issue and maintain principle based accounting standards that meet user's needs and facilitate confidence in the Australian economy.

In order to provide further clarity to our stakeholders and to address some of the feedback received as part of our 2017 [review of the implementation of IFRS in Australia](#) the AASB published additional guidance for both the For-Profit and Not- for Profit sectors:

- [The AASB's For-Profit Entity Standard-Setting Framework](#) - sets out how the AASB uses International Financial Reporting Standards (IFRS Standards) to develop, issue and maintain Australian Accounting Standards for the for-profit sector, and
- [The AASB's Not-for-Profit Entity Standard-Setting Framework](#) - sets out the circumstances in which the AASB would amend IFRS Standards to address not-for-profit (NFP) issues specifically and more broadly.

Setting the Standards – 2017-18

During the 2017-18 financial year, two minor IFRS Standards as outlined below were issued by the AASB:

- [AASB 2018-1](#) *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*, and
- [AASB 2018-2](#) *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*.

Supporting the adoption of IFRS Standards in Australia and worldwide

- The AASB has released [Invitation to Comment ITC 40](#) *Financial Instruments with Characteristics of Equity*, based on the IASB's discussion paper in June 2018 for consultation so we can better inform and influence the IASB.
- **AASB Transition Resource Group** for AASB 17 *Insurance Contracts*. The AASB has facilitated discussion on Australian implementation issues with the IASB's new Standard, to provide the IASB with constructive, pragmatic feedback.
- **Comments on the European Commission (EC) Consultation Document *Fitness Check on the EU Framework for Public Reporting by Companies***. The AASB [urged the EC](#) to confirm its full commitment to the goal of a single, high-quality set of international accounting standards, being IFRS Standards.

AASB Strategic Projects

Driving the conversation to improve the overall Australian Financial Reporting Framework.

The AASB made major progress on a number of its strategic projects in the 2017-18 financial year.

The primary focus has been in the area of thought leadership through the release of a number of Research Reports, Discussion Papers and other materials that have created dialogue and informed policy makers, other regulators and key stakeholders of the cost and benefits of existing frameworks and identified possible options for reform.

The AASB has encouraged simplification of the reporting requirements, increased comparability and transparency, through review of the criteria and thresholds for preparing and publicly lodging financial statements in accordance with Australian Accounting Standards, what needs to be reported and what assurance should be provided, through the following:

- Charities and other NFP private sector entities - [Research Report 5 & Discussion Paper: Financial Reporting Requirements Applicable to Charities](#) (October 2017),
- [AASB Submission](#) to the ACNC legislative review,
- Public sector - [Research Report 6 & Discussion Paper: Financial Reporting Requirements Applicable to the Public Sector](#) (March 2018), and
- For-profit sector - [Research Report 7: Financial Reporting Requirements Applicable to For-profit Private Sector Companies](#) (May 2018).

Addressing trust and transparency

This year the AASB has undertaken a major initiative to reform the Australian Reporting Framework, with the aim of building greater trust and transparency in financial reporting.

ITC 39 “Applying the IASB’s Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems” (May 2018), highlights the key problems related to;

- the clash of the reporting entity concept in the IASB’s revised Conceptual Framework and what is in current Australian requirements, and
- the unique Australian ability for entities to self-assess that they are non-reporting entities and determine their reporting requirements.

With the release of this consultation paper, targeted outreach to more than 150 key constituents (including federal, state and territory regulators) and associated round table discussions, the AASB has established a clearer understanding of the issues and potential solutions to ensure we maintain IFRS compliance for publicly accountable entities (such as listed and disclosing entities, banks and insurers) while addressing some of the inconsistency and complexity inherent in the current framework. This will continue to be a major focus of the AASB into the next reporting period.

The AASB was very pleased to see that the outreach and thought leadership documents for the charity sector designed to provide input to the ACNC legislative review have been effective. The majority of the AASB’s recommendations to the ACNC legislative review were included in the [Strengthening For Purpose: Australian Charities And Not-For-Profits Commission](#) and many of the respondents cited issues raised during our outreach. As a result of the review findings, the AASB is working closely with the ACNC and state and territory regulators to improve the NFP financial reporting framework.

Addressing the needs of stakeholders in the NFP and public sectors.

As a result of stakeholder feedback in the AASB’s *Review of IFRS Adoption* in 2017, the Board has progressed a range of projects to address the unique nature and magnitude of some transactions in the NFP and public sector.

This includes:

- [Implementation guidance and illustrative examples](#) to assist NFP public sector licensors,
- [Discussion Paper: Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities](#) (November 2017),
- Additional Australian illustrative examples for NFP entities applying [AASB Practice Statement 2 Making Materiality Judgments](#),

- Finalising the AASB's Standard-Setting Frameworks and issuing for consultation [ITC 41 The AASB's Approach to International Public Sector Accounting Standards](#), and
- [AASB Staff FAQs for Co-operative and Mutual Enterprises](#), outlining how these organisations differ from others, and the financial reporting implications of such differences.

Building International relationships

The AASB plays an active leadership role in the Asia Pacific region and more broadly, internationally.

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

A highlight of this year's international contribution was presenting to the Accounting Standards Advisory Forum (ASAF) the results of AASB research into [whether financial reporting was still an effective tool for equity investors](#). This research affirmed the usefulness of financial statements.

A summary of other the AASB activities includes:

- an active member of the Accounting Standards Advisory Forum (ASAF), International Forum of Accounting Standard Setters (IFASS) and Asian-Oceanian Standard Setters Group (AOSSG),
- leading the AOSSG working group dealing with Financial Instruments with Characteristics of Equity (FICE), and representing the FICE working group at ASAF meetings,
- presented to IFASS on the "*Relevance of parent and/or subsidiary financial statements if consolidated financial statements are available*",
- provided feedback to IASB staff on "*Goodwill and impairment: views of Australian Corporates, Users and Regulators*" which informed the IASB on issues raised by constituents in relation to Goodwill and Impairment,
- held and participated in a number of bilateral meetings with other national standard-setters, including Malaysia, Japanese and United States, and
- AASB Chair's appointment to IASB's Management Commentary Panel, which will lead the IASB's revision of its original Practice Statement.

The AASB continues to receive widespread international recognition of its efforts to [highlight the accounting issues related to digital/cryptocurrencies](#) (e.g. bitcoin) in the paper presented to ASAF in December 2016.

Working across the Tasman

The working relationship between the AASB and NZASB continues to be a key contributor to our international objectives and in particular ensuring that where relevant we can work towards Trans-Tasman harmonisation.

In the international arena, the AASB and NZASB continue to jointly represent the region at ASAF meetings and this year have re-nominated for a further three year term.

The continued collaboration with our New Zealand counterparts including the opportunity to participate in the NZ XRB strategic planning day, in addition to the ongoing effective relationships with the NZASB Chair, Board and Technical Staff, ensures that we continue Trans-Tasman convergence where appropriate.

Maintaining Confidence in the Australian Economy

As a result of research conducted by researchers from the University of Melbourne and Monash University – Michael Davern, Nikole Gyles, Dr Dean Hanlon and Professor Matthew Pinnuck – and presented at the AASB Research Forum, in November 2017, and again at ASAF in 2018, the AASB has received positive confirmation that financial statements for listed entities in Australia are useful.

Unlike similar research in the United States, Australian financial statements do explain a significant percentage of listed entities' market capitalisation and users see financial statements as an important confirmatory base for their financial decisions.

2017-18 AASB ACTIVITIES AND RELATED KEY PERFORMANCE INDICATORS

The tables below identify the activities the AASB identified in its Corporate Plan and Parliamentary Budget Statement (PBS) as contributing to the seven strategies above, for the 2017-18 reporting period. These tables also indicate whether or not the activities were achieved and, if not, why not.

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Explanation
A. WORK PROGRAM ACTIVITIES				
IASB equivalent Standards issued in the same timeframe of the release of the IFRS and in accordance with legislative drafting and registration requirements.	Strategy 1 PBS Outcome 1 Program 1 Deliverable 2 KPIs 1, 2	IASB equivalent Standards issued within two months of the release of the IFRS.	Achieved	<p>Two minor IFRS Standards as outlined below were issued as AASB Standards in February and March 2018, within two months of the IASB issuing the Standards:</p> <ul style="list-style-type: none"> AASB 2018-1 <i>Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle</i>, and AASB 2018-2 <i>Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement</i>. <p>IASB discussion paper issued in June 2018, within two months of issue by the IASB:</p> <ul style="list-style-type: none"> <i>Invitation to Comment ITC 40 Financial Instruments with Characteristics of Equity</i>.

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Explanation
A. WORK PROGRAM ACTIVITIES				
Develop Australian specific Standards and/or guidance for topics not specifically addressed by IFRS Standards within timelines in project plans agreed with the Board.	Strategy 1 PBS Outcome 1 Program 1 Deliverables 1, 2 KPIs 3, 4	<p>Australian specific Standards for the projects outlined below developed within timelines agreed with the Board:</p> <p>→ insurance in the NFP public sector</p>	Achieved	<p>Discussion paper issued in November 2017. The timeline for the finalisation of the Insurance Standard for public sector has been moved to a later date as AASB 17 <i>Insurance Contracts</i>, which currently applies to private sector entities, only becomes effective on 1 January 2021. The Board considered that staff resources should be directed to higher priority projects such as Applying the IASB's Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statements Problems and Accounting for Revenue from Licences in the public sector, which have more urgent timelines.</p> <p>A summary of submissions was taken to the September 2018 AASB Meeting.</p>

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Explanation
A. WORK PROGRAM ACTIVITIES				
		→ fair value measurement in the public sector	Not achieved	Fair value project has started with two project advisory panel meetings held. The Board has lowered the priority of this project due to a new project on <i>Applying the IASB's Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statements Problems</i> , being the top priority. Staff are developing FAQs on fair value measurement on peppercorn leases to help NFP constituents apply the Leases Standard (AASB 16) when it becomes applicable on 1 January 2019.
		→ revenue from licences in the public sector – Note: project to be completed by Q4 2018 to align with application date for AASB 15 and AASB 1058 for NFP entities	Achieved	Exposure Draft (ED 283) issued in December 2017, with comment period closing in March 2018. Final standard issued in September 2018.
		→ revise Tier 2:Reduced Disclosure Requirements	Not Achieved	This project has been put on hold by the Board pending the outcomes of the projects related to <i>Applying the IASB's Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statements Problems</i> and <i>the Australian Financial Reporting Framework</i> .

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Explanation
A. WORK PROGRAM ACTIVITIES				
Develop consultative documents in relation to the Australian Financial Reporting Framework, to develop objective criteria for which entities in the for-profit sector and the not-for-profit sector prepare external reports including financial reports and the type of assurance needed for these reports. Includes working with policy makers in the for-profit and NFP sectors (including public sector policy makers).	Strategies 2, 5 PBS Outcome 1 Program 1, Deliverable 1 Strategies 1, 3 PBS Outcome 1 Program 1, Deliverable 4	Consultative Documents outlined below developed within timelines agreed with the Board: → NFP private sector → NFP public sector	Achieved Achieved	Discussion Paper <i>Improving Financial Reporting for Australian Charities and Appendices to Charity Discussion Paper</i> issued November 2017. Research Report 6 <i>Financial Reporting Requirements Applicable to Public Sector Entities</i> issued in May 2018. Discussion Paper <i>Improving Financial Reporting for Australia Public Sector and Appendices to Public Sector Discussion Paper</i> issued June 2018.

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Explanation
A. WORK PROGRAM ACTIVITIES				
		→ FP sector	Achieved	<p>Research Report 7 <i>Financial Reporting Requirements Applicable to For-Profit Private Sector Companies</i> issued in May 2018.</p> <p>The Board has issued ITC 39 <i>Applying the IASB's Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statements Problems</i>, which proposes a two-phased approach to remove an entity's ability to self-assess and prepare SPFS when required to lodge publicly. This project has become a top-priority for the Board, resulting in some of the other projects becoming lower in priority.</p> <p>AASB Staff Paper <i>Comparison of Standards for Smaller Entities</i> was issued in April 2018, later than the original timeline planned in January 2018.</p>

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Explanation
A. WORK PROGRAM ACTIVITIES				
Maintain Australia/New Zealand convergence in accordance with Trans-Tasman requirements for, for-profit entities by harmonising, wherever possible given the different regulatory environments, Australian and New Zealand Accounting Standards through working actively with the NZASB.		Australian and New Zealand Accounting Standards harmonised for for-profit sector, wherever possible.	Achieved	The two minor IFRS Standards mentioned above have also been issued in New Zealand.
Maintain and enhance key international relationships (IASB, IPSASB and AOSSG).	Strategy 3 PBS Outcome 1 Program 1 deliverable 4, KPIs 5, 6	→ Maintain membership on the Accounting Standards Advisory Forum (ASAF).	Achieved	AASB and NZASB have made a joint application for a continued ASAF seat for the upcoming term and it is possible that we will not have our own seat on ASAF after the review. However, Australia will still have a seat at ASAF through its AOSSG Financial Instruments Working Group leadership role.
		→ Maintain close relationships with IPSASB and provided technical support to Australian member on IPSASB.	Achieved	AASB staff member has accompanied Australian member to all IPSASB meetings. AASB staff participated in international roundtable with IPSASB members and key influences in May 2018.
		→ Maintain leadership of at least one AOSSG Working Group.	Achieved	AASB is the AOSSG working group leader for Financial instruments and Liabilities

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Explanation
A. WORK PROGRAM ACTIVITIES				
		→ Present at least one paper to ASAF, IFASS and/or AOSSG and receive positive feedback on the paper.	Achieved	<p>AASB presented on <i>whether individual financial statements are required when consolidated financial statements are prepared</i> at IFASS meeting in April 2018.</p> <p>AASB organised presentation of <i>Is Financial Reporting Still an Effective Tool for Equity investors in Australia?</i> at the ASAF meeting in April 2018. This research affirms the usefulness of financial statements. This research was commissioned by the AASB for its 2017 Research Forum. The AASB received positive feedback on the presentation and the research findings.</p>

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Comments
A. WORK PROGRAM ACTIVITIES				
Complete projects for external reporting beyond financial reporting as per timelines in project plans agreed with the Board.	Strategy 5 PBS Outcome Program 1 Deliverables 1, 2	<p>The following projects for external reporting beyond financial reporting completed as per timelines in project plans agreed with the Board:</p> <ul style="list-style-type: none"> guidance for entities adopting the Tax Transparency Code (TTC) in preparing and presenting tax disclosures. reporting service performance information. remuneration reporting. 	<p>Partially Achieved</p> <p>Partially Achieved</p> <p>Achieved</p>	<p>Draft guidance closed for comment on 28 February 2018. It was originally planned for the guidance to be finalised by June 2018. However, the finalisation of this guidance has been put on hold as the Board of Taxation is now revisiting existing requirements for the TTC. As such, the finalisation of AASB draft guidance is dependent on the outcome of the Board of Taxation's future direction.</p> <p>Research work not completed as the academic who was doing the work became ill. A new academic researcher will be engaged to start work on this.</p> <p>Research work underway.</p>
Consider emerging issues and impact of changing technologies in all AASB submissions and each major AASB project.	Strategy 6	Emerging issues and impact of changing technologies considered in all AASB submissions and each major AASB project.	Achieved	

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Comments
A. WORK PROGRAM ACTIVITIES				
Education initiatives, such as webinars and presentations for new major Standards issued considered effective by stakeholders.	Strategy 7 PBS Outcome 1 Program 1 KPI 6	Education initiatives for each major Standard issued agreed with Board and completed as per agreed timelines and receive positive feedback on education initiatives, such as webinars and presentations for new major Standards issued.	Achieved	Briefing sessions on ITC 39 <i>Applying the IASB's Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statements Problems</i> , were conducted in various cities in Australia. Feedback on the sessions published on website. Webinar on ITC 39 was also conducted in June 2018.
Promote the development of education initiatives by others (for example ACNC) by providing, technical input to their initiatives and co-presenting at their education sessions.	Strategies 4, 7 PBS Outcome 1 Program 1 KPI 6	Provided technical input to education initiatives by others (for example ACNC) and co-presented at their education sessions in accordance with project plans agreed with the Board.	Achieved	Provided technical input to ATO on a number of their technical bulletins that relate to accounting standards. Staff have been presenting on recently issued accounting standards in a number of conferences and forums, organised by CAANZ, CPA and other key stakeholders during this period.
Develop staff publications, and frequently asked questions (FAQs) to help with consistent application of accounting and external reporting standards as agreed with the Board.	Strategy 7 PBS Outcome 1 Program 1 KPI 6	Staff publications and FAQs developed, as agreed with the Board.	Achieved	FAQs related to AASB 1058 and AASB 15 for NFP entities are being developed and published in stages. FAQs on Co-operatives and Mutuals has been finalised in collaboration with the Business Council of Co-operatives and Mutuals, and was issued in July 2018.

