

**Financial Reporting Council**

**Australian Accounting Standards Board**

**Auditing and Assurance Standards Board**

**Annual Reports  
2006-07**

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ISBN 0 642 74423 8

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**Australian Government**  
**Financial Reporting Council**

**Chairman:**  
Mr Charles Macek  
c/- The Treasury  
Langton Crescent  
Canberra ACT 2600

**Email:**  
[chairman@frc.gov.au](mailto:chairman@frc.gov.au)

**Secretariat:**  
c/- The Treasury  
Langton Crescent  
Canberra ACT 2600

**Telephone:**  
(02) 6263 3144

**Facsimile:**  
(02) 6263 2770

**E-mail:**  
[frcsecretary@treasury.gov.au](mailto:frcsecretary@treasury.gov.au)

5 December 2007

The Hon Wayne Swan MP  
Treasurer  
Parliament House  
CANBERRA ACT 2600

Dear Treasurer

I have pleasure in presenting the annual reports of the Financial Reporting Council (FRC), Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) for the year ended 30 June 2007.

The report by the FRC on its auditor independence functions for 2006-07 is being issued under separate cover.

The reports have been prepared in accordance with section 235B of the *Australian Securities and Investments Commission Act 2001* (ASIC Act), and section 9 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act), which applies to both the AASB and the AUASB.

Subsection 235B(1) of the ASIC Act requires the FRC, by 31 October each year, to prepare a report on its operations and those of the AASB and the AUASB during the year, and on the achievement of the objects of Part 12 of the ASIC Act relating to accounting and auditing standards. Under subsection 235B(4) of the ASIC Act, the report must be tabled in each House of the Parliament as soon as practicable.

Subsection 9(1) of the CAC Act requires the directors of the AASB and the AUASB to each prepare, by no later than 15 October, an annual report for the past financial year which includes a report of operations, financial statements and the Auditor-General's report on those financial statements. Under subsection 9(3) of the CAC Act, these reports must be tabled in each House of the Parliament as soon as practicable.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C Macek'.

Charles Macek  
Chairman

Subsection 9(1) of the CAC Act requires the directors of the AASB and the AUASB to each prepare, by no later than 15 October, an annual report for the past financial year which includes a report of operations, financial statements and the Auditor-General's report on those financial statements. Under subsection 9(3) of the CAC Act, these reports must be tabled in each House of the Parliament as soon as practicable.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C. Macek', written in a cursive style.

Charles Macek  
Chairman

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## ABBREVIATIONS

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The following abbreviations are used throughout this report:

|             |   |
|-------------|---|
| AASB        | Australian Accounting Standards Board   |
| AEIFRS      | Australian Equivalents to International Financial Reporting Standards                         |
| AGS         | Auditing Guidance Statements  |
| A-IFRS      | Australian International Financial Reporting Standards  |
| APESB       | Accounting Professional and Ethical Standards Board   |
| APRA        | Australian Prudential Regulatory Authority  |
| AQRB        | Audit Quality Review Board  |
| ASA         | Auditing Standard   |
| ASAE        | Standards on Assurance Engagements  |
| ASIC        | Australian Securities and Investments Commission  |
| ASIC Act    | <i>Australian Securities and Investments Commission Act 2001</i>                              |
| ASRB        | Accounting Standards Review Board – New Zealand   |
| ASRE        | Standards on Review Engagements   |
| ASRS        | Standards on Related Services   |
| ASX         | Australian Securities Exchange  |
| AuASB       | Auditing and Assurance Standards Board (to 30 June 2004)                                      |
| AUASB       | Auditing and Assurance Standards Board (as reconstituted on 1 July 2004).                     |
| CAC Act     | <i>Commonwealth Authorities and Companies Act 1997</i>  |
| CDS         | Commonwealth Disability Strategy  |
| CLERP       | Corporate Law Economic Reform Programme   |
| CLERP 9 Act | <i>Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004</i> |
| FRC         | Financial Reporting Council   |
| FRLI        | Federal Register of Legislative Instruments   |
| FRSB        | Financial Reporting Standards Board – New Zealand   |

## **Abbreviations (*continued*)**

|         |   |
|---------|---|
| GAAP    | Generally Accepted Accounting Principles                        |
| GFS     | Government Finance Statistics                                   |
| GST     | Goods and services tax  |
| HOTARAC | Heads of Treasuries Accounting and Reporting Advisory Committee |
| IAASB   | International Auditing and Assurance Standards Board            |
| IAS     | International Accounting Standards                              |
| IASB    | International Accounting Standards Board                        |
| IASCF   | International Accounting Standards Committee Foundation         |
| ICAA    | The Institute of Chartered Accountants in Australia             |
| IFRIC   | International Financial Reporting Interpretations Committee     |
| IFRS    | International Financial Reporting Standards                     |
| IPSASB  | International Public Sector Accounting Standards Board          |
| ISA     | International Standard on Auditing                              |
| MOU     | Memorandum of Understanding                                     |
| NIA     | National Institute of Accountants                               |
| NSS     | National Standard Setters                                       |
| PCAOB   | Public Company Accounting Oversight Board                       |
| RIS     | Regulation Impact Statement                                     |
| SAC     | Standards Advisory Council (of the IASB)                        |
| SMEs    | Small and Medium Enterprises                                    |
| TTAASAG | Trans Tasman Accounting and Auditing Standards Advisory Group   |
| UIG     | Urgent Issues Group   |



# INTRODUCTION

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The Financial Reporting Council (FRC) is responsible for overseeing the accounting and auditing standards setting arrangements in Australia, monitoring the effectiveness of Australia's auditor independence requirements, and advising the Minister on these matters.

The Council's 17 members have the dual role of being FRC members as well as directors of the Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB). Consequently, they are tasked with appointing Board members (other than the Chairman), approving and monitoring priorities, business plans, budgets and staffing arrangements and setting the strategic directions for the FRC, AASB and AUASB. The Council is assisted by the Secretariat, which is located at the Treasury.

The AASB deals with standard setting in the private and public sectors and has its own research and administrative staff. In addition, the AUASB focuses on the development and making of Australian Auditing Standards (AUSs).

Under the auditor independence function, the FRC is responsible for monitoring the systems and processes used by Australian auditors to ensure their compliance with auditor independence requirements, and the professional accounting bodies for planning and performing quality assurance reviews of audit work undertaken by Australian auditors to the extent to which those reviews related to auditor independence requirements.

The FRC meets quarterly to consider and monitor the strategic direction of the three entities. To assist it in the performance of its functions, the FRC has established three standing Committees:

- the Finance Committee;
- the Audit Independence Committee; and
- the Nominations Committee.

The FRC, AASB and AUASB are currently funded by different sources, which include Australian Government appropriation, funding from the professional accounting bodies, Australian Securities Exchange and State and Territory governments.



# **Part 1: Overview**



# OVERVIEW

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## OVERSIGHT BY THE FINANCIAL REPORTING COUNCIL

The key functions of the Financial Reporting Council (FRC) are to determine the broad strategic direction of the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB), to provide broad oversight of the processes for setting accounting and auditing standards in Australia, and to monitor the effectiveness of auditor independence requirements in Australia.

In performing its functions the FRC takes into account the objectives of standard setting specified in the *Australian Securities and Investments Commission Act 2001* – to facilitate the Australian economy by reducing the cost of capital, enabling Australian entities to compete effectively overseas; to have 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).

## ACTIVITIES OF THE FINANCIAL REPORTING COUNCIL

Key highlights during 2006-07:

1. amendments to the auditing standards by the AUASB to reflect the auditor's extra requirements to form an opinion and report on IFRS compliance;
2. work undertaken by the AASB on accounting issues for the public sector and the not-for-profit sector in line with IFRS;
3. work undertaken by the AASB in relation to the application of IFRS's standard for Small and Medium Size Entities (SMEs) in Australia;
4. continuation of the trans-Tasman harmonisation of accounting standards between the AASB (Australian) and the Financial Reporting Standards Board (New Zealand);
5. performance assessments of AASB and AUASB members and appointments to the the respective bodies; and
6. organisation and co-hosting of the Ken Spencer Memorial Lecture.

## **ACCOUNTING STANDARD SETTING**

The AASB held 10 meetings in 2006-07 for a total of 19 meeting days, at which it addressed significant standard setting and administrative issues.

During 2006-07 the AASB adopted a new interpretation model for Australian Accounting Standards including IFRS; this model has replaced the activities undertaken by the Urgent Issues Group (UIG). In addition, the AASB undertook the interpretations function and the local uptake of IFRIC interpretations, with the assistance of expert advisory panels. The adoption of this model is as a result of the new principles-based accounting standards.

The FRC monitored the AASB's work on the harmonisation of GFS and GAAP accounting standards project, to ensure that it continued to comply with the direction and requirements of the public sector strategy.

At an international level, the AASB is working on the application of the IASB's proposed SMEs standard in Australia.

## **AUDITING STANDARD SETTING**

The AUASB held 11 meetings in 2006-07 for a total of 15 meeting days, at which it addressed drafting principles for the legally enforceable Auditing Standards, which are set out in ASA 100 Preamble to AUASB Standards, and provided technical oversight throughout the redrafting process.

A highlight for the AUASB in 2006-07 was the release of amendments to the auditing standards to require auditors to report on IFRS compliance by Australian companies. The FRC and AUASB believe that this requirement will further enhance the international recognition of compliance with IFRS by Australian companies in their financial reports.

The AUASB has continued to maintain a strong relationship with the IAASB through regular representation at IAASB meetings.

## **AUDIT INDEPENDENCE FUNCTION**

During 2006-07, three consultants who were engaged in 2005-06 presented their reports to the FRC. These reports examined issues associated with quality review programmes and disciplinary procedures of the professional accounting bodies and the teaching of professional and business ethics by, or on behalf of, those bodies. Subsequently, as part of the FRC's 2006-07 work programme, two additional consultants were engaged to examine issues arising from the work of the earlier consultants.

## CONSULTATION AND COMMUNICATION

The FRC, AASB and AUASB jointly and individually seek to ensure maximum consultation with, and input from, stakeholders on particular standards and the standard setting process.

In 2006-07, the FRC:

- continued consultation with key private sector representatives and government agencies;
- liaised closely with international standard setting stakeholders;
- issued nine Bulletins about decisions taken at and between meetings;
- participated in the Trans-Tasman Accounting and Auditing Standards Advisory Group which seeks to minimise differences in financial reporting standards between Australia and New Zealand, and promote the influence of the two countries in international standard setting forums;
- used the [www.frc.gov.au](http://www.frc.gov.au) website to incorporate communication; and
- in conjunction with the AASB and AUASB, maintained liaison with Australians who are members of relevant international bodies, including: the International Accounting Standards Committee Foundation (IASCF) (Mr Richard Humphry AO), the IASB (Mr Warren McGregor), the IASB Standards Advisory Council (Ms Judith Downes), the International Federation of Accountants International Public Sector Accounting Standards Board (Mr Wayne Cameron), and the International Auditing and Assurance Standards Board (Mr Ian McPhee).

In 2006-07, the AASB:

- used its website [www.aasb.com.au](http://www.aasb.com.au) to provide information about the meetings, activities and work programme of the Board and the UIG;
- issued media releases to announce when new or revised accounting standards had been made; and
- met with a number of stakeholders in relation to these activities and conducted executive briefings and other seminars.

## Overview

In 2006-07, the AUASB:

- used its website [www.auasb.gov.au](http://www.auasb.gov.au) to provide information about the Board, its meetings and activities;
- issued media releases to announce the issue of pronouncements and the release of other publications; and
- met with a number of stakeholders in relation to these activities and conducted executive briefings and other seminars.

## INTERNATIONAL

The FRC has a statutory obligation to:

- monitor the development of international accounting standards and accounting standards that apply in major international financial centres;
- further the development of a single set of accounting standards for world-wide use with appropriate regard to international developments; and
- promote the adoption of international best practice accounting standards in the Australian accounting standard setting process if doing so would be in the best interests of both the private and public sectors in the Australian economy.

In 2006-07, the FRC continued to monitor the adoption of international accounting standards both in Australia and overseas, following from the strategic direction in 2002 to the AASB to work toward the adoption of international accounting standards in Australia.

FRC members were provided with regular updates on work carried out by international standard setting and oversight bodies and the national standard setting bodies of various jurisdictions in Europe, North America and Asia-Oceania.

## ACCOUNTABILITY

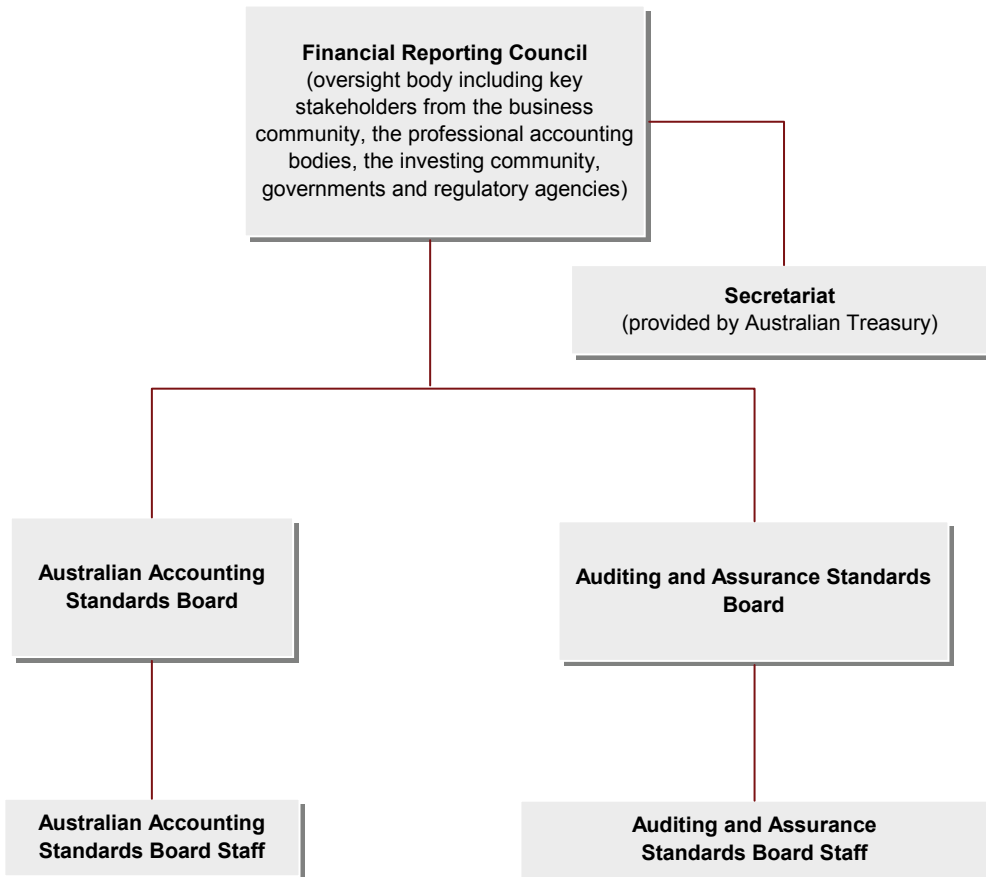
The FRC Chairman, Mr Charles Macek, appeared before Senate Estimates in February 2007.

AASB Chairman Professor David Boymal and Technical Director Angus Thomson appeared before the Senate Standing Committee on Economics on 31 May 2007 during hearings on the Budget estimates.



## AUSTRALIAN ACCOUNTING AND AUDITING STANDARD SETTING IN 2006-07

**Figure 1: Structure of institutional arrangements of accounting and auditing standard setting and auditor independence**



In addition to the oversight of the two Boards, the FRC has direct responsibility for monitoring the effectiveness of auditor independence requirements in Australia.



## **Part 2: Financial Reporting Council**



# FINANCIAL REPORTING COUNCIL

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## CHAIRMAN'S REPORT

The Financial Reporting Council (FRC) consolidated the previous year's work in progress during 2006-07. The FRC continued its work on auditor independence matters, monitored the actions of the AUASB in issuing legally enforceable auditing standards, and provided guidance to the AASB on its standard setting, development of guidance material for the not-for-profit sector, and the local application of the proposed IFRS standard for SMEs.

The key highlights for 2006-07 included:

1. amendments to the auditing standards by the AUASB to reflect the auditor's extra requirements to form an opinion on IFRS compliance;
2. work undertaken by the AASB on accounting issues for the public sector and the not-for-profit sector in line with IFRS;
3. work undertaken by the AASB in relation to the application of the IFRS's standard for SMEs in Australia;
4. continuation of the Trans-Tasman harmonisation of accounting standards between the AASB (Australian) and the Financial Reporting Standards Board (New Zealand); and
5. participation in the IFRS Regional Policy Forum, which was held in Japan on 29 March 2007.

## FRC responsibilities

The FRC is the peak body responsible for the broad oversight of the accounting and auditing standard setting process for the private and public sectors, as well as monitoring the effectiveness of auditor independence requirements in Australia. It comprises key stakeholders from the business and investing communities, the professional accounting bodies, governments and regulatory agencies. The FRC advises the Government on the accounting and auditing standard setting process and on the development of international accounting and auditing standards. It determines the broad strategic direction of the standard setters, the Australian Accounting Standards Board and the Auditing and Assurance Standards Board.

## Accounting standards setting

The focus in 2006-07 was on IFRS interpretation, standard setting, the application of the IFRS to the not-for-profit sector, Trans-Tasman harmonisation of accounting standards and continuation of the GAAP and GFS reporting systems harmonisation for the General Government Sectors (GGS).