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Comments
B. STAKEHOLDER ACTIVITIES				
Conduct agenda consultation, usually in connection with IASB agenda consultation, to seek formal input on AASB's work program.	Strategies 1, 2, 4, 6, 7 PBS Outcome 1 Program 1 Deliverable 1	Conduct formal agenda consultation every three years.	Achieved	Feedback statement on the 2017-2019 Agenda Consultation was published in August 2017
The AASB has a thorough awareness of ideas and concerns of Australian Stakeholders through effective engagement. Stakeholder satisfaction survey net promoter score used to obtain initial year results to benchmark for performance improvement including of Board and staff.	Strategies 1, 4 PBS Outcome 1 Program 1 Deliverable 1, KPI 7	→ Annual survey conducted and improved stakeholder satisfaction compared to previous year.	Not Achieved	Survey not yet conducted. The stakeholder survey is planned to take place in the first half of 2018-19 financial year.
		→ Results of post-implementation reviews (PIRs) support issuance of Standards (and subsequent amendments), assessing user needs, benefits and costs.		None for the reporting period
Improved levels of stakeholder engagement.	Strategy 4 PBS Outcome 1 Program 1 Deliverable 1	→ Participation at roundtables, education sessions, webinars, formal/informal submissions, targeted meetings, numbers of LinkedIn, Twitter followers, requests for presentations, and publication articles, increased year-on-year.	Achieved	<ul style="list-style-type: none"> • Number of AASB newsletter subscribers increased by 16.2% over the twelve months to June 2018 • Number of LinkedIn main page followers increased by 33.1% over the twelve months to June 2018 • Number of twitter followers increased by 18.5% over the twelve months to June 2018.

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Comments
B. STAKEHOLDER ACTIVITIES				
		→ At least four roundtables/education sessions held each year.	Achieved	Five briefing sessions on ITC 39 were conducted in May 2018. The AASB also conducted an Accounting Firms Forum jointly with the AUASB in May 2018. As at 31 July the AASB has conducted more than 150 meetings with stakeholders including presentations to CA ANZ and CPA members and technical staff.
		→ Increased average number of responses per key topic compared to previous year.	Achieved	<p>The AASB had the following number of participants in each of its key events this year:</p> <ul style="list-style-type: none"> - Roundtable: Making disclosures more relevant and concise - 66 attendees - AASB Forum with special guest IASB Chair Hans Hoogervorst - 101 attendees - AASB Accounting Firms Forum -Brisbane - 38 attendees - 2017 AASB Research Forum - 99 attendees - IFRS 15 with IASB Vice-Chair Sue Lloyd- 98 attendees - AASB-AUASB Perth Accounting Firms Forum - 21 attendees - Discussion on options for reporting tiers for Charities – 94 attendees in total across 4 cities - briefing sessions on Applying the Conceptual Framework in Australia – 157 attendees in total across 5 cities

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Comments
B. STAKEHOLDER ACTIVITIES				
				The AASB has also issued two surveys linked to its Conceptual Framework Project to understand what users of for-profit financial statements want and what preparers of financial statements are complying with (i.e. which Accounting Standards). These surveys will assist the AASB when completing the RIS for that project.
		→ increased social media follower numbers compared with previous year.		<ul style="list-style-type: none"> • See above.
Monitor through press coverage, Minister, FRC and other stakeholder feedback, ASIC, APRA and other regulator surveillance program results that there is no evidence that confidence in the Australian economy, including its capital market has been lost due to accounting standard issues.	Strategy 1 PBS Outcome 1 Program 1 Deliverables 1, 2 KPIs 3, 4	There is no evidence that confidence in the Australian economy, including its capital market has been lost due to accounting standard issues.	Achieved	We are in discussions with Melbourne University to identify key metrics that can be used to deduce confidence in the Australian economy and the contribution of accounting standards to confidence levels. No evidence indicating concerns and the research presented to ASASF on use of financial statements is confirmatory evidence.

OUTPUT STRUCTURE

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

Standards	
AASB 1059	<i>Service Concession Arrangements: Grantors</i> (July 2017)
AASB 17	<i>Insurance Contracts</i> (July 2017)
AASB 1048	<i>Interpretations of Standards</i> (December 2017)
AASB 2017-3	<i>Amendments to Australian Accounting Standards – Clarification to AASB 4</i> (July 2017)
AASB 2017-4	<i>Amendments to Australian Accounting Standards – Uncertainty over Tax Treatments</i> (August 2017)
AASB 2017-5	<i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i> (December 2017)
AASB 2017-6	<i>Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation</i> (December 2017)
AASB 2017-7	<i>Amendments to Australian Accounting Standards – Long-term interests in Associates and Joint Ventures</i> (December 2017)
AASB 2018-1	<i>Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle</i> (February 2018)
AASB 2018-2	<i>Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement</i> (March 2018)
Interpretations	
INT 23	<i>Uncertainty over Income Tax Treatments</i> (August 2017)
Exposure Drafts	
ED 281	<i>Accounting Policies and Accounting Estimates</i> (September 2017)
ED 282	<i>Definition of Material</i> (September 2017)
ED 283	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</i> (December 2017)
ED 284	<i>Recent Standards – Reduced Disclosure Requirements</i> (December 2017)
ED 285	<i>Accounting Policy Changes</i> (April 2018)
Invitations to Comment	
ITC 37	<i>AASB's Standard-setting Frameworks for For-Profit Entities and Not-for-Profit Entities</i> (November 2017)
ITC 38	<i>Request for Comment on IPSASB Exposure Draft: Social Benefits</i> (November 2017)
ITC 39	<i>Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statements Problems</i> (May 2018)

Research Reports

No. 5	<i>Financial Reporting Requirements Applicable to Charities</i> (October 2017)
No. 6	<i>Financial Reporting Requirements Applicable to Public Sector Entities</i> (May 2017)
No. 7	<i>Financial Reporting Requirements Applicable to For-Profit Private Sector Companies</i> (May 2018)

AASB Authoritative Pronouncements can be accessed via
www.aasb.gov.au/Pronouncements.aspx.

The Standard-setting and Research Centre Work Programs can be accessed via
www.aasb.gov.au/Work-In-Progress/AASB-Work-Program.aspx.

AUASB CHAIR'S REVIEW

OUR PERFORMANCE IN 2017-18



It is with great pleasure that I am able to present our Annual Report for 2017-18 on behalf of the Auditing and Assurance Standards Board (AUASB).

It is fair to say that this year has been a particularly challenging one, with the quality of audits being called into question by some parties. The Financial Reporting Council (FRC) and AUASB have been very active this year looking at the broader issue of audit quality. I am very

proud of the work the AUASB team have done with the FRC, ASIC and a range of industry stakeholders to examine how our auditing standards could be improved to assist in building understanding and consistency in their application.

This past 12 months has provided the AUASB with the opportunity to evolve the way we participate in the standards-setting process and increase engagement with our stakeholders. In particular we have been working with the NZAuASB to build effective regional and international influence to ensure high quality auditing and assurance standards for Australia and New Zealand.

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

“... the Board and the AUASB team has worked hard to ensure confidence in the Australian economy by producing high quality auditing and assurance standards.”

DELIVERING ON OUR STANDARD-SETTING AGENDA

We delivered a number of important Australian specific AUASB standards this year.

- **ASAE 3500 *Performance Engagements***
- **ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements***

And in delivering on our strategy to align where appropriate with International Auditing and Assurance Standards, the main international auditing exposure drafts (EDs) and proposed standards we have reviewed and provided feedback to the IAASB on in 2017-18 included:

- the AUASB's submission on the IAASB's ED **ISA 540 Auditing Accounting Estimates and Related Disclosures**.
- the IAASB ED **ISA 315 Identifying and Assessing the Risks of Material Misstatement**.

INTERNATIONAL DEVELOPMENTS

Increasing our International Influence

The AUASB is committed to the development of a single set of auditing and assurance standards and guidance for world-wide use.

The FRC current direction requires the AUASB to use standards issued by the International Auditing and Assurance Standards Board (IAASB) as a base from which to develop the Australian standards.

In order to ensure that our role of aligning with International auditing and assurance standards provides confidence to the Australian economy we have focussed on increasing our ability to influence internationally. It is through increased international influence that we can ensure that our local auditing and assurance environment have high quality standards.

In 2017-18, the AUASB has developed a new international strategy aimed at "actively influencing international auditing and assurance standards by demonstrating thought leadership and enhancing key international relationships". The strategy ensures we are well placed to engage with the IAASB and, where required, consider other international standard-setting initiatives.

In addition to developing the AUASB International Strategy, other significant international activities we have undertaken in the 2017-18 year are:

- Develop our response to the 'Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest' discussion paper by the Monitoring Group. The AUASB supports the Monitoring Group's efforts to improve and enhance the global auditing and assurance standard-setting process. We have actively participated in, and in some cases led, feedback forums to ensure our views and concerns about a number of the proposals in the discussion paper are clearly communicated.
- The AUASB Chair and Technical Director attended and presented on a number of topics at the IAASB National Standards Setters (NSS) meeting in May 2018. A key outcome of this meeting was the decision that the AUASB and NZAuASB undertake a coordination role with the IAASB to encourage greater collaboration and sharing across the NSS network, and make the NSS a more active and influential forum.
- The AUASB and NZAuASB are co-ordinating and facilitating a NSS Forum in conjunction with the upcoming World Congress of Accountants in Sydney in November 2018.
- Finally, we maintain our excellent relationship with the board members and technical staff at the NZAuASB. In 2017-18 we have collaborated on a range of projects, such as the Auditor Reporting Project and FAQs, as well as the NZAuASB's assurance standard on the audit of Service Performance Information. In 2018-19 through our NSS outreach we

are also extending this increased level of sharing and collaboration to include our colleagues at the Canadian Auditing and Assurance Standards Board.

AUDIT QUALITY

The AUASB is working with the FRC to deliver on the Audit Quality Action Plan. This plan involves working with other regulators and the audit industry to achieve enhancement of audit quality in Australia.

Under the ASIC Act, the FRC's functions include giving strategic policy advice and reports to the Minister and professional accounting bodies in relation to the quality of audits conducted by Australian auditors. With the release of ASIC Audit Inspection Program results in June 2017, and the consequential spotlight on audit quality, the FRC prepared an Audit Quality Action Plan, with the support of the AUASB.

In order to better assess the issues surrounding audit quality, we commissioned a survey of the Audit Committee Chairs (ACCs) of the ASX top 300 companies. Our aim was to gather their perspectives on audit quality, gain insights into the features they are looking for when assessing the quality of their auditor, and provide an opportunity for feedback on any improvements.

Overall, the results indicated that the ACCs are very satisfied with the quality of their auditors, and the responses gave valuable insights into the features ACCs are looking for and best practice examples of how auditors and audit committees are working together.

As a further part of the Audit Quality Action Plan, the AUASB and ASIC have met and are working through a list of areas where requirements in the standards or their application may be contributing to adverse inspection findings, or could otherwise be improved. The AUASB technical group has also met individually with representatives from the Big 6 accounting firms to understand their views on these matters. The ultimate aim of this project is to identify where the AUASB can update its standards and guidance to improve understanding and reduce the number of inspection findings in these areas.

The issue of audit quality is expected to be a major focus for the FRC and the AUASB for the foreseeable future.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

Improving our Stakeholder Engagement and Communications

To achieve our vision of having a much stronger and more resilient Australian economy, we realise that we are only one contributing party. It is important that we not only develop high-quality auditing and assurance standards, but that we listen and respond appropriately to the concerns of our constituents, and ensure that our standards and guidance are appropriately understood and implemented. We are keen to maintain and build these key relationships and we have focused on enhancing our stakeholder engagement and communications.

The main improvements in our stakeholder engagement and communications processes in 2017-18 have been:

- Hosting a series of AUASB Agenda Consultation Forums (in Sydney, Melbourne, Adelaide and Perth) in October and November 2017 designed to gather stakeholder feedback on the AUASB technical work program and strategic projects. Feedback from participants was that they highly valued the opportunity to engage openly with the AUASB on its technical agenda. AUASB technical staff also benefited from the direct input received, which was used to update our technical work program and improve the AUASB's ongoing communication channels.
- With 'Research' identified as one of the main enablers to assist the achievement of our AUASB strategic objectives we have increased our engagement with the Australian and International auditing and assurance academic communities in 2017-18. This has been through events such as an Academic Roundtable we hosted with UNSW Sydney in October 2017 and attendance by the AUASB Chair and technical staff at a range of academic conferences. The main aim of this source of engagement is to generate improved evidence-based thought leadership to support our standard-setting activities and respond to challenging technical issues. With this in mind the academic representative on the AUASB has begun work on an AUASB Research Strategy which will be finalised in 2018-19.
- Development of new guidance formats specifically designed to assist practitioners on complex technical implementation issues, such as our AUASB Bulletins on 'Half Year Reports' and 'Responding to questions at AGMs' and further additions to our catalogue of Auditor Reporting FAQs published on the AUASB website.
- Launching a number of revised communication channels to reach our stakeholders, such as podcasts featuring AUASB members and technical staff addressing the highlights from each AUASB meeting and a new 'AUASB Update' Newsletter.

These new or revised stakeholder engagement and communications initiatives have resulted in great feedback over the year from our board members, practitioners, the professional accounting bodies, the regulators we work with and many of our other stakeholders.

We are striving to build a culture of continual improvement and we can do more. The volume of new and revised standards in the IAASB pipeline, our need to follow through and complete the various strategic projects we have started in 2017-18 and the overall quantum and pace of change across the auditing and assurance environment means we can't afford to be complacent as we update our plans for the year ahead.

LOOKING FORWARD

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

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

We look forward to our continued collaboration with the AASB on the Reporting Framework project, on the broader issue of extended external reporting and communicating jointly to our stakeholders on initiatives having both accounting and auditing implications.

We will also focus on driving our strategic projects and ensuring we engage on emerging issues such as the increasing pace of technology, machine learning and digitisation.

Finally we will continue to support the FRC, working with ASIC and the Auditing profession to improve audit quality and ensure that transparent and trusted financial reporting plays a part in ensuring the confidence in the Australian economy

FINANCIAL RESULTS

The AUASB has recognised a Total Comprehensive Surplus of \$78,515 (2017: Surplus of \$134,893) primarily as a result of an additional staff member included in the budget not being employed during this year.

The Management fee paid to the AASB of \$777,072 (2017: \$865,033) (refer to Note 2A and 2B to the Financial Statements) has decreased due to lower administration costs. The Management fee relates to common costs incurred by AASB and has been apportioned between the two entities on the ratio agreed in the MOU.

The AUASB continues to focus on its core standard-setting activities as evidenced by an increase in travel to \$179,865 (2017: \$102,320) (refer to Note 3B to the Financial Statements) and to host more roundtables/education sessions and attend more international standard-setting events. Publications/Subscriptions has also increased to \$55,795 (2017: \$3,333) due to the timing of recurring subscription expenses.

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

ACKNOWLEDGEMENTS

This year we welcomed two new members to the AUAS Board.

Julie Crisp, who is currently the Auditor-General for the Northern Territory, brings over 20 years' experience in the delivery of assurance and advisory services. Julie is also the Northern Territory representative on the Council of Auditors-General (ACAG).

Noel Harding is an Associate Professor of Auditing at UNSW Sydney and Director of Research in the School of Accounting. Noel brings over 30 years' experience in the audit field, including research into the issue of audit quality, and his work has been published in leading journals.

I would like to acknowledge our retiring members, Nonna Martinov-Bennie and Colin Murphy, and on behalf of the Board, thank them for their dedication to the work of the AUASB.

The achievements over the year could not be realised without the dedicated AUASB technical staff, capably supported by the AASB-AUASB Corporate Services team.

I would like to express my personal thanks to AASB Chair and CEO Kris Peach and FRC Chair Bill Edge for their continued support and guidance.

Finally, my sincere appreciation goes to all AUASB Board members (past and present) for their dedication and expertise, and all others who have supported us during this year of significant achievements for the AUASB.



Roger Simnett
Chair

15 September 2018

AUASB ANNUAL PERFORMANCE STATEMENT 2017-18

I, Roger Simnett, as the accountable authority of the Auditing and Assurance Standards Board, present the 2017-18 annual performance statement of the Auditing and Assurance Standards Board, (AUASB) as required under paragraph 39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act.



ENTITY PURPOSE

The functions of the AUASB are to:

- make auditing standards under section 336 of the *Corporations Act 2001* for the purposes of the Corporations' Legislation,
- formulate auditing and assurance standards for other purposes,
- formulate guidance on auditing and assurance matters,
- participate in and contribute to the development of a single set of auditing standards for world-wide use,
- advance and promote the main objectives of part 12 of the *Australian Securities and Investments Commission Act 2001*.

AUASB'S STRATEGIES FOR ACHIEVING ITS PURPOSE

Strategy 1: Standard setting	Strategy 2: Australian external reporting framework	Strategy 3: International thought leadership	Strategy 4: Stakeholder engagement	Strategy 5: Influencing beyond financial reporting	Strategy 6: Emerging Issues	Strategy 7: Enhancing Consistency
Develop, issue and maintain high quality Australian auditing and assurance standards that meet the needs of report users. Use IAASB Standards – where they exist, modified as necessary – or develop Australian-specific standards and guidance.	With the AASB, play a leading role in reshaping the Australian external reporting framework by working with regulators to develop objective criteria on: <ul style="list-style-type: none"> • who prepares external reports (including financial reports), and • the nature and extent of assurance required on external reports. 	Actively influence international auditing and assurance standards and guidance by demonstrating thought leadership and enhancing key international relationships.	Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.	Influence initiatives to develop assurance standards and guidance that meet user needs for external reporting beyond financial reporting.	Monitor and respond to emerging issues impacting the development of auditing and assurance standards and guidance, including changing technologies.	Develop guidance and education initiatives, or promote development by others, to enhance consistent application of auditing and assurance standards and guidance.

RESULTS AND ANALYSIS

The 2017-18 year commenced with the implementation of our new AUASB Strategy and Corporate Plan, which was developed in conjunction with the AASB, and is reflected in our technical work program.

The 2017-18 new technical work program covers not only our primary function to develop, issue and maintain auditing and assurance pronouncements that meet user needs, but also includes a greater emphasis on how the AUASB can assist practitioners to effectively implement our standards.

A summary of the AUASB's key projects and initiatives achieved this year as part of the 2017-18 technical work program are highlighted below. A more complete summary of how we have achieved each of our high level priorities designed to address the AUASB's strategy & outcomes is contained in the following table that summarises the AUASB's 2017-18 activities and related key performance indicators.

Developing, issuing and maintaining high quality Australian auditing and assurance standards and effectively influencing internationally.

This year we have examined the way we set standards in Australia and the following diagram (refer Diagram 1) outlines the interactions between the International Auditing and Assurance Standards Board (IAASB), the AUASB and our stakeholders. We align our processes with the IAASB in order to engage with and inform them at early stages of standards development.

In order to influence the IAASB during the formative stages of standards development, the AUASB has agreed to trial a new process for issuing IAASB ED's in Australia, where the ED's are issued concurrently with their release internationally. This approach is consistent with the way the Australian Accounting Standards Board (AASB) and other auditing and assurance standards setters seek to inform and influence international standards setting.

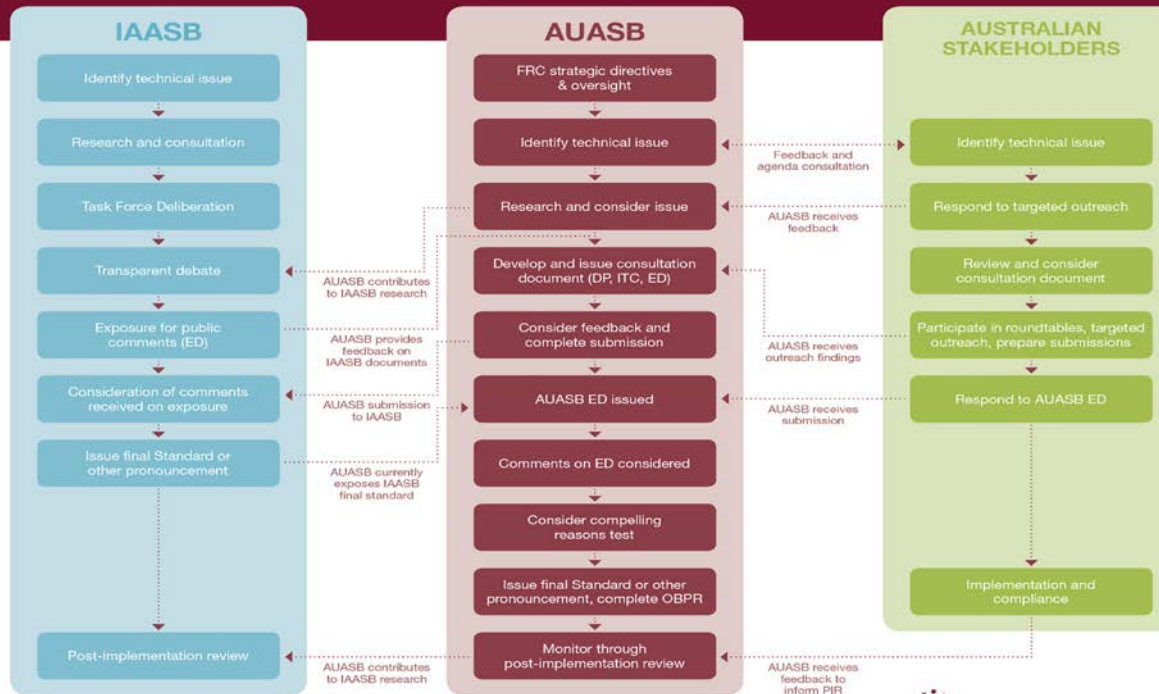
The anticipated outcome will be to:

- Increase our ability to influence the international standard-setting process,
- Reduce the amount of time between when AUASB standards and their international equivalents are issued; and
- Increase the efficiency of the Australian standard-setting process by leveraging off the IAASB's outreach and engagement activities.

We have adopted this new approach with the release of ISA 315 ED and we will be evaluating the process during the forthcoming year.

DIAGRAM 1

AUASB Standard-Setting Process



DP Discussion Paper | ITC Invitation to Comment | ED Exposure Draft | OBPR Office of Best Practice Regulation | PIR Post-Implementation Reviews



Australian Government
Auditing and Assurance Standards Board

Setting the Standards – 2017-18

It has been a somewhat quieter year for the AUASB, with the release of fewer pronouncements in 2017-18 compared to other years. This is primarily due to the timing of the IAASB projects which impacts our activities relating to Australian auditing and assurance standards.

There were two revised AUASB standards issued in the current period:

- **ASAE 3500 Performance Engagements** – approved in October 2017, which revised and updated the standard covering how performance audits are done in Australia to reflect current public sector auditing best practice and improve their consistency and quality, and
- **ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements**, approved in March 2018 and updated to reference the most recent version of APES 110 (the Code of Ethics for Professional Accountants).

The main international auditing exposure drafts (EDs) and proposed standards we have reviewed and provided feedback to the IAASB on in 2017-18 included:

- The AUASB's submission on the IAASB's ED **ISA 540 Auditing Accounting Estimates and Related Disclosures** in August 2017. Following extensive consultation with constituents at a roundtables and discussions at AUASB board meetings, our submission to the IAASB raised a number of points for their consideration. The standard has been substantially revised before being issued by the IAASB in June 2018. ISA 540 has been issued as an AUASB ED subsequent to the end of the 2017-18 year, and
- The IAASB ED **ISA 315 Identifying and Assessing the Risks of Material Misstatement** which was released in June 2018 and issued as an AUASB ED subsequent to the end of the 2017-18 year. The AUASB provided extensive feedback and commentary to the various versions considered in the development of the ED, which sets out the risk assessment procedures that form the foundation for an audit of financial statements.

AUASB Strategic Projects

This reporting period has provided the AUASB with an opportunity to broaden the nature and scope of the work undertaken by the AUASB in order to enhance the consistency and quality of audit and assurance engagements performed in our jurisdiction.

The AUASB strategic projects have been developed and executed by the AUASB technical staff, working with designated AUASB board members with expertise on the relevant subject matter.

The focus of our strategic projects has been to:

- Address emerging issues impacting the development of auditing and assurance standards and guidance, and
- Respond to challenges in each strategic project area both locally and globally, as well as produce updated implementation guidance in these areas where appropriate.

In 2017-18 we have progressed strategic projects addressing the following topics:

- Auditor Reporting Implementation – Designed to assist practitioners address issues arising from the implementation of the enhanced auditor reporting requirements,

- Assurance over Extended Forms of External Reporting (EER) – Supporting local and global developments that assist stakeholders to provide assurance over EER information,
- Use of Technology in the Audit, including Data Analytics – Analysing our suite of auditing standards to assess what barriers or challenges exist that currently impede or reduce the efficiency of practitioners applying new technologies as part of their audit program, and to identify benefits to the audit assurance process through the enhanced use of technology,
- Financial Reporting and Assurance Frameworks – Assisting the AASB in the review of the Australian Financial Reporting Framework, to develop objective criteria for preparing financial reports and the nature and extent of assurance needed for users of these reports,
- Public Sector Auditing and Assurance Issues – Working with the Australasian Council of Auditors-General to identify solutions that address common challenges experienced by public sector auditors when applying the existing auditing and assurance framework,
- Matters related to small and medium audit practices (SMPs) and audits of small and medium-sized entities (SMEs) to ensure scalability and efficiency of the auditing framework for small and medium audit engagements,
- Prescribed Reports – Promote the use of appropriate prescribed assurance reports issued by regulators and government agencies in accordance with their legislative or regulatory requirements that meet user needs, don't place an unacceptable burden on assurance practitioners and comply with AUASB standards, and
- Superannuation Audit Issues – To examine whether auditing and assurance requirements for financial reports prepared by superannuation entities are appropriate.

Working across the Tasman

The working relationship between the AUASB and NZAuASB continues to be a key contributor to our international objectives and in particular ensuring that where relevant we can work towards Trans-Tasman harmonisation.

This reporting period saw the continuation of our collaboration with our New Zealand counterparts. This included the opportunity to participate in the NZ XRB strategic planning day, in addition to the ongoing effective relationships with the NZAuASB Chair, Board and Technical Staff.

2017-18 AUASB ACTIVITIES AND RELATED KEY PERFORMANCE INDICATORS

The tables below identify the activities the AUASB outlined in its Corporate Plan and Parliamentary Budget Statement (PBS) as contributing to its strategies above, for the 2017-18 reporting period. The tables also indicates, for each priority, whether or not the activities were achieved and if not, why not.

Priority 1 - Issue Australian Auditing and Assurance Standards (ASAs, ASREs, ASAEs & ASRSs) based on IAASB equivalent standards in accordance with AUASB legislative drafting and registration requirements. *(Links to AUASB Strategic Objectives & 2017-18*

Portfolio Budget Statements (PBS) : Strategic Objective 1; PBS Outcome 1; PBS Programs 1, 2, 3; PBS Deliverables 1, 2, 3; PBS Performance Criteria 1, 2, 5, 6)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<ul style="list-style-type: none"> → Issue all IAASB related Australian equivalent Exposure Drafts on a timely basis (within three months of PIOB clearance or within 1 month of AUASB approval, as appropriate). → Develop and issue Australian Auditing and Assurance Standards for 2017-18, ASA 540 following the release of their equivalent ISA, ensuring all Australian legislative and regulatory requirements are considered, including changes required via application of the 'compelling reason' test. → Coordinate and develop the AUASB's response to existing & planned IAASB exposure drafts due for release (for 2017-18, ISA 315, ISQC 1, ISA 220 & ISA 600). → Develop high quality responses to other IAASB pronouncements or invitations to comment by the due date as they are released. → Conduct post-implementation reviews of IAASB equivalent issued AUASB Standards, where deemed necessary. 	Achieved	<ul style="list-style-type: none"> • Current major IAASB projects monitored and analysed at each AUASB meeting and as part of AUASB Chair and/or Technical Director attending IAASB Meetings in accordance with the AUASB International Strategy (refer below), however no new IAASB standards issued in current period. • Project plan for and AUASB response to ISA 540 <i>Auditing Estimates and Related Disclosures</i> developed via roundtables and feedback from Australian stakeholders, then submitted to the IAASB in August 2017. • ASA 540 and ISA 315 <i>Identifying and Assessing the Risks of Material Misstatement</i> Exposure Drafts released shortly after end of financial year for response in late 2018. • Other IAASB EDs planned for release in current year were delayed by IAASB, so will be issued in 2018-19 year. • No ISA's or Global equivalent ASA's subject to a post-implementation review in the current period. • AUASB process to expose IAASB standards reviewed at April 2018 meeting. New process to release AUASB ED's in conjunction with the IAASB's timetable being piloted for ISA 315 in second half of 2018. • AUASB International Strategy developed, ensuring our input on IAASB and other international activities is appropriately targeted and effective. The strategy formalises how the AUASB Board and Staff engage with the IAASB and other global standard-setting bodies, including other National Standards Setters.

Priority 2 - Develop, update and maintain Australian specific Standards and/or Guidance Statements for topics not specifically addressed by IAASB Standards as required. (Links to AUASB Strategic Objectives & 2017-18 Portfolio Budget Statements (PBS): Strategic Objective 1; PBS Outcome 1; PBS Programs 1, 2; PBS Deliverables 1, 2; PBS Performance Criteria 1, 2, 3, 4.)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<ul style="list-style-type: none"> → Develop and issue Australian specific Standards (for 2017-18, ASAE 3500 Performance Engagements) within one month of AUASB approval, in accordance with AUASB legislative drafting and registration requirements. → Review and revise out of date Guidance Statements (for 2017-18, GS 010 & GS 019, others to be reviewed 2018-2020). → Review full suite of AUASB pronouncements to determine necessity and timing of other required updates. → Conduct post-implementation reviews of Australian specific AUASB Standards, where deemed necessary. 	<p>Partly Achieved</p> <p>Revision of out of date Guidance Statements planned for 2017-18, GS 010 & GS 019, deferred until 2018-2020.</p>	<ul style="list-style-type: none"> • Revised ASAE 3500 <i>Performance Engagements</i> released in October 2017. • Revised ASA 102, to ensure updated Code of Ethics, is reflected in ASA's approved at March 2018 AUASB meeting. • Plans to review a number of current Australian specific Standards and/or Guidance Statements (ASAE 3450, GS 010 and GS 019) not implemented in the current period due to other priorities and a direction from the AUASB to delay a revision of GS 010 Questions at AGMs until another year of KAMs has been observed. • Individual pronouncements updated where required but a full review of the AUASB framework is still to be performed. • Plan to update AUASB Glossary approved by AUASB in April, with updates currently under way at year end. • Initial post implementation activities associated with the introduction of the enhanced Auditor Reporting requirements underway, with AUASB staff liaising with IAASB staff to align activities and collaboration with academics to identify relevant research being undertaken.