During 2006-07 the AASB adopted a new interpretation model for Australian Accounting Standards including IFRS; this model has replaced the activities undertaken by the Urgent Issues Group (UIG). In addition, the AASB undertook the interpretations function and the local uptake of IFRIC interpretations, with the assistance of expert advisory panels. The adoption of this model is as a result of the new principles-based accounting standards.

The FRC monitored the AASB's work on the harmonisation of GFS and GAAP accounting standards project, to ensure that it continued to comply with the direction and requirements of the public sector strategy. The AASB divided the project into two stages. During 2006-07 the AASB focused on the first stage – harmonisation for the Whole of Government reporting by the Australian Government and State and Territory governments. This stage is scheduled for completion in October 2007, to allow for the consistent preparation of financial statements for all sectors of government in the 2008-09 Budget and Outcome reporting. The second stage – harmonisation of entities within the General Government Sector (GGS) is scheduled for completion by February 2010.

At an international level, the AASB is working on the application of the IASB's proposed small and medium size entities (SMEs) standard in Australia. Further work on this area will continue in the year ahead to address potential burdens faced by these entities.

The FRC continues to monitor the performance of the AASB. Under the auspices of the Nominations Committee, the FRC undertook performance assessments of AASB members, via a peer review survey. The results of the assessment were discussed by the Nominations committee with Professor David Boymal, the AASB Chair, allowing him to provide feedback to individual Board members. The performance assessments are useful in determining the skills needs of the AASB.

The FRC appointed Ms Sue Highland and Mr Brett Rix as new AASB members; and reappointed Ms Kris Peach, Mr Brett Kaufman and Ms Joanna Perry to the AASB. I would like to thank retiring AASB members Mr Garth Cowan-Campbell and Professor Ken Leo for their expertise and contribution during their tenure as AASB members.

## **Auditing standards setting**

In 2006-07 the AUASB focused on continuing to formulate legally enforceable auditing and assurance standards and guidance pronouncements; and participation in international standard setting activities.

A highlight for the AUASB in 2006-07 was the release of amendments to the auditing standards to require auditors to report on IFRS compliance by Australian companies. The FRC and AUASB believe that this requirement will further enhance the international recognition of compliance with IFRS by Australian companies in their financial reports.

The FRC monitored the performance of the AUASB, with the Nominations Committee implementing a performance assessment of AUASB members utilising a peer review survey. The results of the assessment were discussed by the Nominations Committee with Ms Merran Kelsall, the AUASB Chair.

The FRC reappointed Ms Dianne Azoor Hughes and Mr Clive Mottershead as AUASB members. There were no new appointments or resignations.

## **Auditor independence**

The Audit Independence Committee has continued to provide significant assistance to the Council in the performance of the independence function. In undertaking this work, the Committee was ably assisted by the FRC's Auditor Independence Consultant, Mr William Bartlett.

The key focus of the Council's auditor independence work during 2006-07 was the monitoring of: the systems and processes used by Australian auditors to ensure their compliance with auditor independence requirements; and the professional accounting bodies for planning and performing quality assurance reviews of audit work undertaken by Australian auditors to the extent to which those reviews related to auditor independence requirements.

During the period under review the three consultants engaged during 2005-06, to examine issues associated with quality review programmes and disciplinary procedures of the professional accounting bodies and the teaching of professional and business ethics by, or on behalf of, those bodies, presented their reports to the FRC. Subsequently, as part of the FRC's 2006-07 work programme, two additional consultants were engaged to examine issues arising from the work of the earlier consultants.

The FRC is currently considering the recommendations made by the consultants and, as part of this process, is consulting with its stakeholders.

## **Committees of the Financial Reporting Council**

The FRC is supported by various Committees. These Committees perform an extensive role in undertaking background work to allow the FRC to make informed decisions at its meetings. The Committees operating in 2006-07 were:

- the Finance Committee;
- the Nominations Committee; and
- the Audit Independence Committee.

These are standing Committees with their own charters, which are reviewed on a regular basis.

In 2006-07 the Finance Committee assisted the FRC by overseeing the business plans and budgets of the AASB and AUASB, assisted in the preparation of the FRC's and the Boards' 2005-06 Annual Report, and advised the Council on payments made to the IASC Foundation. In addition, the Finance Committee successfully organised the Ken Spencer Memorial Lecture, which was held in Melbourne on 5 March 2007.

During the year the Nominations Committee undertook various selection exercises for the appointment of members to the AASB and AUASB Boards. Also, the Nominations Committee undertook a performance assessment of the AASB and AUASB members through a peer review survey, and provided feedback on the results to the Chairs of the Boards.

As noted above, the Audit Independence Committee continued to assist the FRC to perform its auditor independence functions during the year.

## **Stakeholder liaison**

The FRC continued to liaise with a wide range of domestic and international stakeholders, including those with whom the FRC has established a formal Memorandum of Understanding (MoU) in relation to auditor independence matters, as these meetings are essential to the FRC's process of gathering information.

The FRC maintained a strong presence internationally and domestically; and continued to foster relationships with stakeholders.

During July 2006 and April 2007, the FRC Secretary and I met with senior representatives of overseas regulatory and professional accounting bodies, which perform oversight functions equivalent to those performed by the FRC; and relevant standard setting and professional bodies. One of the aims of the meetings was to promote Australia's commitment to convergence of international accounting standards. These meetings took place in Europe and North America and enhanced the FRC's understanding of key financial reporting developments, such as global trends in



accounting, auditing standards and audit independence matters; and confirmed that convergence is still the focus internationally.

I attended the International Financial Reporting Standards (IFRS) Regional Policy Forum in Tokyo on 29 March 2007, which was hosted by the Accounting Standards Board of Japan (ASBJ). This important forum which was a follow-up to the forum held in Sydney during October 2005 facilitated the exchange of IFRS related information across 14 different jurisdictions in the Asia-Pacific region. Particular focus was placed on the following three main areas:

- interpretations of IFRS within the Asia/Pacific region;
- financial reporting by SMEs on the for-profit and not-for profit sector; and
- IFRS branding issues – adoption of IFRS across different jurisdictions.

The Trans-Tasman partnership between the Council and its New Zealand equivalent, the Accounting Standards Review Board (ASRB), continued the consolidation of joint activities on standards setting between the AASB and the FRSB. During 2006-07, Mr Warwick Hunt (Chair of the ASRB) and I attended meetings of both the ASRB and FRC. Mr Hunt is the Chair of the Trans Tasman Accounting and Auditing Standards Advisory Group (TTAASAG) and provided reports on the TTAASAG's work to FRC members.

On the domestic front, the FRC continued to raise its profile. As the Chairman of the FRC, I met with various stakeholders and attended relevant seminars, including:

- a meeting with the Parliamentary Secretary to the Treasurer;
- an appearance before the Senate Estimates Committee;
- recent ICAA/NIA and CPA Australia seminars held in Canberra, Sydney and Melbourne;
- an Ethics Forum held in Sydney; and
- a meeting with the Financial Sector Advisory Council.

### **Ken Spencer Memorial Lecture**

A key highlight for the FRC was the 2007 Ken Spencer Memorial Lecture. The lecture is held in memory of Mr Ken Spencer, who was the Chairman of the AASB from 1994 to 1999 and was later a Trustee of the International Accounting Standards Committee Foundation and member of the FRC. He passed away in 2004.

The FRC, in conjunction with CPA Australia, The Institute of Chartered Accountants in Australia, the National Institute of Accountants and the Department of Accounting and Business Information Systems of The University of Melbourne, co-hosted the 2007 Ken Spencer Memorial Lecture, which was held at The University of Melbourne, on 5 March 2007.

The guest lecturer of the Ken Spencer Memorial Lecture was Sir David Tweedie, Chairman of the International Accounting Standards Board. The topic of his lecture was 'Keep it Simple Stupid! Can global standards be principles-based?' This was enjoyed by the audience, which included members of the Spencer family and relevant stakeholders.

### **Council membership**

I congratulate and thank all of my colleagues for the hard work they have put into the FRC and its Committees during 2006-07. Their expertise and tireless commitment have enabled the Council to work on important issues. It is also important to recognise the commitment and the leadership demonstrated by the Committee Chairs, Ms Elizabeth Alexander AM (Audit Independence Committee), Mr Bruce Brook (Finance Committee) and Mr Klaus Zimmermann (Nominations Committee), together with the contributions of other Committee members.

The FRC members retiring in 2006-07 were Mr Graeme McGregor and Mr Phillip Prior. I would like to sincerely thank them for their expertise and their commitment to the FRC during their tenure.

New appointments to the Council in 2006-07 were:

- Ms Kathryn Campbell, Deputy Secretary, Financial Management Group, Department of Finance and Administration – nominated by the Australian Government;
- Mr Michael Coleman, Partner, KPMG – nominated by the Australian Institute of Company Directors; and
- Mr Mark Coughlin, Development Manager, Origin Energy – nominated by CPA Australia.

Congratulations to Ms Elizabeth Alexander, Mr Don Challen and Mr David Jackson on their reappointment to further terms on the Council.

I would like to sincerely thank Mr Richard Humphry AO, in his role as a Trustee of the IASCF, for his expertise and commitment to the FRC during his tenure, which ended in early July 2007. I wish him all the best in his future endeavours.

## **Assistance to the Council**

Thanks are due to the Chair of the AASB, Professor David Boymal, and the Chair of the AUASB, Ms Merran Kelsall, for their work in keeping the FRC informed of developments. Both provide valuable input, often at Committee level, on matters of direct relevance to their Boards such as appointments and budgetary matters. They are ably assisted by their staff members.

I would like to thank Mr Jorge del Busto for his ongoing support and valuable contribution to the FRC during his tenure as the FRC Secretary. I wish him all the best in his future endeavours. Thank you to the Secretariat for enabling the work of the Council and its Committees to be carried out in a timely and effective manner.

## **Retrospective and 2007-08 outlook**

The decision by the FRC in 2002 that Australia should adopt IFRS was a leap of faith. It reflected the reality of global capital markets and the need for Australia to have access to capital on the most favourable terms. There are now some 100 countries requiring or permitting the use of IFRS. More significantly the US regulator, the Securities and Exchange Commission, has confirmed that from 2009 IFRS will have equivalent status with USGAAP. This will eliminate the need for foreign entities reporting in the US to reconcile their accounts to USGAAP if they are IFRS compliant.

The implementation of IFRS and, more recently, the revised suite of auditing standards as legal instruments has gone relatively smoothly. This reflects well upon the accounting profession, CFOs and company directors. Many of the issues raised during this process can be regarded as transitional. However, continuing vigilance will be required to ensure that the needs of users of financial reports are met and to achieve the appropriate balance between costs and benefits.

As I reflect on the Council's recent achievements in furthering its aims and objectives, I expect that 2007-08 will provide many challenges on both the domestic and international fronts. Globally, the main challenges will be to protect the integrity of IFRS, in terms of both the quality of the standards and their implementation across different jurisdictions. In addition, their relevance to users will remain an ever-present challenge for standard setters. This is most evident with respect to SMEs. For Australia with its sector-neutral approach, the specific circumstances and needs of the public sector and not-for-profit organisations will be a continuing focus given that IFRS are essentially being developed for private sector corporations.

As more countries adopt IFRS, Australia will face an increasing challenge in terms of maintaining its significant global influence in standard setting. We continue to exert disproportionate influence for our small population. This has been achieved by continuing to provide substantial direct financial support to the IASB, through membership and participation in the various arms of the international governance framework and, most importantly, through substantial high-quality technical input to

the standard setting process. This support must be maintained if we wish to 'occupy a seat at the table'.

The Council and I are confident of meeting those challenges with a high degree of capability.

The year ahead will be demanding for the AASB and the AUASB as they change their enabling legislation and governance structure, in line with the Government's decision to adopt the Uhrig review's recommendations. These changes will have a flow-on effect to the FRC, as it will change its role and responsibilities in relation to the Boards, from an approval role to a monitoring role. These changes are expected to take effect from 1 July 2008.

I would like to welcome the new FRC Secretary, Ms Suzanne Howarth, who leads a new team in the FRC Secretariat. I look forward to working with her in the new year.

Given that my appointment as the FRC Chairman ends in December 2007, I would like to take the opportunity to thank my past and current colleagues, stakeholders and FRC Secretariat staff for all their hard work and support during my eight-year tenure as a FRC member, including nearly five years as the FRC Chairman.



Charles Macek  
Chairman of the Financial Reporting Council  
15 October 2007

## FINANCIAL REPORTING COUNCIL GOVERNANCE

### Establishment, functions and powers

The Financial Reporting Council is a statutory body under the *Australian Securities and Investments Commission Act 2001*. The Government's *Corporate Law Economic Reform Programme (Audit Reform and Corporate Disclosure) Act 2004* amended the ASIC Act and expanded the functions of the FRC, which is now responsible for providing broad oversight of the process for setting both accounting and auditing standards as well as monitoring the effectiveness of auditor independence requirements in Australia and giving the Minister reports and advice on these matters.

Specific accounting and auditing standard setting functions for which the FRC is responsible include:

- appointing the members of the AASB and AUASB (other than the Chairs, who are appointed by the Treasurer);
- approving and monitoring the AASB's and AUASB's priorities, business plans, budgets and staffing arrangements (including level, structure and composition of staffing);
- determining the AASB's and AUASB's broad strategic directions;
- giving the AASB and AUASB directions, advice or feedback on matters of general policy and on the AASB's and AUASB's procedures;
- furthering the development of single sets of accounting and auditing standards for world wide-use with appropriate regard to international developments;
- promoting the continued adoption of international best practice in the Australian accounting and auditing standard setting processes if doing so would be in the best interests of both the private and public sectors in the Australian economy;
- monitoring:
  - the development of international accounting and auditing standards and the accounting and auditing standards that apply in major international financial centres;
  - the operation of accounting and auditing standards to assess their continued relevance and their effectiveness in achieving their objectives in respect of both the private and public sectors of the Australian economy and the effectiveness of the consultative arrangements used by the AASB and AUASB; and

- monitoring and periodically reviewing the level of funding, and the funding arrangements for the AASB and AUASB and seeking contributions towards the costs of the Australian accounting and auditing standard setting processes.

Specific auditor independence functions for which the FRC is responsible include:

- monitoring and assessing the nature, overall adequacy and effectiveness of:
  - the systems and processes used by Australian auditors to ensure compliance with auditor independence requirements;
  - the systems and processes used by professional accounting bodies for planning and performing quality assurance reviews of audit work undertaken by Australian auditors to the extent to which those reviews relate to auditor independence requirements;
  - the action that Australian auditors who have been subject to such quality assurance reviews have taken in response to the reports prepared as a result of those reviews;
  - the action taken by professional accounting bodies to ensure that Australian auditors who have been subject to such quality assurance reviews respond appropriately to the reports prepared as a result of those reviews; and
  - the investigation and disciplinary procedures of professional accounting bodies as those procedures apply to Australian auditors.
- monitoring the overall compliance by companies, registered schemes and disclosing entities with the audit-related disclosure requirements of the Corporations Act and the accounting and auditing standards;
- giving the Minister and the professional accounting bodies reports and advice on the above matters;
- monitoring international developments in auditor independence, assessing the adequacy of the Australian auditor independence requirements in the light of those developments and giving the Minister, and professional accounting bodies, reports and advice on any additional measures needed to enhance the independence of Australian auditors; and
- promoting, and monitoring the adequacy of, the teaching of professional and business ethics by, or on behalf of, professional accounting bodies to the extent to which the teaching of those subjects relates to auditor independence.

The FRC operates within a framework set out in the ASIC Act. The Act sets out core objectives for accounting and auditing standards setting in Australia.

- Accounting standards should facilitate the Australian economy by reducing the cost of capital and enabling Australian entities to compete effectively overseas, and should maintain investor confidence in the Australian economy, including its capital markets.
- Accounting and auditing standards should facilitate the Australian economy by having accounting and auditing standards that are clearly stated and easy to understand.

The ASIC Act expressly limits the FRC's ability to become involved in the technical deliberations of the AASB and AUASB. It provides that the FRC does not have power to direct the AASB or AUASB in relation to the development, or making, of a particular standard, or to veto a standard formulated or recommended by the AASB or AUASB. This provision is designed to ensure the independence of the standard setters.

## **The Uhrig's Review recommendations**

As part of the Review of the Corporate Governance of Statutory Authorities and Office Holders (the Uhrig Review), the Government has agreed that the AASB and the AUASB be brought within the *Financial Management and Accountability Act 1997* (the FMA Act) framework. The new framework will impact primarily on the governance aspects of the two Boards. The current statutory functions of the two Boards in relation to setting Australia's accounting and auditing standards will remain unchanged.

The important role performed by the FRC with respect to strategic oversight of the two Boards will also continue. The proposed changes to the structural and governance arrangements are expected to be introduced into Parliament in the first half of 2008 with a proposed commencement date of 1 July 2008.

## **Membership and meetings**

Under section 235A of the ASIC Act, the members of the FRC are appointed by the Treasurer and hold office on terms and conditions determined by the Treasurer. Most members of the FRC have been appointed on the basis of nominations put forward by key stakeholder groups.

A full list of members during 2006-07, and the stakeholders who nominated them, is in Appendix A. As members are now able to appoint proxies on a meeting-by-meeting basis, therefore, no alternate members were appointed in 2006-07. The terms of alternate members have now all expired and there are no longer any alternate members.