Priority 3 - Monitor the Assurance Environment, considering the implications for Australian auditing and assurance standards and guidance and responding as appropriate. *(Links to AUASB Strategic Objectives & 2017-18 Portfolio Budget Statements (PBS): All Strategic Objectives; PBS Outcome 1; PBS Programs 1, 2, 3; PBS Deliverables 1, 2, 3; PBS Performance Criteria 4)*

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<ul style="list-style-type: none"> → Conduct yearly AUASB Agenda Consultation Forums in various locations, either face to face or electronically, (for 2017-18 in late 2017) and update AUASB Work plan as required based on relevant feedback. → Hold quarterly meetings with CPA Australia, and CA ANZ professional accounting bodies to discuss trends in assurance environment and identify impact for AUASB Agenda and Work plan. → Ensure AUASB attendance and presentations at a number of research events (in 2017-18, including AFAANZ Conference and co-ordinating with the AFAANZ Auditing and Assurance Special Interest Group, and holding the AUASB / UNSW Audit Research Roundtable in Oct 2017). → Develop and implement AUASB Research Strategy (for 2017-18, develop by March 2018). → Assess and respond to implementation issues (for 2017-18, those identified in the June 2017 ASIC Inspection Report) in connection with the strategic project on 'Coordination and cooperation with Regulators'. 	Achieved	<ul style="list-style-type: none"> • November 2017 AUASB Agenda Consultation Forums held in Sydney, Melbourne, Adelaide, Perth and Brisbane, with a wide array of stakeholders participating in roundtable discussions that inform the AUASB's current and future technical work program. • Regular meetings held with technical representatives of the professional bodies and ASIC, however generally on specific issues, as opposed to regular formal catch ups. • Combined AUASB / UNSW Audit Roundtable held in October 2017. • AUASB Chair and staff members attended the 2017 ANCAAR and 2018 AFAANZ Conferences. • AUASB Chair presented at AAA Conference in the US and EAA Conference in Europe on Audit Quality matters. • Draft AUASB Research Strategy considered at the April 2018 AUASB meeting, however additional work required. To be completed in 2018-19 period. • Ongoing dialog and outputs being developed in relation to ASIC Inspection implementation issues in conjunction with ASIC staff and Large Audit firms as part of Audit Quality strategic projects and FRC Audit Quality Plan. • AUASB Chair and staff assisted the FRC Chair develop and implement the FRC Audit Quality Plan. • All AUASB responsibilities under the Plan progressing well, including the Audit Committee Chairs survey on perceptions of audit quality. • Additional guidance to assist practitioners understand and implement Review Engagements in accordance with the ASRE standards still to be developed. • Meetings held with ASIC and APRA to discuss audit quality and implementation issues associated with the audit of superannuation funds, before the matter was presented to the AUASB and FRC members. Concluded no further action required by the AUASB – oversight of Super Fund audits to be in scope for ASIC (RSEs) and the ATO (SMSFs).

Priority 4 - Build, maintain and enhance key international relationships around key focus areas with both global (e.g. IAASB, IFAC, IIRC) and national standard-setters and professional bodies (e.g. FRC, PCAOB, CPAC, IRBA). *(Links to AUASB Strategic Objectives & 2017-18 Portfolio Budget Statements (PBS): Strategic Objectives 3, 4; PBS Outcome 1; PBS Program 3; PBS Deliverable 3; PBS Performance Criteria 5, 6)*

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<ul style="list-style-type: none"> → AUASB to be represented at all IAASB meetings. → Arrange for AUASB review of relevant IAASB board papers on a timely basis and share feedback on key matters with regional IAASB members before each IAASB meeting. → Attend and present relevant topics at regional and global IAASB NSS meetings. → Increase our awareness of and influence with IFAC SMP Committee activity given the high level of SMP/SME exposure in Australia and New Zealand. → Attend and contribute to other IAASB or International Standard Setting forums as appropriate. → Review and contribute as appropriate to other global initiatives, such as IIRC and GRI, on assurance issues. 	Achieved	<ul style="list-style-type: none"> • AUASB Chair and/or Technical Director have attended all IAASB meetings in 2017-18, and developed good relationships with key IAASB members, technical advisors and staff. • Feedback on IAASB agenda and reporting back on outcomes from meetings implemented in accordance with the AUASB International Strategy. • All major IAASB projects monitored and analysed at each AUASB meeting and as part of AUASB Chair and/or Technical Director attending IAASB Meetings in accordance with the AUASB International Strategy. • Assisted IAASB by presenting two sessions at the global NSS meeting in May 2018. Now working with IAASB to revitalise the NSS network as a key global stakeholder group and developing agenda for additional NSS to be held in conjunction with World Congress of Accountants in Sydney in November 2018. • Yet to establish relationship with Australian based IFAC SMP member to progress this issue as intended. • Currently organising a regional National Standards Setters meeting aligned to the World Congress of Accountants in November 2018. • Response to Monitoring Group Consultation sent in February 2018. Co-hosted Australian Consultation forums to discuss Monitoring Group responses and developments in December 2017 and June 2018, as well as AUASB Chair attending Global consultation forum in Singapore in January 2018. • AUASB Chair has contributed to global assurance forums as member of the United Nations World Business Council for Sustainable Development assurance task force and member of the International Integrated Reporting Committee (IIRC) working group. • An AUASB member was appointed to IAASB EER Project Advisory Panel in February 2018, with AUASB staff providing technical input.

Priority 5 - Maintain harmonisation of auditing and assurance standards in Australia and New Zealand in accordance with relevant agreements and protocols. (Links to AUASB Strategic Objectives & 2017-18 Portfolio Budget Statements (PBS): Strategic Objectives 1; 3 PBS Outcome 1; PBS Programs 1, 2, 3; PBS Deliverables 1, 2, 3; All PBS Performance Criteria)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<ul style="list-style-type: none"> → AUASB Chair and/or Technical Director to attend all NZAuASB meetings. → Ensure standards and guidance (in 2017-18, ASA 540) are issued in accordance with AU/NZ harmonisation requirements. → Contribute to and work in parallel on a number of NZAuASB projects, specifically Auditor Reporting FAQs, the NZ FMA Report on Auditor Reporting and the Audit of Service Performance Information standard. → Work collaboratively with NZAuASB Technical Staff to ensure co-operation and co-ordination between the AUASB and NZAuASB's activities (e.g. joint research programs and joint contributions on key focus areas, such as Assurance requirements for NFP's and Charities). 	Achieved	<ul style="list-style-type: none"> • AUASB Chair and/or Technical Director has attended all NZAuASB meetings either in person or via teleconference. • AUASB and NZAuASB Chairs and Technical Directors consistently in contact to explore opportunities to collaborate on International and Regional initiatives, as well as ensure a common approach to local and international auditing and assurance issues in accordance with the AUASB/XRB protocol. • AUASB staff member seconded to work with the NZAuASB on a project evaluating the rollout of new Auditor Reporting requirements in New Zealand with report co-produced with the NZ FMA released in November 2017. • AUASB Technical Staff made a submission on the NZ Audit of Service Performance Information ED in December 2017 and provided additional input to NZAuASB staff on the topic.

Priority 6 - Develop and progress a number of strategic projects addressing current areas of auditing and assurance thought leadership and emerging issues, in particular the areas of external reporting beyond financial reporting (e.g. EER) and the impact of changing technologies (e.g. Data Analytics). (Links to AUASB Strategic Objectives & 2017-18 Portfolio Budget Statements (PBS): Strategic Objectives 2, 5, 6; PBS Outcome 1; PBS Programs 1, 2, 3 PBS Deliverables 1, 2, 3; PBS Performance Criteria 3, 4, 6)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<ul style="list-style-type: none"> → Scope and implement a range of strategic thought leadership projects. → With the AASB, update the 'Alignment of Reporting and Auditing Frameworks' review completed by the University of Adelaide and CA ANZ to ensure it reflects current audit and assurance requirements, and consult with appropriate policy makers and regulators. → Develop and maintain contact with other key national standard-setters (e.g. Canada, France, Germany, Netherlands, United Kingdom, United States and South Africa) and identify opportunities to collaborate on key international auditing and assurance focus areas. → Monitor key international regulator developments (including IOSCO, PCAOB and IFIAR) and consider impact for the local auditing and assurance environment. → Work with relevant local and international stakeholders to influence and support emerging forms of assurance (e.g. IIRC). 	Achieved	<ul style="list-style-type: none"> • AUASB staff have completed and presented project plans on all strategic projects outlined in the AUASB 2017-21 Corporate Plan at 2017-18 AUASB meetings. Updates, where relevant, on each strategic project are provided at AUASB meetings. • All aspects associated with the Auditor Reporting strategic project have been addressed by AUASB staff, with implementation issues monitored via with AUASB members and audit firms to identify further opportunities. • All AUASB responsibilities under the Audit Quality/ Coordination and cooperation with Regulators project plan progressing well, including the Audit Committee Chairs survey on perceptions of audit quality. Ongoing dialog with ASIC and large audit firms in relation to ASIC Inspection findings and implementation issues Audit firms. • Various initiatives to support Assurance over EER information currently being developed. AUASB actively involved in IAASB EER Assurance initiative. AUASB member appointed to IAASB EER Project Advisory Panel. • Worked with various Government agencies to ensure guidance of relevant proscribed report matters issued when implementing any audit or assurance regulations • An AUASB Technical staff member has assisted the AASB complete the assurance elements of their research reports and consultation papers on Financial Reporting Requirements for Charities/NFPs, For Profit and Public Sector agencies. • Ongoing dialog with Auditor-Generals offices and preliminary work to set up Project Advisory Group on the public sector auditing and assurance issues under way. • Paper updating AUASB members on different Small-and-medium practices (SMPs) or Small-and-medium entities (SMEs) options presented and discussed at April AUASB meeting. • First phase of project Data Analytics/Digitalisation of the Audit: Mapping Data Analytics and Technology issues to current auditing standards, completed. • Meetings held with ASIC and APRA to discuss audit quality and implementation issues associated with the audit of superannuation funds.

Priority 7 - Achieve a high level of stakeholder satisfaction through increased engagement (i.e. events and publications) that demonstrate the AUASB has a thorough awareness of ideas and concerns of Australian stakeholders. *(Links to AUASB Strategic Objectives & 2017-18 Portfolio Budget Statements (PBS): Strategic Objective 4; PBS Outcome 1; PBS Programs 1, 2; PBS Deliverables 1, 2; PBS Performance Criteria 3, 4)*

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<ul style="list-style-type: none"> → Hold quarterly or regular meetings with key stakeholders as required to: – gather timely and relevant feedback on AUASB activities, and – ensure the AUASB Work plan is responsive to stakeholder needs. → Attend and present at regular professional and regulatory forums. → AUASB Board members or staff to present at a number of auditing or assurance related events/conferences. → Author or contribute to multiple articles on major auditing and assurance developments for CPA Australia and CA ANZ professional bulletins and other publication outlets. → Complete quarterly reports for the FRC and obtain positive feedback from FRC members on AUASB activities. → Develop and distribute a quarterly AUASB Update. → Conduct an AUASB Stakeholder satisfaction survey in the second half of 2017-18. → Create and maintain details of AUASB stakeholders in the new AASB/AUASB Stakeholder Database. → Contribute to the design and development of the new AASB/AUASB website. → Implement initiatives to monitor and grow stakeholder engagement. 	<p>Partly Achieved</p> <p>AUASB Stakeholder satisfaction survey was not conducted in the second half of 2017-18 and is planned to be performed in conjunction with the AASB. Further, the redevelopment of the AUASB website has been deferred as part of the revised AASB-AUASB IT strategy.</p>	<ul style="list-style-type: none"> • Regular meetings held with the professional bodies and ASIC, including consistent interaction with these stakeholders on the MG response and FRC Audit Quality Plan. • AUASB attended and presented at all ASIC Accounting and Auditing Standing Committee meetings. • AUASB Technical Director presented at APESB NOCLAR sessions. • AUASB staff attended and presented at a range of other regular industry forums. • AUASB Chair presented on Audit Quality and Data Analytics at conferences in US, Europe and AFAANZ conference. • AUASB member presented AUASB update at CA ANZ Audit Conference. • CA ANZ Perspectives article on 'Other Information' published in April 2018. • All quarterly and annual FRC reporting requirements met, with positive feedback received from the FRC on AUASB achievement of activities. • AUASB Update Newsletter developed and issued quarterly (from October 2017) • AUASB Stakeholder satisfaction survey in 2nd half of FY18 to be performed by AASB-AUASB National Director (in conjunction with the AASB). • Updated AUASB stakeholder engagement database developed and populated, however new stakeholder management tool yet to be implemented. • Redevelopment of AUASB website deferred as part of revised AASB-AUASB IT strategy. • Improved social media profile on Twitter and LinkedIn regarding recent AUASB events and publications has led to increased 'hits' and distribution, but more work required to assess effectiveness of existing communications activities. • All required AUASB Board Meeting papers, highlights, podcasts and minutes have been available on the AUASB website in a timely manner.

Priority 8 - Conduct awareness initiatives, such as webinars and presentations for new major Standards issued, and promote the development of education initiatives by others (for example professional bodies, regulators, accounting firms and tertiary institutions) by providing technical input to their initiatives and co-presenting at their education sessions. *(Links to AUASB Strategic Objectives & 2017-18 Portfolio Budget Statements (PBS): Strategic Objectives 4 & 7; PBS Outcome 1; PBS Programs 1 & 2; PBS Deliverables 1 & 2; PBS Performance Criteria 3, 4)*

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<ul style="list-style-type: none"> → Record and release AUASB podcasts and/or webcasts on all major audit and assurance pronouncements. → Engage with the CA ANZ and CPA Australia to support the currency and appropriateness of auditing and assurance professional program course materials. → Present at a number of auditing or assurance related events/conferences. → Author or contribute to articles on major auditing and assurance developments. → Identify opportunities to present guest lectures or be represented on course advisory panels for auditing and assurance topics at major tertiary institutions. → Partner with assurance academics on AUASB strategic projects and research activities. → In conjunction with the NZAuASB, issue new and revised Auditor Reporting FAQs. → Develop and issue AUASB Bulletins on emerging auditing and assurance issues and the release of all major AUASB standards and guidance statements. → Monitor global audit inspection developments and trends and consider impact for Australian auditing and assurance environment. 	<p>Partly achieved Systems and processes being put into place to promote the development of education initiatives by others.</p>	<ul style="list-style-type: none"> • Podcast with highlights released following all 2017-18 AUASB meetings, covering all new AUASB pronouncements. • Auditor Reporting FAQs on AUASB website updated regularly. • AUASB Bulletins released on 'The new enhanced Auditor's Report – responding to questions at AGMs' in October 2017 and Auditor review reports – the impact of the new auditor reporting requirements' in July 2017. • Discussions held by AUASB Chair with CA ANZ re the impact of their revised strategy on their education program. • AUASB Chair participated in a KPMG/Australian Financial Review Trust Roundtable in February 2018. • AUASB board members have presented at CA ANZ Audit Conference and Business leaders Reporting Forum. • AUASB Technical Director presented at APESB NOCLAR sessions. • AUASB Chair and Technical Director presented to ACAG staff on Public Sector Audit Issues in March 2018. • AUASB member presented AUASB update at CA ANZ Audit Conference. • CA ANZ Perspectives article on 'Other Information' published in April 2018. • AUASB-UNSW Roundtable promoting education initiatives and research attended by over 50 auditing/assurance experts from the profession, regulators and academia held in October 2017. • Dialog with academics on auditor reporting established and AUASB staff have contributed to the thinking of a number of related academic initiatives. An area to receive greater focus in the following period as part of the AUASB Research Strategy. • Auditor Reporting FAQs on AUASB website updated regularly.

Priority 9 - Analyse regulator inspection findings to identify AUASB actions that help improve audit quality and the consistency of audit execution, predominately through the development of new publications (such as AUASB Bulletins and frequently asked questions ('FAQs')) that facilitate the consistent application of auditing and assurance standards. *(Links to AUASB Strategic Objectives & 2017-18 Portfolio Budget Statements (PBS): Strategic Objective 7; PBS Outcome 1; PBS Programs 1, 2; PBS Deliverables 1, 2; PBS Performance Criteria 3, 4)*

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<ul style="list-style-type: none"> → Increased and timelier engagement with ASIC and other regulators responsible for audit and assurance inspections. → Assess and respond to implementation issues (for 2017-18, those identified in the June 2017 ASIC Inspection Report) and identify opportunities to create additional AUASB guidance to address findings. → Hold quarterly meetings with ASIC and meet at least annually with other regulators (APRA, CER) to discuss audit inspection developments and identify opportunities for AUASB staff involvement. 	Achieved	<ul style="list-style-type: none"> • The AUASB Chair and AUASB technical staff have assisted the FRC develop their Audit Quality Plan. Survey to Audit Committee Chairs on their perceptions of audit quality now completed with analysis of results currently in progress. • Review of ASIC Inspection Report findings performed as part of the 'Working Effectively with Regulators' strategic project. • The AUASB Chair and Technical Group staff have held and are regularly holding meetings with ASIC Executive Director to discuss ASIC Inspection issues and plan for future AUASB involvement in audit inspection activities. • Meetings held with technical staff from large accounting firms to evaluate points of intersection and opportunities to improve auditing standards and guidance. • Results from Global regulator inspection activities considered as part of the AUASB's work with ASIC on local inspection activities.