## **OPERATIONS AND ACTIVITIES**

### **Appointments to the Australian Accounting Standards Board and Auditing and Assurance Standards Board**

The Nominations Committee is responsible for recommending appointments to the AASB and AUASB. In making recommendations, the Committee reviews written applications, interviews candidates, and takes into consideration the past performance and future needs of the two Boards. The Committee is also given other tasks from time to time; for example, in 2006-07, the Committee provided oversight of the FRC's performance assessment.

In 2006-07, Mr Klaus Zimmermann was appointed Chairman of the Nominations Committee. The other members of the Nominations Committee were the FRC Chairman, Mr Charles Macek, Mr Don Challen, Ms Jan West, Ms Kathryn Campbell and Mr Mark Coughlin. The Nominations Committee formally met three times during the year. In addition, the Committee met over two days in September and again in November to conduct interviews for appointments to the AASB and AUASB.

The FRC appointed Ms Sue Highland and Mr Brett Rix as new AASB members; and reappointed Ms Kris Peach, Mr Brett Kaufman and Ms Joanna Perry to the AASB.

The FRC reappointed Ms Dianne Azoor Hughes and Mr Clive Mottershead as AUASB members. There were no new appointments or resignations.

### **Overseeing the Australian Accounting Standards Board and Auditing and Assurance Standards Board**

The FRC's responsibilities include reviewing and approving the AASB's and AUASB's priorities, business plan, budget and staffing arrangements.

During 2006-07, the FRC Finance Committee, meeting as the AASB Audit Committee and the AUASB Audit Committee, undertook the detailed reviewing of the budgets, business plans and work programmes of the two Boards. Further information on the work programme for the AASB is contained in Appendix E. Further information on the work programme for the AUASB is contained in Appendix F.

The Chairmen of both the AASB and AUASB provided updates on the operations, including staffing matters, at each meeting of the FRC.



## **Audit independence**

Under amendments made to the ASIC Act by the CLERP 9 legislation, the FRC has responsibility for monitoring the effectiveness of auditor independence requirements in Australia and giving the Minister reports and advice about those requirements.

A detailed report on the FRC's performance of the auditor independence functions has been prepared separately from this Annual Report.

## **Communication and consultation**

The FRC regularly issues bulletins that communicate decisions taken at its meetings and other important developments in accounting and auditing standard setting. These bulletins are available on the FRC website [www.frc.gov.au](http://www.frc.gov.au).

During the year, FRC Chairman Mr Charles Macek and other members of the FRC consulted with representatives of corporations, business organisations, other stakeholder bodies and accounting and auditing organisations. The FRC Chairman travelled overseas and consulted widely with executives from corporate and accounting bodies on matters relating to international accounting and auditing standards, developments in respect of accounting and auditing standards, and matters regarding auditor independence.

## **Financial Reporting Council consultants**

During 2006-07, Mr William Bartlett continued to assist the FRC in the performance of the auditor independence functions conferred on the Council by the CLERP 9 legislation. Mr Bartlett, a retired partner of accounting firm Ernst & Young, was initially appointed in December 2004.

During the period under review the three consultants engaged during 2005-06, to examine issues associated with quality review programmes and disciplinary procedures of the professional accounting bodies and the teaching of professional and business ethics by, or on behalf of, those bodies, presented their reports to the FRC. Subsequently, as part of the FRC's 2006-07 work programme, two additional consultants were engaged to examine issues arising from the work of the earlier consultants.

## **Finances**

The 2003-04, 2004-05 and 2006-07 Australian Government Budgets each contained measures designed to strengthen the financial position of the FRC and the standard setting bodies it oversees. In brief, these measures were:

- the 2003-04 Budget provided \$4 million over four years to support the expanded functions of the FRC under the CLERP 9 reforms;
- the 2004-05 Budget provided an additional \$3.4 million to assist with the implementation of the expanded role of the FRC under CLERP 9, including the reconstitution of the Auditing and Assurance Standards Board, and for the establishment of the Financial Reporting Panel; and
- the 2006-07 Budget provided funding of \$19.2 million over four years to support the FRC in its expanded role of overseeing auditor independence and audit standards setting arrangements and for the continuation of the Financial Reporting Panel (which does not fall under the oversight of the FRC).

Total Australian Government funding provided to the FRC through Treasury (including funding of \$1 million per annum for the Financial Reporting Panel) is \$5.8 million in 2006-07.

The States and Territories provided \$0.5 million in 2006-07 and have committed to funding at the same level through to 2009-10.

In 2006-07, the professional accounting bodies provided contributions totalling \$1.5 million. CPA Australia and The Institute of Chartered Accountants in Australia (ICAA) contributed \$607,500 each while the National Institute of Accountants contributed \$285,000. The professional bodies have advised that their combined funding commitment would fall to \$1.25 million in 2007-08, \$1.0 million in 2008-09, and \$0.9 million in 2009-10. The rationale given for this reduction in funding is that the professional bodies themselves require increased resources to address obligations stemming from their membership of IFAC, including enhanced requirements in respect of quality control and disciplinary areas. In addition the professional accounting bodies are funding the newly established Accounting Professional and Ethical Standards Board.

In view of the funding from Australian Government sources, the FRC no longer seeks voluntary contributions from the business community. Due to the importance of financial reporting matters to listed companies, the ASX continues to provide an annual grant to the standard setting bodies.

During 2006-07 the FRC approved payments to the IASCF totalling \$1 million. This amount was finalised following agreement between the AASB and the IASCF concerning access to IASCF publications that supplement the IFRS-based standards. The IASCF is currently reviewing its funding model, which may have implications for the level of contribution expected from Australian bodies in the future.

As noted above, in 2006-07 the Government provided \$4.8 million to support the role of the FRC and to contribute towards the activities of the bodies it oversees (excluding the \$1 million set aside for the Financial Reporting Panel). In 2006-07, a total

of \$2,284,897 of the FRC's own expenditure was paid by Treasury out of this appropriation. This consisted of:

- \$1,000,000 of IASCF contributions in 2006;
- \$573,998 in staffing costs;
- \$326,210 on consultants;
- \$82,655 on the Chairman's salary (including superannuation);
- \$45,489 in sitting fees for FRC members (other than the Chairman), including sitting fees for attendance at Committee meetings;
- \$192,000 on travel; and
- \$95,053 on overheads.

The 2006-07 appropriation from the Australian Government was also used to supplement the funding of the AASB and AUASB (as noted in the 2006-07 financial reports of the AASB and AUASB, which appear in Part 5 of this document).

## **Freedom of information**

The FRC Secretariat, on behalf of the FRC, maintains possession of the following documents:

- FRC meeting agenda papers;
- administrative and technical papers concerning the FRC's functions and its performance in regard to those functions;
- copies of minutes and bulletins issued by the FRC; and
- correspondence between the FRC, stakeholder groups and members of the public.

Requests under the *Freedom of Information Act 1982* for access to documents in the possession of the FRC can be directed to the FRC Secretariat at the contact details below.

No applications under the *Freedom of Information Act 1982* were received by the FRC in 2006-07.

## Contacting the Financial Reporting Council

|            |   |
|------------|---|
| Post:      | The Secretary<br>Financial Reporting Council<br>c/- The Treasury<br>Langton Crescent<br>PARKES ACT 2600 |
| Telephone: | 02 6263 3144  |
| Facsimile: | 02 6263 2770  |
| Email:     | <a href="mailto:frcsecretary@treasury.gov.au">frcsecretary@treasury.gov.au</a>                          |

# **Part 3: Australian Accounting Standards Board**



# AUSTRALIAN ACCOUNTING STANDARDS BOARD

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## CHAIRMAN'S REPORT



### Introduction

The AASB is a Commonwealth Government Statutory Authority under the ASIC Act 2001. Under that Act, the statutory functions of the AASB are: to develop a conceptual framework for the purpose of evaluating proposed standards; to make accounting standards under section 334 of the Corporations Act; to formulate accounting standards for other purposes; to participate in and contribute to the development of a single set of accounting standards for world-wide use; and to advance and promote the main objects of Part 12 of the ASIC Act, which include reducing the cost of capital, enabling Australian entities to compete effectively overseas and maintaining investor confidence in the Australian economy.

Pursuant to a directive issued by the Financial Reporting Council in June 2002, the AASB issued an entirely new suite of accounting standards in July 2004 which were the Australian equivalents to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). These standards were to be first applied to periods of reporting commencing 1 January 2005.

At the time of this report most entities will have just completed their second year of reporting under the Australian equivalents of IFRS.

### Objectives of the AASB

The vision of the AASB is to be recognised as a Global Centre of Excellence, delivering a truly distinctive contribution to the development of high-quality financial reporting standards.

The mission of the AASB is to:

- (a) develop and maintain high-quality financial reporting standards for all sectors of the Australian economy; and
- (b) contribute through leadership and talent to the development of global financial reporting standards and be recognised as facilitating the inclusion of the Australian community in the activity of global standard setting.