OUTPUT STRUCTURE

The AUASB's standards issued in 2017-18 are listed in the table below.

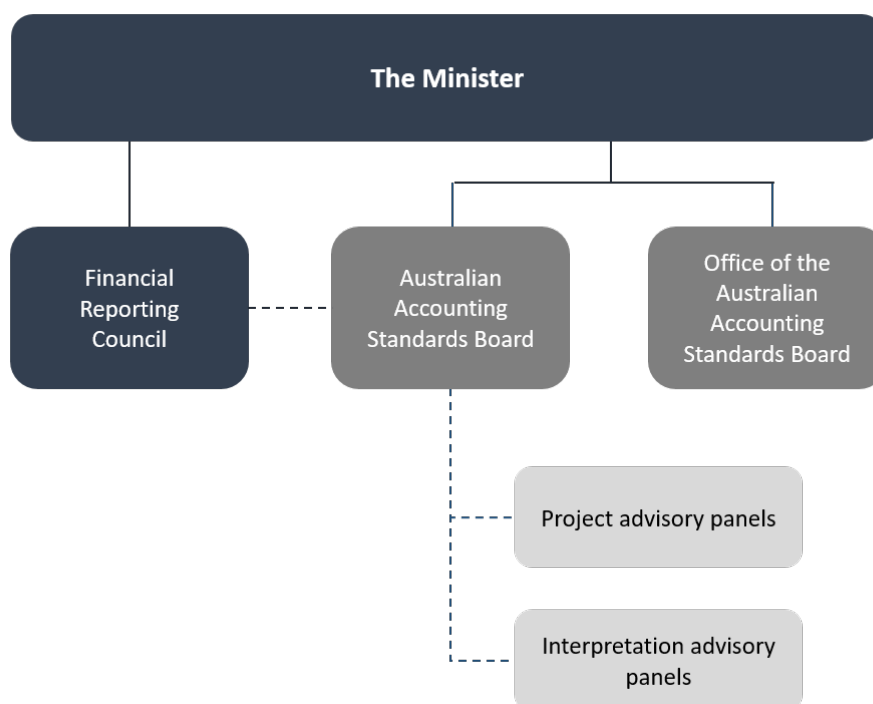
Standards	
ASAE 3500	<i>Performance Engagements</i> (October 2017)
ASA 102	<i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i> (March 2018)

AUASB Authoritative Pronouncements can be accessed via
www.auasb.gov.au/Pronouncements.aspx.

The Standard-setting and Research Centre Work Programs can be accessed via
www.auasb.gov.au/Work-In-Progress/Work_Program.

MANAGEMENT AND ACCOUNTABILITY

HOW THE AASB WORKS



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

To be eligible for appointment as a member of the AASB, a person must have knowledge of, or experience in, business, accounting, law or government. Initial appointment is for a maximum of 3 years with possible extensions for a further 2 terms.

The members of the AASB during 2017-18 are listed below. The Board held 7 meetings for a total of 7 meeting days during the year. Attendance of members at these meetings is set out in Appendix B.

The Minister

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

Financial Reporting Council

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

AASB

The AASB is an Australian non-corporate Government Entity responsible for making accounting standards under section 334 of the *Corporations Act 2001* for the purposes of the corporations legislation. The AASB also formulates accounting standards and or guidance for other purposes and participates in, and contributes to, the development of a single set of international accounting standards for worldwide use.

The Chair of the AASB reports to the Minister regarding the organisation's operations.

Office of the AASB

The Office of the AASB provides technical and administrative services, information and advice to the AASB. The Chair of the AASB is also the Chief Executive Officer of the Office of the AASB, however the CEO responsibilities have been delegated (to the maximum extent permitted) to the National Director.

Membership

Kris Peach, Chair

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

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

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

The members of the AASB holding office during the year ended 30 June 2018 were:

Board Member	Qualification	Appointment end date
Mike Blake	Auditor General Tasmania	December 2020 (2 nd term)
Kimberley Crook	Chair of the New Zealand Accounting Standards Board	Reciprocal member from 1 July 2014
Regina Fikkers	PricewaterhouseCoopers	December 2018 (2 nd term)
Peter Gibson	Commonwealth Department of Finance	December 2018 (2 nd term)
Ken Liow	Principal, Obsidian Capital	December 2020
Carmen Ridley	Australian Financial Reporting Solutions	December 2020 (3 rd term)

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2017-18

Board Member	Qualification	Appointment end date
Taryn Rulton	Monash College	December 2019 (2 nd term)
Marc Smit	National Australia Bank	December 2018 (2 nd term)
Stephen Taylor	University of Technology Sydney	December 2019
Alison White	Deloitte	December 2020

Retirements

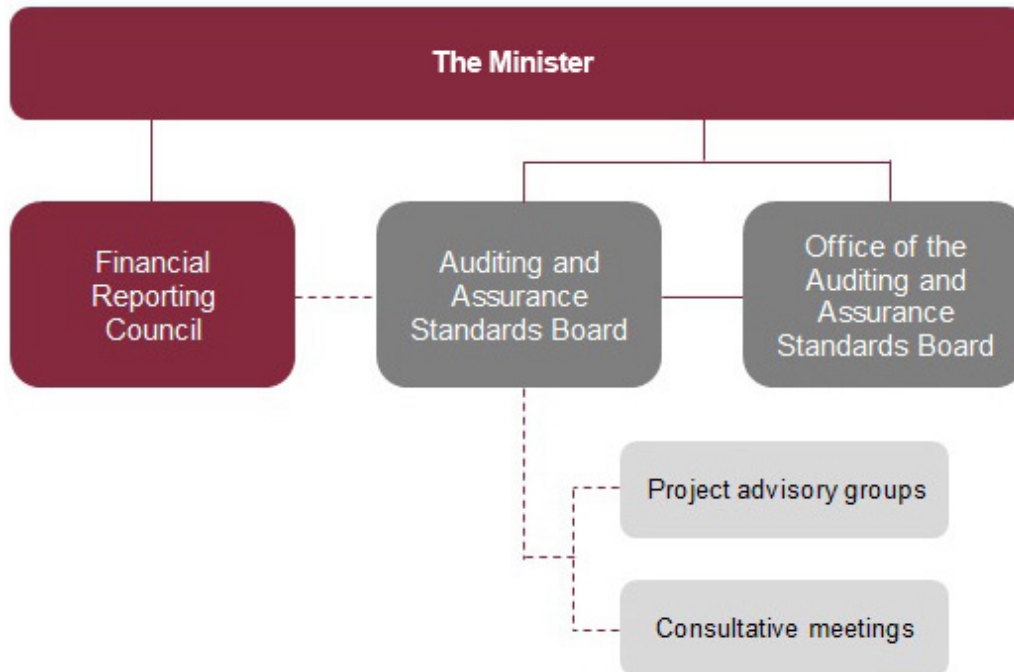
Andrew Kearnan	Non-Executive Director	Retired December 2017
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Observers

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

Observer	Qualification
John O'Grady	Member of the IASB IFRS Interpretations Committee

HOW THE AUASB WORKS



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

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

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

The Minister

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

Financial Reporting Council

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

AUASB

The AUASB an Australian non-corporate Government Entity 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

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2017-18

and participates in and contributes to the development of a single set of international auditing standards for worldwide use.

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

Office of the AUASB

The Office of the AUASB provides technical support and administrative services, information and advice to the AUASB. The Chair of the AUASB is also the Chief Executive Officer of the Office of the AUASB, however the CEO responsibilities have been delegated (to the maximum extent permitted) to the National Director.

Membership

Roger Simnett, Chair

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

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

As Chair of the AUASB, he is also a member of the FRC and a member of NZAuASB. In September 2018 Roger was appointed to the IAASB as a board member.

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

The members during 2017-18 were:

Board Member	Qualification	Appointment end date
Robin Low	Non-Executive Director	December 2020 (2 nd term)
Gareth Bird	Deloitte	December 2020
Robert Buchanan	Chair, NZAuASB	Reciprocal member from 1 July 2016
Jo Cain	Non-Executive Director	December 2018 (2 nd term)
Julie Crisp	Northern Territory Auditor-General's Office	December 2020
Chris George	EY	December 2018 (2 nd term)
Noel Harding	UNSW Sydney	December 2020
Carolyn Ralph	KPMG	December 2018
Justin Reid	J R Consulting	December 2020
Ashley Wood	PwC	December 2018
Retirements		
Colin Murphy	Auditor-General WA	Retired December 2017
Nonna Martinov-Bennie	Macquarie University	Retired December 2017

AASB AND AUASB'S CORPORATE GOVERNANCE

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

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

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

Audit Committee

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

The Audit Committee follows the recommended practice guidelines issued by the Department of Finance for non-corporate Commonwealth entities. The Audit Committee comprises an independent external Chair, and two external members. The Australian National Audit Office (ANAO) also attends Audit Committee meetings as an observer, as do other AASB and AUASB management representatives.

Fraud

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

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

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2017-18

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

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

Ethics

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

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

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

AASB PERSONNEL MANAGEMENT

Table 1a: AASB Employees at 30 June 2018

Classification	Persons	Ongoing	Non-ongoing	F/T	P/T	F/T Equivalents		
						Female	Male	Total
Senior executive	3	3	0	3	0	2.0	1.0	3.0
Technical	8	8	0	6	2	3.6	3.3	7.9
Non-Technical	4	4	0	3	1	3.8	0.0	3.8
Total employees	15	15	0	12	3	9.4	4.3	13.7

Table 1b: AASB Employees at 30 June 2017

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

As at 30 June 2018 no employees identified as Indigenous.

AASB employees are located in offices in Melbourne and Sydney.

Table 2: AASB Salary ranges as at 30 June 2018

Salary Bands	Senior executive full time	Senior executive part time	Technical & non-technical full time	Technical & non-technical part time
\$ 15,000 to \$104,999	-	-	5	2
\$105,000 to \$194,999	0	-	5	0
\$195,000 to \$284,999	1	-	-	-
\$285,000 to \$374,999	1	-	-	-
\$375,000 to \$464,999	1	-	-	-

AUASB PERSONNEL MANAGEMENT

Table 3a: AUASB Employees at 30 June 2018

Classification	Persons	F/T	P/T	F/T Equivalents		
				Female	Male	Total
Senior executives	2	1	1	0	1.6	1.6
Technical and support employees	5	1	4	2.6	1	3.6
Total employees	7	2	5	2.6	2.6	5.2

Table 3b: AUASB Employees at 30 June 2017

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

As at 30 June 2018, no employees identified as Indigenous.

AUASB employees are located in offices in Melbourne and Sydney.

Table 4: AUASB Salary ranges as at 30 June 2018

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

BRINGING IT ALL TOGETHER

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

The AASB and AUASB are effectively operating to the extent permitted by legislation, as a single Office supporting both Boards. The Chairs are Chief Executive Officers and the Accountable Authority under the PGPA and are responsible for the preparation of the financial reports for each entity, however have delegated to the maximum extent permitted the CEO responsibilities to the National Director.

The National Director is responsible for the operation of both the Office of AASB and Office of AUASB. The Offices of the AASB and AUASB have implemented a shared service model, in that the AASB provides all administrative services for the AUASB and their respective Boards.

(The diagram on the following page outlines the operational structure of the AASB, AUASB and the Office of both AASB and AUASB.)

In order to ensure appropriate governance and accountability, the operating model is governed by a memorandum of understanding (MOU) which is signed by the Chairs.

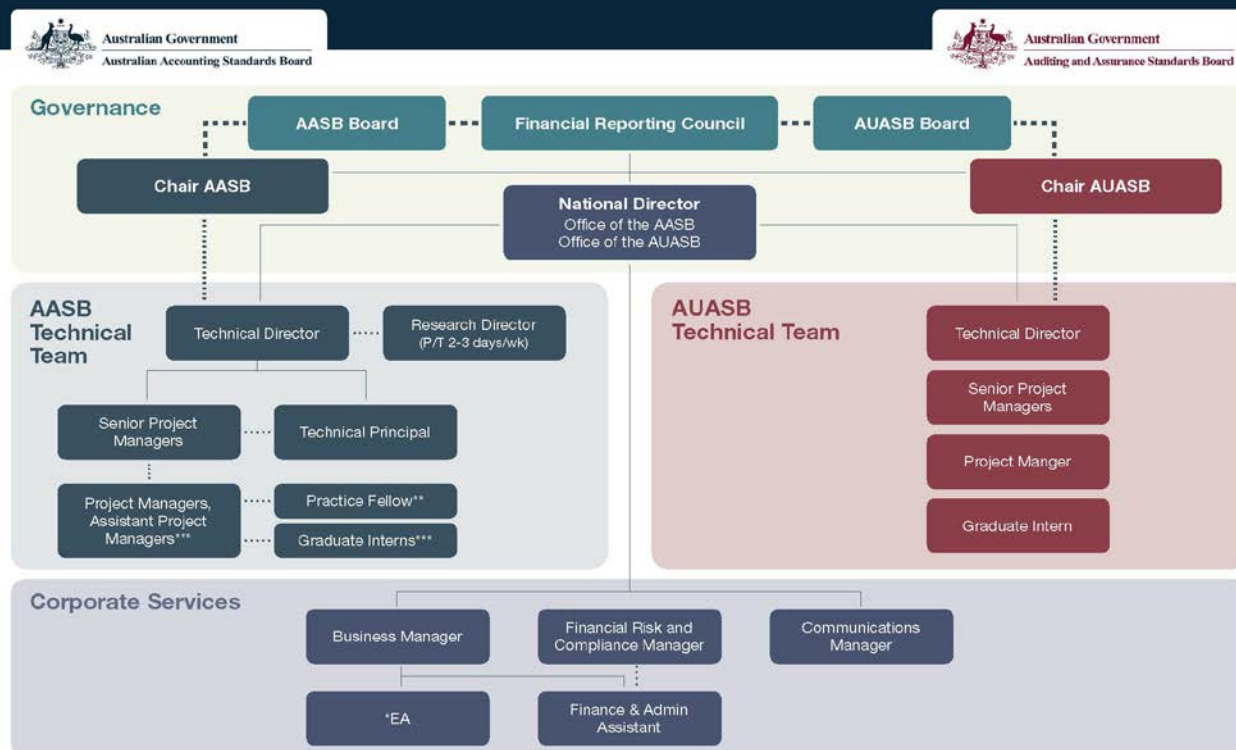
To transparently reflect this operating model and organisation structure, the AASB and AUASB have provided additional disclosures (refer to Note 2A and Note 2B) that aims to provide some further understanding of the financial arrangements in relation to the costs of the services delivered in accordance with the MOU.

Stakeholders
First

Building
international
influence

One team,
two identities,
no surprises

Organisational Structure - August 2018



* Business Manager & Executive Assistant to support AASB and AUASB Chairs and Boards
 ** Subject matter secondees
 *** Project Manager, Assistant PM and Grad Interns are a pooled resource allocated to projects. Each assigned a Senior PM for management and performance accountability and support

— Direct reporting
 Indirect reporting and accountability
 - - - Broad oversight/advice or feedback
 Technical issues

Our People

Both Chairs are appointed by the Minister, pursuant to a contract for services with the respective Office of the Board. Salary and other entitlements are determined by the Commonwealth Remuneration Tribunal.

Members of the respective Boards are appointed for three year terms. The FRC, via the Nominations Committee, is responsible for the selection process of AASB and AUASB Board members. Recommendations are tabled with the FRC for confirmation of appointment. Entitlements are determined by the Commonwealth Remuneration Tribunal.

The AASB and AUASB have the capacity to employ under the *ASIC Act*, as well as the *Public Service Act 1999* (PSA). As at 30 June 2018, all employees were employed under the *ASIC Act*.

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

This year was the first year of a new performance management process which is based on informal frequent performance discussions that build to formal meetings for review and forward planning.

We have conducted a review of the first 12 months which has identified that our employees found the process beneficial and engaging and we expect to continue the program in to the next year.