Many people thought that with the introduction of IFRS, the activities of the AASB would quickly wind down as a consequence. However, this has not proven to be the case. Whilst there has certainly been a shift in the nature of AASB activities, the AASB board and staff remain very busy.

The major objectives of the AASB for the 2006-07 year are described as follows:

**1. Issue Australian versions of IASB documents**

Notwithstanding the adoption of IFRS in Australia, the AASB remains the statutory authority with the delegated authority to make Accounting Standards into Australian law in accordance with a formal due process and following regulatory compliance procedures. Since the initial adoption of IFRS, it has been necessary to include the substantial number of changes made to its standards by the IASB, each requiring the appropriate statutory amendment. In view of the IASB's current programme to achieve convergence with the equivalent United States standards by 2009, the pace of change will not slacken in the next few years. Each time the IASB issues an exposure draft, an invitation to comment, an interpretation, or amends a standard, the AASB is expected to issue an equivalent document in Australia on a timely basis.

In addition the AASB has recently gone to considerable effort to ensure that the Australian equivalents to IFRS are identical to the original IFRS in all respects, so that entities in the private for-profit sector can unambiguously claim IFRS compliance and their auditors can opine on IFRS compliance.

**2. Produce standards that treat like transactions consistently**

The AASB seeks to produce standards that are 'transaction neutral' in that like transactions and events should be dealt with in a like manner for all types of entities as between the for-profit sector, the not-for-profit private sector and the public sector, unless there is a sound reason to be different in particular circumstances.

Where there is a need for differential treatment, the AASB achieves this either by introducing Australian paragraphs into the Australian equivalents of IFRS especially for the not-for-profit and public sectors or by the issuance of special not-for-profit or public sector standards. Accordingly, each IFRS issued by the IASB must receive additional AASB consideration for its application to the sectors not originally covered by the IASB.

**3. Significantly influence the development of International Financial Reporting Standards**

The Australian Government and the constituency of the AASB expect Australia not to be simply a taker of international standards but also expect Australia to significantly influence the development of those standards. This expectation is in accordance with the enabling legislation of the AASB and it is therefore expected that the AASB will play a major role in this regard.



Private sector international standards are set by the IASB and public sector international standards are set by the International Public Sector Accounting Standards Board (IPSASB).

Accordingly, the AASB will continue to actively participate in the development of the standards of both of these international bodies and be a vigorous contributor to international debates.

To the extent that resources permit, the AASB:

- participates in IASB and IPSASB research projects in a manner that our in-kind contributions to the activities of the international standard setters are recognised. In 2006-07 the AASB has led IASB research projects on intangible assets and extractive activities, and participated in IPSASB research projects on a public sector conceptual framework and service concessions (public/private partnerships);
- provides staff to the IASB and IPSASB to work on selected project teams, and from time to time engage in staff secondments to these bodies. In 2006-07 AASB staff have participated in the IASB project on insurance accounting, the IASB/United States convergence project on revenue recognition, and the IPSASB conceptual framework project;
- responds to all significant exposure drafts and invitations to comment of the IASB and IPSASB in the name of the AASB or the AASB staff. There have been 15 such responses in 2006-07;
- provides technical support to Australian representatives at IASB and IPSASB meetings and project meetings. During 2006-07 AASB staff briefed the Australian members of the IASB International Financial Reporting Interpretations Committee, the IASB Standards Advisory Council, and on the IASB Insurance project, before each meeting. An AASB staff member also attends each IPSASB meeting as technical support to the Australian IPSASB board member and AASB staff brief that board member prior to each IPSASB meeting;
- closely monitors progress on selected IASB and IPSASB projects with the objective of alerting the Australian constituency to forthcoming significant issues, and to indicate to the IASB and IPSASB information about Australian views on such issues at the earliest possible time; and
- establishes and maintains a close working relationship with other standard setters in our region, in particular New Zealand, and maintains a working relationship with equivalent organisations of high standard in other parts of the world.

In this regard the AASB Chairman is a member of the New Zealand Financial Reporting Standards Board (FRSB) and the FRSB Chairman is a member of the AASB. The AASB and FRSB also have a joint board meeting once each year. During the year the AASB Chairman and/or senior AASB staff have attended meetings of World Standard Setters, National Standard Setters and Regional Standard Setters in London, Tokyo, Hong Kong and Istanbul.

In addition, Australia, New Zealand, the United Kingdom and Canada have jointly supported ongoing research into the potential implications of proposed IASB changes to the Conceptual Framework upon public sector and not-for-profit accounting.

#### **4. Identify areas requiring fundamental review and introduce standards to cover those areas**

##### **(a) Differential reporting**

In February 2007 the IASB issued an exposure draft of a proposed IFRS for Small and Medium Enterprises (SMEs). This exposure draft represented a briefer version of IFRS especially designed for smaller entities. The IASB indicated that IFRS for SMEs could not be available for publicly accountable entities (that is, listed entities or deposit takers) but otherwise, the entities to which the proposed standard would apply would be determined by individual jurisdictions.

In accordance with the normal AASB policy, this exposure draft was also issued in Australia, but its existence provided a catalyst for the AASB to reconsider the entire differential reporting regime in Australia which has been based upon the notion of a reporting entity.

In May 2007 the AASB issued an Invitation to Comment to accompany the IASB exposure draft which proposed the introduction of a differential reporting regime in Australia, based upon the notion of a general purpose financial report rather than a reporting entity and using IFRS and IFRS for SMEs as the differential standards.

These proposals potentially represent the most dramatic change in financial reporting in Australia since the decision to adopt IFRS in 2002.

##### **(b) Not-for-profit entities**

The AASB's Charter extends to not-for-profit private sector entities and to public sector entities. With our transaction-neutral approach, consideration of these sectors will generally be found in the additional Australian paragraphs included in the Australian versions of IFRS. However, in special circumstances, standards explicitly for these sectors need to be written. In the 2006-07 year, the AASB successfully introduced AASB 1049 *Financial Reporting of General Government Sectors by Governments*, which harmonised reporting under Generally Accepted Accounting Principles and Government Finance Statistics for the General Government Sector. This project is a consequence of a directive from the Financial Reporting Council. Near the end of the year, AASB also issued an exposure draft similarly harmonising reporting under

Generally Accepted Accounting Principles and the Government Finance Statistics for the Whole of Government. This entire project will be completed by the end of 2007.

In addition, a substantial review has been undertaken of Accounting Standards AAS 27 *Financial Reporting by Local Governments*, AAS 29 *Financial Reporting by Government Departments* and AAS 31 *Financial Reporting by Governments*. This review arose from the introduction of IFRS which had caused these three public sector standards to become dated. In June 2006 the AASB issued an exposure draft recommending the relocation of many updated requirements of these standards into the body of the new Australian equivalents to IFRS.

A review is also being made of the requirements for superannuation fund reporting in Australia. With the substantial money now invested in superannuation by the Australian community, there is a need for improved financial reporting of the performance and stewardship over these funds. A consultation paper is being considered for issuance before the end of 2007.

In some instances the Australian equivalents of IFRS have been found difficult to interpret by the not-for-profit private sector and the public sector. Comments have been received from constituents indicating the Australian paragraphs in these standards need further improvement. The AASB has been working through these comments to determine how the problems can be best addressed. In one instance, an immediate change was made to AASB 102 *Inventories* to address an issue of significance to not-for-profit entities.

## **5. Promote globally consistent application and interpretation of accounting standards**

The AASB has arrangements in place so that all International Implementation Guidance, Bases for Conclusions and Authoritative Interpretations are freely available on its website to its Australian constituents.

When unacceptable diversity of accounting treatments arising from differences in interpretation comes to the attention of the AASB, it will, in the first instance, attempt to have the matter resolved at an international level. To date, the AASB has referred 11 issues to the IFRIC, the interpretative arm of IASB, for resolution.

Where an interpretation issue arises in local circumstances, in a local standard or in a sector not covered by IASB, the AASB has recently established an interpretation model which closely mirrors the international interpretation model. During the year three matters have been referred to interpretation advisory panels, which are at various stages of consideration. These cover two matters involving Australian taxation considerations and one involving public sector accounting for public/private partnerships.

## **6. Develop communication processes and policies**

During the year, the AASB has sought to significantly improve communications with its constituents. The main medium of communication is the AASB website, which contains a wealth of information including the standards and interpretations themselves, compilations of the standards, exposure drafts, minutes of meetings, agenda papers, timely alerts, policy statements and media releases. Improvements will continue to be made to the contents of the website and its ease of navigation.

The AASB consults with a representative Consultative Group twice per annum, and regularly with project advisory panels on major projects. In addition, AASB board members and staff arrange or participate in roundtable discussions which enable soundings on constituent views to be ascertained. We are grateful to the accounting bodies which hosted some of these meetings. During the year roundtable discussions have been held on GAAP/GFS, the Conceptual Framework, Not-for-Profit Entities, SMEs, Provisions and Contingencies and Insurance Accounting.