Our employees undertake a range of training and professional development experiences which include attendance at seminars, conferences and training programs as required on topics related to technical and personal development, policy and the administrative work of the AASB and AUASB.

It is a policy of the AASB and AUASB that employees do not receive performance bonuses. The AASB and the AUASB comply with the Workplace Bargaining Policy 2018 of the Australian Public Service Commission, as it applies to non-government entities.

While recruitment and retention of employees will always prove to be challenging – particularly in the specialist fields associated with standards setting. These challenges are being overcome by working to establish a core group of experienced technical people, and complementing their skills through secondments from other government departments, the accounting and auditing firms, our graduate intern program and short term appointments from academia and corporates for specialist skills.

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

FINANCIAL REPORTS

Independent Auditor's Reports	75
Statements of Comprehensive Income	80
Statements of Financial Position.....	81
Statements of Changes in Equity.....	82
Cash Flow Statements	83
Note 1: Summary of Significant Accounting Policies.....	84
Note 2: Analysis of Shared Operational Activities.....	86
Note 3: Expenses	88
Note 4: Appropriations	89
Note 5: Payables	92
Note 6: Employee Provisions	92
Note 7: Cash Flow Reconciliation	93
Note 8: Related parties	94
Note 9: Financial Instrument Liabilities	96
Note 10: Operating Leases	97
Note 11: Budgetary Reports and Explanations of Major Variances	98
Statements of Comprehensive Income	100
Statements of Financial Position.....	101
Statements of Changes in Equity.....	102
Cash Flow Statements	104



INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

Opinion

In my opinion, the financial statements of the Office of the Australian Accounting Standards Board for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Office of the Australian Accounting Standards Board as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Office of the Australian Accounting Standards Board, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Chair;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial report, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

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

Other Information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Office of the Australian Accounting Standards Board, the Chair is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Chair is also responsible for such internal control as the Chair determines is necessary

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to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Sean Benfield
Executive Director

Delegate of the Auditor-General

Canberra
5 October 2018



INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

Opinion

In my opinion, the financial statements of the Office of the Auditing and Assurance Standards Board for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Office of the Auditing and Assurance Standards Board as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Office of the Auditing and Assurance Standards Board, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Chair;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial report, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

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

Other Information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Office of the Auditing and Assurance Standards Board, the Chair is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Chair is also responsible for such internal control as the Chair determines is necessary

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to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Sean Benfield
Executive Director

Delegate of the Auditor-General

Canberra
5 October 2018

STATEMENTS BY THE CHAIRS

AASB

In our opinion, the attached Financial Statements for the Office of the Australian Accounting Standards Board for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Kris Peach
Chair, CEO – AASB



Damian Paull
National Director & CFO

5 October 2018

AUASB

In our opinion, the attached Financial Statements for the Office of the Auditing and Assurance Standards Board for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Roger Simnett
Chair, CEO – AUASB



Damian Paull
National Director & CFO

5 October 2018

Statements of Comprehensive Income
for the period ended 30 June 2018

			AASB	AUASB	
	Notes	2018	2017	2018	2017
		\$	\$	\$	\$
EXPENSES					
Employee and contractor costs	2, 3A	2,957,815	3,178,874	1,007,950	1,016,061
Supplier expenses	3B	1,380,244	1,284,405	307,301	204,355
Occupancy expenses	2, 10	294,426	262,554	-	-
Depreciation and amortisation	2	47,874	49,268	-	-
Finance costs		403	4,490	-	-
Management fee to AASB expenses	2	-	-	777,072	865,033
Write-down and impairment of assets		-	-	-	-
Total expenses		4,680,762	4,779,591	2,092,323	2,085,449
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services		5,250	5,251	-	-
Management fee from AUASB revenue	2	777,072	865,033	-	-
Rental income		-	-	-	-
Resources received free of charge		116,073	199,345	85,838	94,342
Contributions from state and territories		500,000	500,000	-	-
Total own-source revenue		1,398,395	1,569,629	85,838	94,342
Gains					
Sale of assets		(10,055)	1,000	-	-
Total gains		(10,055)	1,000	-	-
Total own-source income		1,388,340	1,570,629	85,838	94,342
Net cost of services & cost of outcome delivery		(3,292,422)	(3,208,962)	(2,006,485)	(1,991,107)
Revenue from Government	4	3,533,000	3,597,000	2,085,000	2,126,000
Surplus/(Deficit) attributable to the Australian Government		240,578	388,038	78,515	134,893
OTHER COMPREHENSIVE SURPLUS/(DEFICIT)					
Total comprehensive surplus/(deficit) attributable to the Australian Government		240,578	388,038	78,515	134,893

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

Statements of Financial Position

as at 30 June 2018

	Notes	AASB		AUASB	
		2018	2017	2018	2017
		\$	\$	\$	\$
ASSETS					
Financial Assets					
Cash and cash equivalents		7,597	284,526	332,408	30,051
Trade and other receivables		88,737	170,348	-	-
Management fee receivable from AUASB		172,481	261,205	-	-
Appropriation receivables	4	2,041,000	1,400,000	517,000	766,000
Total financial assets		2,309,815	2,116,079	849,408	796,051
Non-Financial Assets					
Furniture and computers – Level 2 fair value		173,323	107,189	-	-
Prepaid expenses		52,463	24,814	-	-
Total non-financial assets		225,786	132,003	-	-
Total assets		2,535,601	2,248,082	849,408	796,051
LIABILITIES					
Payables					
Suppliers		174,357	271,832	-	-
Management fee payable to AASB		-	-	172,481	261,205
Other payables	5	249,308	192,872	28,248	51,091
Total payables		423,665	464,704	200,729	312,296
Provisions					
Employee provisions	2, 6	295,642	286,662	129,333	80,924
Total provisions		295,642	286,662	129,333	80,924
Total liabilities		719,307	751,366	330,062	393,220
Net assets		1,816,294	1,496,716	519,346	402,831
EQUITY					
Contributed equity		681,000	602,000	312,000	274,000
Retained earnings		1,135,294	894,716	207,346	128,831
Total equity		1,816,294	1,496,716	519,346	402,831

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

Statements of Changes in Equity

for the period ended 30 June 2018

Australian Accounting Standards Board

	Retained earnings		Contributed equity/capital		Total equity	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Opening balance as at 1 July	894,716	506,678	602,000	522,000	1,496,716	1,028,678
Comprehensive income						
Surplus/(Deficit) for the period	240,578	388,038	-	-	240,578	388,038
Comprehensive income attributable to the Australian Government	240,578	388,038	-	-	240,578	388,038
Transactions with owners						
Departmental capital budget	-	-	79,000	80,000	79,000	80,000
Closing balance as at 30 June	1,135,294	894,716	681,000	602,000	1,816,294	1,496,716

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

Auditing and Assurance Standards Board

	Retained earnings		Contributed equity/capital		Total equity	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Opening balance as at 1 July	128,831	(6,062)	274,000	237,000	402,831	230,938
Comprehensive income						
Revaluation of infrastructure, plant and equipment	-	-	-	-	-	-
Surplus/(Deficit) for the period	78,515	134,893	-	-	78,515	134,893
Comprehensive income attributable to the Australian Government	78,515	134,893	-	-	78,515	134,893
Transactions with owners						
Departmental capital budget	-	-	38,000	37,000	38,000	37,000
Closing balance as at 30 June	207,346	128,831	312,000	274,000	519,346	402,831

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

Cash Flow Statements

for the period ended 30 June 2018

	Notes	AASB		AUASB	
		2018	2017	2018	2017
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Cash received					
Appropriations		2,929,000	5,393,602	2,335,000	2,159,150
Goods and services		1,045,193	629,742	-	73,246
Net GST received		182,962	145,142	-	-
Contributions received		481,900	473,775	-	-
Other cash received		-	-	-	-
Total cash received		4,639,055	6,642,261	2,235,000	2,232,396
Cash used					
Employees and contractors		2,798,962	4,700,751	907,703	1,540,276
Suppliers		2,034,355	2,212,233	1,161,940	1,067,701
Net GST paid		603	41,197	-	1,225
Total cash used		4,833,920	6,954,181	2,069,643	2,609,202
Net cash from / (used by) operating activities	7	(194,865)	(311,920)	265,357	(376,806)
INVESTING ACTIVITIES					
Cash received / (used)					
Purchase of infrastructure, plant and equipment		(124,064)	(43,254)	-	-
Cash received from disposal of infrastructure, plant and equipment		-	1,000	-	-
Net cash used by investing activities		(124,064)	(42,254)	-	-
FINANCING ACTIVITIES					
Cash received					
Contributed equity		42,000	40,000	37,000	-
Net cash from financing activities		42,000	40,000	37,000	-
Net increase / (decrease) in cash held		(276,929)	(314,174)	302,357	(376,806)
Cash and cash equivalents at the beginning of the reporting period		284,526	598,700	30,051	406,857
Cash and cash equivalents at the end of the reporting period		7,597	284,526	332,408	30,051

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORTS

Objectives of AASB and AUASB

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

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

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

Financial Reporting and Organisation Structure

The AASB and AUASB are effectively operating to the extent permitted by legislation, as a single Office supporting both Boards. The Chairs are Chief Executive Officers and the Accountable Authority under the PGPA and are responsible for the preparation of the financial reports for each entity, however have delegated to the maximum extent permitted the CEO responsibilities to the National Director. The National Director supports the Chairs of the respective Boards, and manages the technical employees of both Boards and the professional employees. The AASB and AUASB have implemented a shared service model, in that the AASB provides all administrative services for the AUASB.

Given the common objectives of the AASB and AUASB and the interlinked financial relationships, their individual financial reports are presented jointly with a column for each entity, supplemented with a detailed note outlining the appropriations received, and the direct costs incurred by each of the AASB and AUASB, together with the common expenses.

The accounting policies applied by each Office are the same.

Events After the Statement of Financial Position Date

There are no major events post 30 June 2018 to report for the AASB or AUASB.

Note 1: Summary of Significant Accounting Policies

1.1 Basis of Preparation of the Financial Statements

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

The financial reports have been prepared in accordance with:

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

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

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

The financial statements are presented in Australian dollars.

1.2 Significant Accounting Judgements and Estimates

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

1.3 Changes in Australian Accounting Standards

(a) Adoption of New Australian Accounting Standard Requirements

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

AASB 1058 *Income of Not-For-Profit Entities* will be effective for the annual reporting period ending 30 June 2020 and clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 *Revenue from Contracts with Customers*. The AASB and AUASB do not consider this standard will have a material impact, except for the receipt of funding from the states by the AASB. The current grant agreement ends 30 June 2019. The new contract is currently being negotiated and the impact of AASB 1058 will not be known until finalised. However should the current terms and conditions continue, any multi-year grant is likely to be recognised in full at commencement of the new contract rather than being spread over the term of the agreement.

AASB 116 *Leases* is effective for annual reporting periods ending 30 June 2020. The new standard introduces a single lessee accounting model and will require the AASB to recognise assets and liabilities in relation to its existing operating lease. As at 1 July 2019, the present value of the contractual lease payments under operating leases of the office premises is estimated to be \$542,060. Accordingly, the AASB will recognise an asset representing the right to use the leased premises amounting to \$542,060 and a financial liability to pay rentals of the same amount.

1.4 Taxation

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

Note 2: Analysis of Shared Operational Activities

Note 2A: Operational activities for AASB and AUASB

To transparently reflect the shared support model and organisation structure, the AASB and AUASB provide additional disclosure on a combined basis for their operational activities.

The AASB and AUASB shared support model effectively enables, to the extent permitted by legislation, the Offices of the AASB and AUASB to operate as a single Office supporting both Boards. Under the Memorandum of Understanding (MoU) between the AASB and the AUASB, the AASB incurs all costs of the AUASB.

The AASB recoups AUASB direct costs with no mark-up and accordingly does not recognise the reimbursement of these direct costs paid for by the AASB. The AASB recognises a receivable from the AUASB at the time the AASB pays for these expenses on behalf of the AUASB. AUASB direct costs are recognised as expenses of the AUASB. The AUASB recognises a payable to the AASB when charged by the AASB.

In addition, the AASB charges the AUASB a management fee to recover an appropriate portion of the total professional services expenses ('common expenses'). As the AASB solely bears legal obligations arising from the contracts for common employees, leases and other expenses, the AASB recognises the full amount of common expenses as incurred and recognises the management fee charged to the AUASB as revenue. The AUASB recognises the management fee as an expense. The common expense management for 2018 amounted to \$777,072 (2017: \$865,033).

	AASB 2018 \$	AUASB 2018 \$	Shared 2018 \$	Total 2018 \$	Total 2017 \$
Note 2B: Operational activities					
Appropriations	3,533,000	2,085,000	-	5,618,000	5,723,000
Other income	611,268	85,838	-	697,106	799,938
Total income before common expense recharge	4,144,268	2,170,838	-	6,315,106	6,522,938
Common expense recharge ¹	777,072	-	-	777,072	865,033
Total income	4,921,340	2,170,838	-	7,092,178	7,387,971
Employee and contractor costs (excluding redundancies)	1,875,854	1,007,950	1,081,962	3,965,766	4,176,734
Separation and redundancy costs	-	-	-	-	18,201
Direct supplier expenses (refer to Note 3B)	706,488	307,301	-	1,013,789	626,450
Common occupancy expenses	-	-	294,426	294,426	262,554
Common depreciation and amortisation expense	-	-	47,874	47,874	49,268
Common finance costs	-	-	403	403	4,490
Common supplier expenses (refer to Note 3B)	-	-	673,755	673,755	862,310
	2,582,342	1,315,251	2,098,420	5,996,013	6,000,007
Common expense recharge ¹	-	777,072	-	777,072	865,033
	2,582,342	2,092,323	2,098,420	6,773,085	6,865,040
Combined Surplus				319,093	522,931
Made up of:					
AASB Surplus				240,578	388,038
AUASB Surplus				78,515	134,893

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

Note 3: Expenses

	AASB		AUASB	
	2018 \$	2017 \$	2018 \$	2017 \$
Note 3A: Employee and contractor costs				
Employee wages and salaries	1,816,097	2,078,680	848,383	829,517
Defined contribution superannuation plans	142,367	250,768	65,928	108,804
Leave and other entitlements	167,231	144,757	93,639	77,740
Separation and redundancies	-	18,201	-	-
Total employee benefits	2,125,695	2,492,406	1,007,950	1,016,061
Contractor costs	832,121	686,468	-	-
Total employee and contractor costs	2,957,816	3,178,874	1,007,950	1,016,061

Contingent liabilities

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

A further AUASB liability is set out in Note 6 footnote 1.

	AASB		AUASB	
	2018 \$	2017 \$	2018 \$	2017 \$
Note 3B: Suppliers				
Direct expenses				
Board members' services	25,380	28,620	26,087	35,680
Travel	284,077	220,479	179,865	102,320
Publications/Subscriptions	115,886	87,993	55,795	3,333
Audit fees (received free of charge)	46,150	46,150	33,000	33,700
Compensation and related FBT expenses	78,892	13,359	4,318	14,070
Other	156,103	25,494	8,236	15,252
Total direct expenses	706,488	422,095	307,301	204,355
Common expenses				
Consultant costs	247,823	255,979	-	-
Administration costs	346,986	491,858	-	-
Workers compensation	2,274	12,359	-	-
Other	76,673	102,114	-	-
Total common expenses	673,756	862,310	-	-
Total supplier expenses	1,380,244	1,284,405	307,301	204,355

Refer to Note 2 for further details on all Direct and Common expenses.

Note 4: Appropriations

Note 4A: Significant accounting policies

(i) Revenue from Government

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

Appropriations receivable are recognised at their nominal amounts.