In addition, the AASB Board itself seeks to meet with industry representatives or groups in conjunction with its board meetings. Such meetings have been held in 2006-07 with representatives of the private not-for-profit sector, local government, the superannuation industry, investment analysts, the public sector, the heads of treasuries and the insurance sector.

Wherever possible the AASB Chairman and senior staff make themselves available to present at conferences and discussions on relevant topics conducted by various organisation and industry groups. Over 2006-07 there have been at least 20 such presentations.

## **7. Develop personnel with experience in standard setting**

A function of the AASB is to develop personnel with experience in standard setting in order that Australia can continue to play a major role in the setting of international standards. We have developed personnel strategies covering recruitment, internships, secondments, monitoring, training and retention in order to develop people with appropriate skills. The AASB seeks to identify opportunities for staff, past and present board members and others to participate in international forums and become recognised internationally for their technical and other capabilities.

## **Work programme and business plan**

The status of the 2006-07 prior year work programme is reported in Appendix E as are the AASB priorities and programme for 2007-08.

The 2007-08 Business Plan is available on the AASB website in the section labelled Work Programme/Plans & Policies.

## Board changes

During the year Mr Garth Campbell-Cowan and Professor Ken Leo completed the terms of their appointment and retired from the Board. Mr Brett Kaufmann, Ms Kris Peach and Ms Joanna Perry [upon completion of their terms] were each reappointed for a further period. New appointments during the year were:

- Mr Brett Rix, Manager Group Accounting – Policy and Governance, BHP Billiton Limited; and
- Ms Susan Highland, Director, Financial Management Branch, Queensland Treasury.

## Appreciation

My thanks go to all of the present and retired members of the AASB for their significant contributions of expertise, time, debate and opinion to the standard setting function.

Thanks also go to the AASB technical staff headed by our Technical Director, Mr Angus Thomson, and to the AASB administrative staff headed by Ms Litsa Pillios, our Finance and Administration Director.

Finally thanks go to our constituents, who respond to exposure drafts, invitations to comment and discussion papers and who participate in advisory panels, roundtables and consultative groups. Australian constituents must continue to be heard at both the local and international level in order to maximise the Australian influence on the international scene.



David Boymal  
Chairman, Australian Accounting Standards Board  
15 October 2007

## AUSTRALIAN ACCOUNTING STANDARDS BOARD DIRECTORS' REPORT OF OPERATIONS

### Technical activities of the Australian Accounting Standards Board during 2006-07

#### Membership and meetings of the Australian Accounting Standards Board

The Chairman and members of the AASB are appointed under section 236B of the ASIC Act. For the period covered by this report the responsible Minister was the Treasurer, the Hon Peter Costello MP. The Chairman is appointed by the Treasurer while other members are appointed by the FRC.

To be eligible for appointment, a person must have knowledge of, or experience in, business, accounting, law or government. The Chairman and members hold office on the terms and conditions that are determined by the Treasurer and FRC respectively. Appointments may be made for a period of up to five years and retiring members are eligible for reappointment.

The members of the AASB during 2006-07 are listed in Appendix B. The Board held 10 meetings for a total of 19 meeting days during the year. Attendance of members at these meetings is set out in Appendix D.

#### Standard setting

The AASB has responsibility for accounting standard setting. A full list of Accounting Standards, Interpretations, Statements of Accounting Concepts, and Policy Statements and their issue dates is at Appendix G.

During 2006-2007, the Board issued or reissued the following standards and other documents:

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| <b>Standards</b> |  |
|------------------|--|
| AASB 8           | <i>Operating Segments</i> (February 2007)  |
| AASB 101         | <i>Presentation of Financial Statements (revised)</i> (October 2006)                                     |
| AASB 1048        | <i>Interpretation and Application of Standards (revised)</i> (December 2006)                             |
| AASB 1048        | <i>Interpretation and Application of Standards (revised)</i> (March 2007)                                |
| AASB 1049        | <i>Financial Reporting of General Government Sectors by Governments</i> (September 2006)                 |
| AASB 2006-3      | <i>Amendments to Australian Accounting Standards [AASB 1045]</i> (October 2006)                          |
| AASB 2006-4      | <i>Amendments to Australian Accounting Standards [AASB 134]</i> (December 2006)                          |
| AASB 2007-1      | <i>Amendments to Australian Accounting Standards arising from AASB Interpretation 11</i> (February 2007) |

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**Standards (continued)**

|             |   |
|-------------|---|
| AASB 2007-2 | <i>Amendments to Australian Accounting Standards arising from AASB Interpretation 12</i> (February 2007)  |
| AASB 2007-3 | <i>Amendments to Australian Accounting Standards arising from AASB 8</i> (February 2007)  |
| AASB 2007-4 | <i>Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments</i> [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, AASB 1023 and AASB 1038] (April 2007) |
| AASB 2007-5 | <i>Amendments to Australian Accounting Standards — Inventories Held for Distribution by Not-for-Profit Entities</i> [AASB 102] (May 2007)   |
| AASB 2007-6 | <i>Amendments to Australian Accounting Standards arising from AASB 123</i> [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116, AASB 138, and Interpretations 1 and 12] (June 2007)   |
| AASB 2007-7 | <i>Amendments to Australian Accounting Standards</i> [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128] (June 2007)  |

**Exposure drafts**

|        |   |
|--------|---|
| ED 151 | <i>Australian Additions to, and Deletions from, IFRSs</i> (November 2006)   |
| ED 152 | <i>Proposed Amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards — Cost of an Investment in a Subsidiary</i> (November 2006) |
| ED 153 | <i>Proposed Amendments to AASB 124 Related Party Disclosures — State-controlled Entities and the Definition of a Related Party</i> (March 2007)   |
| ED 154 | <i>Proposed Amendments to AASB 102 — Inventories Held for Distribution by Not-for-Profit Entities</i> (March 2007)  |
| ED 155 | <i>Financial Reporting by Whole of Governments</i> (May 2007)<br>Supplement to ED 155 <i>Financial Reporting by Whole of Governments — Illustrative Example</i> (June 2007)               |
| ED 156 | <i>Proposals Arising from the Short-term Review of the Requirements in AAS 27, AAS 29 and AAS 31</i> (June 2007)  |

**Invitations to comment**

|        |   |
|--------|---|
| ITC 11 | Request for Comment on IASB Discussion Paper 'Preliminary Views on an improved Conceptual Framework for Financial Reporting: <i>The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information</i> ' (August 2006) |
| ITC 12 | Request for Comment on a Proposed Differential Reporting Regime for Australia and IASB <i>Exposure Draft of a Proposed IFRS for Small and Medium-sized Entities</i> (May 2007)  |
| ITC 13 | Request for Comment on IASB Discussion Paper <i>Preliminary Views on Insurance Contracts</i> (May 2007)   |

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| <b>Interpretations</b> |  |
|------------------------|--|
| 4                      | <i>Determining whether an Arrangement contains a Lease (revised)</i> (February 2007) |
| 10                     | <i>Interim Financial Reporting and Impairment</i> (September 2006)                   |
| 11                     | <i>AASB 2 — Group and Treasury Share Transactions</i> (February 2007)                |
| 12                     | <i>Service Concession Arrangements</i> (February 2007)                               |
| 129                    | <i>Service Concession Arrangements: Disclosures (revised)</i> (February 2007)        |

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## **Interpretations**

The AASB introduced a new Interpretations Model with effect from 1 July 2006. Under the new model the AASB has direct responsibility for developing and approving interpretations. The AASB's objective was to introduce a streamlined interpretations function that interacts with the IFRIC to provide guidance to Australian constituents in the context of the formal adoption of IFRS in Australia for private sector, public sector and not-for-profit entities, while maintaining a capacity to deal with issues relating to purely domestic standards. The interpretations function has a flexible structure so that it can be adapted in response to changing circumstances and the nature of the issues to be addressed.

## **Due process**

The AASB adopts a comprehensive 'due process' (outlined in PS 1 *The Development of Statements of Accounting Concepts and Accounting Standards*) when developing its pronouncements, and encourages the preparers and users of financial reports to participate actively in the standard setting process by:

- communicating its views and policies to a broad range of interested parties via invitations to comment and exposure drafts;
- meeting with representatives of interested parties and organisations and holding roundtables on technical issues;
- inviting public comment on its policies, procedures, priorities and standards under consideration;
- issuing media releases relating to its activities; and
- maintaining a website, [www.aasb.com.au](http://www.aasb.com.au).

In addition, the AASB publishes minutes of its meetings, a wide range of agenda papers and an *AASB Action Alert* to keep interested parties informed of the AASB's deliberations at each of its meetings.