(ii) Equity Injections

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

Note 4B: Appropriations

Table A: Annual appropriations
(‘Recoverable GST exclusive’)

	AASB		AUASB	
	2018	2017	2018	2017
	\$	\$	\$	\$
Unspent annual appropriations (‘Recoverable GST exclusive’) - Opening balance (Table B)				
Cash	284,526	598,700	30,051	406,857
Receivables	1,400,000	3,156,602	766,000	762,150
	1,684,526	3,755,302	796,051	1,169,007
Ordinary annual services				
Annual appropriation - Revenue from Government				
Departmental appropriations ¹	3,533,000	3,597,000	2,085,000	2,126,000
Departmental capital budget ^{2 6}	79,000	80,000	38,000	37,000
	3,612,000	3,677,000	2,123,000	2,163,000
PGPA Act – Section 74³				
Own source income - not transferred to the Official Public Account	1,526,490	1,062,320	-	-
Total appropriation	5,138,490	4,739,320	2,123,000	2,163,000
Appropriation applied (current and prior years)³				
Employees and contractors	2,798,962	4,700,751	907,703	1,540,276
Suppliers	2,034,355	2,212,233	1,161,940	1,067,701
Purchase of plant and equipment ⁵	124,064	43,254	-	-
Less net GST received	(182,962)	(145,142)	-	-
Total appropriation applied (current and prior years)	4,774,419	6,811,096	2,069,643	2,607,977
Appropriation allocated to:				
Prior year ordinary 2014/15	-	3,077,602	-	725,150
Prior year capital 2015/16	42,000	37,000	37,000	-
Prior year ordinary 2016/17	1,281,000	-	692,000	-
Total Prior years	1,323,000	3,114,602	729,000	725,150
Current year	3,451,419	3,696,494	1,340,643	1,882,827
Total appropriation applied (current and prior years)	4,774,419	6,811,096	2,069,643	2,607,977
Excess of appropriations applied over received⁴	364,071	(2,071,776)	53,357	(444,977)
Unspent annual appropriations (‘Recoverable GST exclusive’) - Closing balance (Table B)				
Cash	7,597	284,526	332,408	30,051
Receivables	2,041,000	1,400,000	517,000	766,000
	2,048,597	1,684,526	849,408	796,051

1. Statement of Comprehensive Income

2. Statement of Changes in Equity

3. Cash flow statement

4. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1, 3, 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Table B: Unspent Annual Appropriations ('Recoverable GST exclusive') ¹

	AASB		AUASB	
	2018	2017	2018	2017
Authority	\$	\$	\$	\$
Appropriation Act 1 - 2015/16 - capital budget	-	42,000	-	37,000
Appropriation Act 1 - 2016/17	-	1,281,000	-	692,000
Appropriation Act 1 - 2016/17 - capital budget	47,000	47,000	22,000	22,000
Supply Act 1 - 2016/17 - capital budget	30,000	30,000	15,000	15,000
Appropriation Act 1 - 2017/18 - capital budget	79,000	-	38,000	-
Appropriation Act 1 - 2017/18	1,885,000	-	442,000	-
Cash	7,597	284,526	332,408	30,051
Total	2,048,597	1,684,526	849,408	796,051

¹ All unspent appropriations are considered 'Current' as it is expected that unspent prior period appropriation will be drawdown first and will be utilised within the next twelve months.

Note 5: Payables

	AASB		AUASB	
	2018	2017	2018	2017
	\$	\$	\$	\$
Other payables				
PAYG salary withholding tax	54,087	-	-	1,755
Compensation & related FBT costs	52,061 ¹	2,383	1,818	2,500
Lease payable	120,650	137,182	-	-
Other	22,510	53,307	26,430	46,836
Total other payables	249,308	192,872	28,248	51,091
Other payables are expected to be settled within:				
No more than 12 months	249,308	192,872	28,248	51,091
More than 12 months	-	-	-	-
Total other payables	249,308	192,872	28,248	51,091

(1) On the basis of legal advice received, the AASB Chair is not entitled to long service leave under the Commonwealth Long Service Leave Act in the event that only a 5 year term is served. However, contractual arrangements require that compensation be provided. Accordingly, a compensation payable for breach of contract has been recognised to reflect the AASB's contractual obligations including the associated fringe benefits tax. \$78,021 (2017 \$0).

All invoices are paid within 30 days.

Note 6: Employee Provisions

	AASB		AUASB	
	2018	2017	2018	2017
	\$	\$	\$	\$
Employee provisions				
Leave ¹	295,642	286,662	129,333	80,924
Total employee provisions	295,642	286,662	129,333	80,924
Employee provisions are expected to be settled in:				
No more than 12 months	260,122	243,607	103,279	66,654
More than 12 months	35,520	43,055	26,054	14,270
Total employee provisions	295,642	286,662	129,333	80,924

(1) AUASB:

Legal advice received indicated a liability due to an unintended consequence arising when State and Commonwealth Long Service leave legislation operate concurrently. As payment of the liability, in the form of "prior service", is deemed to be remote, due to the nature of the arrangements between the various parties, no provision has been raised at this time.

AASB:

On the basis of legal advice received, the Chair is not entitled to long service leave under the Commonwealth Long Service Leave Act in the event that only a 5 year term is served. There is no longer an obligation for the AASB's Chair's long service leave - current year \$0 (2017: \$25,211). Refer note 5 footnote 1 for further details.

Note 7: Cash Flow Reconciliation

	AASB		AUASB	
	2018	2017	2018	2017
	\$	\$	\$	\$
Reconciliation of net cost of services to net cash from operating activities:				
Net cost of services	(3,292,422)	(3,208,962)	(2,006,485)	(1,991,107)
Add revenue from Government	3,533,000	3,597,000	2,085,000	2,126,000
Adjust for proceeds of disposal of assets (Financing Activity)	-	(1,000)	-	-
Adjustments for non-cash items				
Depreciation / amortisation	47,874	49,268	-	-
Lease incentive - take up of new lease (530 Collins St)	(16,627)	4,912	-	-
Net write down of non-financial assets	10,055	-	-	-
Movements in assets / liabilities				
Assets				
(Increase) / decrease in net receivables	(434,499)	1,417,420	250,000	62,519
(Increase) / decrease in prepayments	(27,649)	1,010	-	872
Liabilities				
Increase / (decrease) in employee provisions	8,980	(405,870)	49,409	(168,533)
Increase / (decrease) in supplier payables	(80,013)	60,277	(88,724)	209,542
Increase / (decrease) in other payables	56,436	(1,825,975)	(21,843)	(616,099)
Net cash from / (used by) operating activities	(194,865)	(311,920)	265,357	(376,806)

Note 8: Related parties

Note 8A: Transactions with key management personnel

	AASB		AUASB	
	2018	2017	2018	2017
	\$	\$	\$	\$
Short-term employee benefits:				
Salary ¹	680,030	1,069,545	391,656	335,178
Post-employment benefits:				
Superannuation	48,237	96,710	37,207	29,434
Other short term benefits				
Termination benefits - Separation and redundancies	-	18,000	-	-
Other long-term benefits:				
Annual leave accrued	59,791	93,282	32,990	28,550
Long Service Leave	19,432	30,317	10,722	9,279
Total other long-term benefits	79,223	123,599	43,712	37,829
Total²	807,490	1,307,854	472,575	402,441

The AASB and AUASB are Australian Government controlled non-corporate entities. Related parties are:

- Key Management Personnel of the AASB and AUASB, their close family members, and entities controlled or jointly controlled by either:
 - Cabinet Ministers – key management personnel for the consolidated whole of Government accounts, and
 - all other Australian government entities.

1. On the basis of legal advice received, the AASB Chair is not entitled to long service leave under the Commonwealth Long Service Leave Act in the event that only a 5 year term is served. However, contractual arrangements require that compensation be provided. Accordingly, a compensation payable for breach of contract has been recognised to reflect the AASB's contractual obligations totalling \$41,367 (2017 \$0).

2. AASB: The total number of key management personnel that are included in the above table is three (2017: eight).

AUASB: The total number of key management personnel that are included in the above table is two (2017: four).

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

Note 8B: Other related party transactions - Transaction values

	AASB		AUASB	
	2018	2017	2018	2017
	\$	\$	\$	\$
Sales of goods and services to other Commonwealth controlled entities:				
Management fee recharge from AUASB	<u>777,072</u>	<u>865,033</u>	<u>-</u>	<u>-</u>
Total sales of goods and services	<u>777,072</u>	<u>865,033</u>	<u>-</u>	<u>-</u>
Purchase of goods from other Commonwealth controlled entities:				
Management fee recharge to AASB	<u>-</u>	<u>-</u>	<u>777,072</u>	<u>865,033</u>
Productivity Commission - IT expenses	<u>135,744</u>	<u>137,756</u>	<u>-</u>	<u>-</u>
TEQSA - lessor	<u>294,426</u>	<u>262,554</u>	<u>-</u>	<u>-</u>
Total purchase of goods	<u>430,170</u>	<u>400,310</u>	<u>777,072</u>	<u>865,033</u>

Note 8C: Other related party transactions - Balance outstanding

	2018	2017	2018	2017
	\$	\$	\$	\$
Sales of goods and services to other Commonwealth controlled entities:				
Management fee recharge from AUASB	<u>172,481</u>	<u>261,205</u>	<u>-</u>	<u>-</u>
Total sales of goods and services	<u>172,481</u>	<u>261,205</u>	<u>-</u>	<u>-</u>
Purchase of goods from other Commonwealth controlled entities:				
Management fee recharge to AASB	<u>-</u>	<u>-</u>	<u>172,481</u>	<u>261,205</u>
Productivity Commission - IT expenses	<u>63,887</u>	<u>63,887</u>	<u>-</u>	<u>-</u>
TEQSA - lessor	<u>-</u>	<u>137,182</u>	<u>-</u>	<u>-</u>
Total purchase of goods	<u>63,887</u>	<u>201,069</u>	<u>172,481</u>	<u>261,205</u>

For both AASB and AUASB all outstanding balances with related parties other than the AASB and AUASB are priced on an arm's length basis. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. For details of the arrangements between the AASB and AUASB refer Note 2.

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

The AASB and AUASB pay for the following services from other commonwealth controlled entities: Employee Assistance Program from Treasury, Core Desktop Licenses from Department of Finance, insurance premiums from Comcover, legal advice from Australian Government Solicitors (AGS), and registration fees from Treasury for the Federal Register of Legislative instruments cost recovery.

Additionally, the AASB had a secondee from the Australian Taxation Office from 1 July 2017 to 10 October 2017 on a free of charge basis.

None of these services are individually or collectively significant to the AASB or AUASB, therefore only the nature of these transactions are disclosed.

Note 9: Financial Instrument Liabilities

Note 9A: Fair value of financial instruments

Financial instrument assets

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

Financial instrument liabilities

The net fair value of trade creditors and management fee payable of the AASB and AUASB approximate their carrying amount.

Note 9B: Credit risk

The Office of the AASB is exposed to minimal credit risk with the maximum exposure arising from the default of trade receivables (excluding GST and PAYG) of \$216,533 (2017: \$288,430). The majority of trade receivables relate to a funding agreement between the Office of the AASB and the States and Territories, which runs from 1 July 2016 to 30 June 2019. Income is received in equal quarterly instalments and is recognised when controlled. All receivables are due in the next 12 months.

The Office of the AUASB is exposed to minimal credit risk with the maximum exposure arising from the default of trade receivables (excluding GST and PAYG) of current receivables of \$16,032 and non-current receivables of \$56,726 (2017 \$0).

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

Note 9C: Liquidity risk

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

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

Note 9D: Market risk

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

Note 10: Operating Leases

Note 10A: Significant accounting policies

(i) Leases

Operating lease payments are expensed on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets, including lease incentives for rent free periods. The minimum lease payments within the operating lease expenses on the AASB's statement of comprehensive income is \$192,785 (2017: \$170,620).

Note 10B: Operating lease commitments

	AASB	
	2018	2017
	\$	\$
Operating leases ¹	766,229	958,994
Total operating leases	766,229	958,994
BY MATURITY		
One year or less	199,779	192,765
From one to five years	566,450	766,229
Over five years	-	-
Total operating leases	766,229	958,994

1. In September 2015, the AASB entered into a shared occupancy agreement at 530 Collins Street with the Tertiary Education Quality and Standards Agency. The lease runs from the 21st September 2015 to the 22nd February 2022. There was a rent free period from 21st September 2015 to 31st July 2016. The lease costs including the rent free period incentive have been straight lined as per AASB 117. The operating lease payments are subject to an increase on the 1st August every year of 3.5% per annum and from 1 August 2018 will be \$200,367 per annum. The lease amount includes the lease of the premises and furniture and fittings.

Note 11: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2017-18 Portfolio Budget Statements (PBS) to the 2017-18 final outcome as presented in accordance with Australian Accounting Standards. The Budget is not audited and where applicable, the original budget numbers have been reclassified to align with the financial statement.

Note 11A: Major Budget Variances for 2018

Australian Accounting Standards Board	
Explanations of major variances	Footnote reference and affected statement
Costs and provisions lower due to budget being set at maximum employee levels, actual costs incurred were below this due to delays in recruiting.	1 (SoCI, SoFP and CFS)
Costs have increased due to the updated MoU between the AASB and AUASB, which was not reflected in the 2018 budget. The AASB has incurred costs on behalf of both entities and has recharged a portion of these as a management charge to the AUASB. Occupancy costs not shown as a separate budget item.	2 (SoCI, SoFP and CFS)
Assets purchased less than anticipated in budget.	3 (SoCI and SoFP)
Board Members services and Australian Tax Office (ATO) secondee to AASB received free of charge – Nil effect overall to net surplus because equal increase to expenses also recognised.	4 (SoCI)
Appropriations receivable anticipated in budget at a higher balance	5 (SoFP and CFS)
Supplier payment run completed end June, reducing liability compared to budget.	6 (SoFP)
Increase in prepaid expenses due to prepayment of ASIC room hire and new software licences.	7 (SoFP)
No make good provision required on new lease.	8 (SoFP)
GST is not budgeted for in the Cash Flow Statement.	9 (CFS)
Due to restructure, less fixed assets were required for core activities.	10 (CFS)

Auditing and Assurance Standards Board	
Explanations of major variances	Footnote reference and affected statement
Costs and provisions lower due to Administration support costs are now reflected as part of the management fee expense.	1 (SoCI, SoFP and CFS)
Supplier expenses are less as the actual common expenses are included as part of the management fee expense. Had been budgeted as a supplier expense.	2 (SoCI, SoFP and CFS)
As part of the MoU, AUASB assets were transferred to AASB. Not reflected in Budget.	3 (SoCI and SoFP)
Board Members services received free of charge – Nil effect overall to net surplus because equal increase to expenses also recognised.	4 (SoCI)
Appropriations receivable anticipated in budget at a higher balance.	5 (SoFP and CFS)
Shared Services Management fee payable to AASB.	6 (SoFP)
Budget allowed for a make good provision which is not required on new lease.	8 (SoFP)
GST is not budgeted for in the Cash Flow Statement.	9 (CFS)
AASB now purchases all assets and charges the AUASB a relevant fee for use of the assets, rather than AUASB purchasing assets.	10 (CFS)

Statements of Comprehensive Income

for the period ended 30 June 2018

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
	2018	Original	Variance	2018	Original	Variance
	\$	2018	2018	\$	2018	2018
	\$	\$	\$	\$	\$	\$
EXPENSES						
Employee and contractor costs ^{1,4}	2,957,815	3,334,000	(376,185)	1,007,950	1,455,000	(447,050)
Supplier expenses ²	1,380,244	958,000	422,244	307,301	658,000	(350,699)
Occupancy expenses ²	294,426	-	294,426	-	-	-
Depreciation and amortisation ^{2,3}	47,874	55,000	(7,126)	-	40,000	(40,000)
Finance costs	403	-	403	-	-	-
Management fee expenses ²	-	-	-	777,072	-	777,072
Total expenses	4,680,762	4,347,000	333,762	2,092,323	2,153,000	(60,677)
LESS:						
OWN SOURCE INCOME						
Own-source revenue						
Sale of goods and rendering of services	5,250	210,000	(204,750)	-	-	-
Resources received free of charge ⁴	116,073	34,000	82,073	85,838	24,000	61,838
Management fee recharge ²	777,072	-	777,072	-	-	-
Contributions from state and territories	500,000	500,000	-	-	-	-
Gain on sale of assets	(10,055)	-	(10,055)	-	-	-
Total own-source revenue	1,388,340	744,000	644,340	85,838	24,000	61,838
Net cost of services & cost of outcome delivery	3,292,422	3,603,000	(310,578)	2,006,485	2,129,000	(122,515)
Revenue from Government - departmental appropriations	3,533,000	3,548,000	(15,000)	2,085,000	2,096,000	(11,000)
Surplus/(Deficit) attributable to the Australian Government	240,578	(55,000)	295,578	78,515	(33,000)	111,515
OTHER COMPREHENSIVE INCOME						
Total comprehensive income attributable to the Australian Government	240,578	(55,000)	295,578	78,515	(33,000)	111,515

Statements of Financial Position

for the period ended 30 June 2018

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
	2018	Original	Variance	2018	Original	Variance
	\$	2018	2018	\$	2018	2018
		\$	\$		\$	\$
ASSETS						
Financial assets						
Cash and cash equivalents	7,597	732,000	(724,403)	332,408	535,000	(202,592)
Trade and other receivables ⁵	2,302,218	3,275,000	(972,782)	517,000	756,000	(166,243)
Total financial assets	2,309,815	4,007,000	(1,697,185)	849,408	1,291,000	(368,835)
Non-financial assets						
Plant and equipment ³	173,323	111,000	62,323	-	20,000	(20,000)
Intangibles	-	36,000	(36,000)	-	-	-
Prepaid expenses ⁷	52,463	26,000	26,463	-	-	-
Total non-financial assets	225,786	173,000	52,786	-	20,000	(20,000)
Total assets	2,535,601	4,180,000	(1,644,399)	849,408	1,311,000	(388,835)
LIABILITIES						
Payables						
Suppliers ^{2,6}	174,357	786,000	(611,643)	172,481	-	172,481
Other payables	249,308	38,000	211,308	28,248	-	29,248
Total payables	423,665	824,000	(400,335)	200,729	-	201,729
Provisions						
Employee provisions ¹	295,642	845,000	(549,358)	129,333	755,000	(553,910)
Other provisions ⁸	-	1,375,000	(1,375,000)	-	318,000	(318,000)
Total provisions	295,642	2,220,000	(1,924,358)	129,333	1,073,000	(871,910)
Total liabilities	719,307	3,044,000	(2,324,693)	330,062	1,073,000	(670,181)
Net assets	1,816,294	1,136,000	680,294	519,346	238,000	281,346
EQUITY						
Parent entity interest						
Contributed equity	681,000	681,000	-	312,000	311,000	1,000
Retained earnings	1,135,294	455,000	680,294	207,346	(73,000)	280,346
Total parent entity interest	1,816,294	1,136,000	680,294	519,346	238,000	281,346

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

Statements of Changes in Equity
for the period ended 30 June 2018
Australian Accounting Standards Board

	Retained earnings			Contributed equity/capital			Total equity		
	Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate	
		Original	Variance		Original	Variance		Original	Variance
	2018	2018	2018	2018	2018	2018	2018	2018	2018
Opening balance									
Balance carried forward from previous period	894,716	510,000	384,716	602,000	602,000	-	1,496,716	1,112,000	384,716
Comprehensive income									
Surplus/ (Deficit) for the period	240,578	(55,000)	295,578	-	-	-	240,578	(55,000)	295,578
Total comprehensive income attributable to the Australian Government	240,578	(55,000)	295,578	-	-	-	240,578	(55,000)	295,578
Contribution by owners									
Departmental capital budget	-	-	-	79,000	79,000	-	79,000	79,000	-
Total transactions with owners	-	-	-	79,000	79,000	-	79,000	79,000	-
Closing balance attributable to Australian Government	1,135,294	455,000	680,294	681,000	681,000	-	1,816,294	1,136,000	680,294

Statements of Changes in Equity (continued)

for the period ended 30 June 2018

Auditing and Assurance Standards Board

	Retained earnings			Asset revaluation surplus			Contributed equity/capital			Total equity		
	Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate	
		Original	Variance		Original	Variance		Original	Variance		Original	Variance
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Opening balance												
Balance carried forward from previous period	128,831	(40,000)	168,831	-	-	-	274,000	274,000	-	402,831	234,000	168,831
Comprehensive income												
Surplus/ (Deficit) for the period	78,515	(33,000)	111,515	-	-	-	-	-	-	78,515	(33,000)	111,515
Total comprehensive income attributable to the Australian Government	78,515	(33,000)	111,515	-	-	-	-	-	-	78,515	(33,000)	111,515
Contributions by owners												
Departmental capital budget	-	-	-	-	-	-	38,000	37,000	1,000	38,000	37,000	1,000
Total transactions with owners	-	-	-	-	-	-	38,000	37,000	1,000	38,000	37,000	1,000
Closing balance attributable to Australian Government	207,346	(73,000)	280,346	-	-	-	312,000	311,000	1,000	519,346	238,000	281,346

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

Cash Flow Statements

for the period ended 30 June 2018

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
		Original	Variance		Original	Variance
	2018	2018	2018	2018	2018	2018
	\$	\$	\$	\$	\$	\$
OPERATING ACTIVITIES						
Cash received						
Appropriations ⁵	2,929,000	3,550,000	(621,000)	2,335,000	2,212,000	123,000
Goods and services ²	1,045,193	206,000	839,193	-	-	-
Net GST received ⁹	182,962	-	182,962	-	-	-
Contributions received	481,900	500,000	(18,100)	-	-	-
Total cash received	4,639,055	4,256,000	383,055	2,335,000	2,212,000	123,000
Cash used						
Employees and contractors ¹	2,798,962	3,029,000	(230,038)	907,703	1,400,000	(492,297)
Suppliers ²	2,034,355	1,116,000	918,355	1,161,940	782,000	379,940
Net GST paid ⁹	603	46,000	(45,397)	-	-	-
Total cash used	4,833,920	4,191,000	642,920	2,069,643	2,182,000	(112,357)
Net cash from/(used by) operating activities	(194,865)	65,000	(259,865)	265,357	30,000	235,357
INVESTING ACTIVITIES						
Cash received / (used)						
Purchase of infrastructure, plant and equipment	(124,064)	(79,000)	(45,064)	-	(37,000)	37,000
Total cash used	(124,064)	(79,000)	(45,064)	-	(37,000)	37,000
Net cash from (used by) investing activities	(124,064)	(79,000)	(45,064)	-	(37,000)	37,000
FINANCING ACTIVITIES						
Cash received						
Contributed equity ¹⁰	42,000	79,000	(37,000)	37,000	37,000	-
Net cash from/(used by) financing activities	42,000	79,000	(37,000)	37,000	37,000	-
Net increase (decrease) in cash held	(276,929)	65,000	(341,929)	302,357	30,000	272,357
Cash and cash equivalents at the beginning of the reporting period	284,526	667,000	(382,474)	30,051	505,000	(474,949)
Cash and cash equivalents at the end of the reporting period	7,597	732,000	(724,403)	332,408	535,000	(202,592)

Appendices

APPENDIX A

AASB AND AUASB LEGISLATIVE REQUIREMENTS

AASB

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

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

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

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

AUASB

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

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

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

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

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

Other relevant objectives of Part 12 are summarised below:

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

APPENDIX B

ATTENDANCE AT AASB AND AUAB MEETINGS

AASB MEMBER ATTENDANCE

The AASB met seven times during 2017-18 for a total of seven meeting days. In addition to preparation for these meetings, which requires consideration of detailed technical papers, members considered and voted on accounting standards and other pronouncements out of session and also attended or made presentations at seminars and other meetings related to their role as a Board member. Consequently the time committed by members is substantially more than the meeting days attended.

AASB Member attendance is shown in the table below:

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

* Board retirements during 2017-18 period

For details of terms of appointments, please refer to the AASB Organisational Structure section of this Report commencing on page 60.

AUASB MEMBER ATTENDANCE

The AUASB held eight meetings during 2017-18 for a total of nine meeting days. Member attendance is shown in the table below:

Members	Number of days eligible to attend	Number of days attended	Apologies (days)
R Simnett (Chair)	9	9	0
R Low (Deputy Chair)	9	9	0
R Buchanan	9	9	0
G Bird	9	8	1
J Cain	9	7	2
J Crisp	4	4	0
C George	9	7	2
N Harding	4	4	0
N Martinov-Bennie*	5	2	3
C Murphy*	5	5	0
C Ralph	9	9	0
J Reid	9	9	0
A Wood	9	8	1

* Board retirements during 2017-18 period

For details of terms of appointments, please refer to the AUASB Organisational Structure section of this Report commencing on page 63.

APPENDIX C

OTHER INFORMATION

EXTERNAL SCRUTINY

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

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

PURCHASING

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

Information on expenditure on contracts and consultancies is also available on the AusTender website, www.tenders.gov.au.

PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

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

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

CONSULTANTS

AASB – During 2017-18, two new consultancy contracts were entered into involving total actual expenditure of \$34,700 inclusive of \$2,700 GST. Ongoing consultancy contracts were active during the 2017-18 year, involving total actual expenditure of \$237,658 inclusive of \$21,834 GST.

AUASB – During 2017-18, no new consultancy contracts were entered into. No ongoing consultancy contracts were active during the 2017-18 year, involving total actual expenditure of nil.

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

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

EXEMPT CONTRACTS

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

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

ADVERTISING AND MARKET RESEARCH

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

FREEDOM OF INFORMATION

Information Publication Scheme

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

DISABILITY REPORTING

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

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

OCCUPATIONAL HEALTH AND SAFETY

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

All employees, and Board members, when attending meetings, are covered under Comcare and Comcover. No accidents or dangerous occurrences, or relevant investigations, took place during the 2017-18 financial year.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE REPORTING

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

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

The principal environmental impact minimisation activities employed are:

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

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

APPENDIX D

AGENCY RESOURCE STATEMENT AND RESOURCES FOR OUTCOMES

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

Agency summary resource table by outcomes

Office of the AASB: Resources for outcomes 2017-18

	Budget \$	Actual Expenses \$	Variation \$
Outcome 1:			
The formulation and making of external reporting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions			
Output Group 1.1:			
AASB			
Departmental expenses			
Ordinary annual services (Appropriation Bill No. 1)	3,548,000	3,244,548	303,452
Revenues from independent sources (section 31)	710,000	1,272,267	(562,267)
Expenses not requiring appropriation	89,000	163,947	(74,947)
Less revenue to be carried forward	-	-	-
Total for Outcome 1	4,347,000	4,680,762	(333,762)

Appendix D: Agency Resource Statement and Resources for Outcomes

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

Agency summary resource table by outcomes

Office of the AUASB: Resources for outcomes 2017-18

	Budget \$	Actual Expenses \$	Variation \$
Outcome 1:			
The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements			
Output Group 1.1:			
AUASB			
Departmental expenses			
Ordinary annual services (Appropriation Bill No. 1)	2,096,000	2,006,485	89,515
Revenues from independent sources (PGPA Act - section 74)	-	-	-
Expenses not requiring appropriation	57,000	85,838	(28,838)
Less revenue to be carried forward	-	-	-
Total for Outcome 1	2,153,000	2,092,323	60,677

APPENDIX E

LIST OF REQUIREMENTS

Description	Requirement	AASB Page	AUASB Page
Letter of transmittal			
A copy of the letter of transmittal signed and dated by accountable authority on the date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report	Mandatory	iii	iii
Aids to access			
Table of contents	Mandatory	iv	iv
Alphabetical index	Mandatory	122	122
Glossary of abbreviations and acronyms	Mandatory	vi	vi
List of requirements	Mandatory	116	116
Details of contact officer	Mandatory	vii	vii
Entity's website address	Mandatory	vii	vii
Electronic address of report	Mandatory	vii	vii
Review by accountable authority			
A review by the accountable authority of the entity	Mandatory	11	40
Overview of the entity			
A description of the role and functions of the entity	Mandatory	18	46
A description of the organisational structure of the entity	Mandatory	62	65
A description of the outcomes and Programs administered by the entity	Mandatory	26	51
A description of the purposes of the entity as included in the corporate plan	Mandatory	8	8

Appendix E: List of Requirements

Description	Requirement	AASB Page	AUASB Page
Where outcome and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change	If applicable, Mandatory	n/a	n/a
Report on the performance of the entity			
Annual performance statements			
Annual performance statement in accordance with program 39(1)(b) of the Act and section 16F of the Rule	Mandatory	18	46
Report on financial performance			
A discussion and analysis of the entity's financial performance	Mandatory	16	44
A table summarising the total resources and total payments of the entity	Mandatory	114	115
If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results	If applicable, Mandatory	n/a	n/a
Management and accountability			
Corporate governance			
Information on compliance with section 10 (fraud systems)	Mandatory	67	67
A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared	Mandatory	67	67
A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place	Mandatory	67	67
A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity	Mandatory	67	67

Description	Requirement	AASB Page	AUASB Page
An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance	Mandatory	67	67
A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance	If applicable, Mandatory	n/a	n/a
External scrutiny			
Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	Mandatory	111	111
Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity	If applicable, Mandatory	n/a	n/a
Information on any reports on operations of the entity by the Auditor-General, (other than report under section 43 of the Act), a Parliamentary Committee or the Commonwealth Ombudsman	If applicable, Mandatory	n/a	n/a
Information on any capability reviews on the entity that were released during the period	If applicable, Mandatory	n/a	n/a
Management of human resources			
An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	Mandatory	69	70
Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> statistics on staffing classification level statistics on full-time employees statistics on part-time employees; statistics on gender statistics on staff location statistics on employees who identify as Indigenous. 	Mandatory	69	70
Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	69	70
Information on the number of SES and non SES employees covered by agreements etc. identified in paragraph 17AG(4)(c)	Mandatory	69	70

Appendix E: List of Requirements

Description	Requirement	AASB Page	AUASB Page
The salary ranges available for APS employees by classification level	Mandatory	69	70
A description of non-salary benefits provided to employees	Mandatory	73	73
Information on the number of employees at each classification level who received performance pay	If applicable, Mandatory	n/a	n/a
Information on aggregate amounts of performance pay at each classification level	If applicable, Mandatory	n/a	n/a
Information on the average amount of performance payment, and range of such payments, at each classification level	If applicable, Mandatory	n/a	n/a
Information on aggregate amount of performance payments	If applicable, Mandatory	n/a	n/a
Assets management			
An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, mandatory	n/a	n/a
Purchasing			
An assessment of entity performance against the <i>Commonwealth Procurement Rules</i>	Mandatory	111	111
Consultants			
A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST)	Mandatory	111	111
A statement that <i>"During 2017-18, [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]"</i> .	Mandatory	111	111

Description	Requirement	AASB Page	AUASB Page
A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	Mandatory	111	111
A statement that <i>“Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website”</i> .	Mandatory	111	111
Australian National Audit Office Access Clauses			
If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	n/a	n/a
Exempt contracts			
If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	112	112
Small business			
A statement that <i>“AASB-AUSB supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website”</i>	Mandatory	111	111
An outline of the ways in which the procurement practices of the entity support small and medium enterprises	Mandatory	111	111

Appendix E: List of Requirements

Description	Requirement	AASB Page	AUASB Page
If the entity is considered by the Department administered by the Finance Minister as material in nature – a statement that <i>AASB recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.</i>	If applicable, Mandatory	n/a	n/a
Financial statements			
Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act	Mandatory	74	74
Other mandatory information			
If the entity conducted advertising campaigns, a statement that <i>“During 2017-18, the AASB conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available on [entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.”</i>	If applicable, Mandatory	n/a	n/a
If the entity did not conduct advertising campaigns, a statement to that effect	If applicable, Mandatory	112	112
A statement that <i>“Information on grants awarded to AASB during 2017-18 is available at [entity's website]</i>	If applicable, Mandatory	n/a	n/a
Outline of mechanisms of disability reporting including reference to website for further information	Mandatory	112	112
Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found	Mandatory	112	112
Correction of material errors in previous annual report	If applicable, Mandatory	n/a	n/a
Information required by other legislation	Mandatory	111	111

APPENDIX F

INDEX

A

AASB Chair's review, 11

AUASB Chair's review, 40

Audit committee, 68

Australian Securities and Investments Commission Act 2001 (ASIC Act), 74, 108, 109

B

Budget, 103, 104

C

Cash flow, 84

Contact details, vii

F

Financial Reporting Council (FRC), 62, 63, 65, 66

G

Governance arrangements, 68

Guidance, 109

I

Independent Auditor's Reports, 76

Information publication scheme, 113

International accounting standards (IASs), 63

International Auditing Standards (ISAs), 66

M

Membership, 63, 66

N

New Zealand Accounting Standards Board (NZASB), 63

New Zealand Auditing and Assurance Standards Board (NZAuSB), 66