## Consultative groups

The AASB Consultative Group brings together a wide cross-section of interest groups in the private, public and not-for-profit sectors. The purpose and operation of the Consultative Group are set out in Policy Statement PS 2 *The AASB Consultative Group* as revised and reissued in June 2001. The Consultative Group met twice during the year, in November 2006 and in May 2007. The AASB is enhancing its consultative arrangements through establishing smaller, more focused groups of constituents comprising industry and user groups for consultation on particular issues. A User Focus Group was established in 2005-06 and a Not-for-Profit Focus Group involving private sector not-for-profit constituents was established in 2006-07. The AASB proposes to establish other focus groups as appropriate. The AASB also has a number of Project Advisory Panels on specific topics including superannuation entities, insurance contracts and financial instruments.

## Liaison with constituents

The AASB meets with a wide range of people to discuss matters of interest both generally and in relation to specific projects. During 2006-07 it met with private sector not-for-profit constituents, constituents involved with superannuation entities, constituents from the public sector and investment analysts. In addition, the AASB held consultations with constituents as part of its formal meetings in respect of its deliberations on public sector issues, related party disclosures and accounting for insurance contracts. The AASB also held roundtables seeking constituent input on the IASB's conceptual framework project and the IASB's project on accounting for insurance contracts, and hosted an IASB roundtable on provisions and contingencies.

## Use of website

The AASB maintains a website, [www.aasb.com.au](http://www.aasb.com.au). The website is used to provide information about the AASB, its activities and work programme, to its constituents and other interested parties. Authoritative pronouncements including compilations of Accounting Standards are published on the website and may be downloaded free of charge. The AASB also publishes meeting agendas and copies of key AASB Board papers on its website, prior to meetings. Minutes of meetings are also published on the website. The AASB publishes brief summaries of key projects on the Board's website outlining the background to each project and recent progress and Board decisions. The AASB also uses the website to seek comments on exposure drafts and invitations to comment, in order to facilitate urgent action on projects.

## Seminars

Members of the AASB and its staff are available to present papers on matters relating to the AASB's work programme at seminars, congresses and conferences held throughout Australia.

## **Accountability**

The AASB Chairman, Professor David Boymal, appeared before the Senate Economics Legislation Committee on 14 February 2007. Professor Boymal and Technical Director, Angus Thomson, appeared before the Senate Economics Legislation Committee on 31 May 2007.

## **Indemnities and insurance premiums for directors and officers**

No indemnities have been given or agreements made in respect of any current or former officer of the AASB, including FRC Directors. The AASB has arranged professional indemnity insurance with COMCOVER, to a value of \$100 million at a cost of \$11,570 per annum.

## **Federal Register of Legislative Instruments**

The FRLI regime, introduced by the *Legislative Instruments Act 2003*, commenced on 1 January 2005. Standards made in 2006-07 have been lodged and registered and the AASB prepares compiled versions of Accounting Standards to include subsequent amendments. In addition to lodging on the FRLI, compiled versions are also published on the AASB website.

## **AUSTRALIAN ACCOUNTING STANDARDS BOARD PUBLICATIONS**

All authoritative pronouncements issued by the AASB, including statements of accounting concepts, policy statements, accounting standards (AASB and AAS series) and accounting interpretations, are available for purchase from the AASB and are published on its website. A full list of pronouncements currently on issue is at Appendix G.

During the year the AASB also published a range of other documents, including:

- an *AASB Action Alert* to keep interested parties informed of the AASB's deliberations at each of its meetings;
- AASB media releases;
- exposure drafts of proposed new and revised accounting standards;
- invitations to comment; and
- consultative and discussion papers.

The AASB is considering publication of a newsletter in order to inform constituents about the broad range of its activities. The AASB provides subscription services in respect of most of these documents. In addition, individual copies are available for sale. Further information can be obtained from the AASB using the contact details

below. Accounting standards and interpretations, exposure drafts, invitations to comment and policy statements are freely available on the website. The AASB also has arrangements under which the IASB's Implementation Guidance and Basis for Conclusions on the IASB's Standards are available to its constituents on the AASB's website.

## **FREEDOM OF INFORMATION**

The AASB maintains possession of the following documents:

- copies of accounting standards;
- copies of exposure drafts and invitations to comment;
- copies of media releases and action alerts;
- AASB meeting agenda papers;
- correspondence with constituents, including responses to exposure drafts and invitations to comment; and
- internal technical and administrative papers, including project proposals, key decisions questionnaires, issues papers, draft exposure drafts, draft accounting standards and draft interpretations.

Requests under the *Freedom of Information Act 1982* for access to other documents in the possession of the AASB can be directed to the AASB Secretary using the contact details below.

No applications under the *Freedom of Information Act 1982* were received by the AASB in 2006-07.

## **COMMONWEALTH FRAUD CONTROL GUIDELINES**

The AASB has in place a Fraud Control Plan and fraud control mechanisms which are appropriate to its needs. The AASB complied with the requirements of the Commonwealth Fraud Control Guidelines for the year ended 30 June 2007.

## **COMMONWEALTH DISABILITY STRATEGY**

The AASB is committed to applying the Commonwealth Disability Strategy (CDS) and has instituted activities that contribute to meeting its requirements. The role of the

AASB is specified elsewhere in this report. For the purposes of the CDS, the AASB performs Policy Adviser and Regulator roles.

### Commonwealth Disability Strategy performance reporting

| Requirement for role   | How met   |
|--|---|
| Provision of accessible policy, programme and regulatory information |   |
| Internet format  | AASB: all news items, policy statements, accounting standards, exposure drafts and other formal accounting regulatory documents are available on a Government Standards-compliant website.  |
| Disk format  | Contact details for the AASB are available on its website. Users can call or write to request material on disk.   |
| Plain English communication  | Where possible, general information is written in plain English. However, some financial reporting matters are highly complex and require the accuracy of technical language.   |
| Consultation   | The AASB consults widely in its own right, with users, preparers and others interested in financial reporting.<br><br>Because the nature of AASB activity is broad, and focuses on capital markets, specific consultation with people with disabilities is generally inappropriate. |
| Complaint or grievance mechanisms                                    | Contact details for the AASB are available on its website. People can call or write to register any complaint.  |

## CONTACTING THE AUSTRALIAN ACCOUNTING STANDARDS BOARD

The AASB can be contacted as follows:

Post: The Secretary  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
MELBOURNE VIC 8007

Telephone: 03 9617 7600  
Facsimile: 03 9617 7608  
Email: [standard@asb.com.au](mailto:standard@asb.com.au)

# **Part 4: Auditing and Assurance Standards Board**



# AUDITING AND ASSURANCE STANDARDS BOARD

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## CHAIRMAN'S REPORT



### Introduction

The Financial Reporting Council (FRC) is responsible for oversight of the Auditing and Assurance Standards Board (AUASB). The FRC provides the AUASB with its strategic direction, as well as appointing AUASB members and approving and monitoring the AUASB's business plans, budgets and staffing arrangements.

### Role and mission of the Auditing and Assurance Standards Board

The mission of the AUASB is to develop, in the public interest, high-quality Auditing and Assurance Standards and related guidance, as a means to enhance the relevance, reliability and timeliness of information provided to users of audit and assurance services. Sound public interest-oriented Auditing and Assurance Standards are necessary to reinforce the credibility of the auditing process for those who use audited financial information. The AUASB contributes to public confidence in the financial reporting and corporate governance frameworks by issuing high-quality standards, which carry the force of law for audits or reviews of financial reports required under the *Corporations Act 2001*, other auditing and assurance pronouncements and related guidance. The AUASB's role also extends to liaison with other standards setters and participating in standard setting initiatives, both in Australia and internationally. Such involvement seeks to contribute ultimately to the quality of AUASB pronouncements.

### Board appointments and changes during 2006-07

The AUASB comprises an independent part-time Chairman (appointed by the Federal Treasurer) and twelve part-time members (appointed by the FRC). The membership of the AUASB during the year consisted of six members from public practice, two members from the public sector, one member from academia, one member from the legal profession, one independent member from the accounting profession and one member representing users.

There were no changes in membership of AUASB during the year. Ms Dianne Azoor Hughes and Mr Clive Mottershead were reappointed to the AUASB following expiration of their previous terms. See Appendix C for full details of AUASB members and their terms of appointment.

## Legally enforceable auditing standards

The parliamentary review period for the 35 legally enforceable Auditing Standards (ASAs) which the AUASB issued on 28 April 2006, expired in September 2006. The AUASB's work in relation to the legally enforceable standards during 2006-07 consisted of monitoring the impact of implementation and conducting ongoing communication and consultation with stakeholders.

This communication included engaging with the accounting bodies regarding education and preparation of members for implementation of the reissued standards for periods commencing on or after 1 July 2006. The AUASB Chairman and senior staff members also conducted numerous speaking engagements during the year, focusing on the implications of the auditing standards for the profession. In addition, the Chairman participated in a panel and presented on the oversight of auditing standard setting at the XVIII World Congress of Accountants and attended the International Organization of Securities Commissions (IOSCO) Auditing Forum.

As part of monitoring the impact of implementation of the new ASAs, a quantitative research survey was commissioned by the AUASB to gauge the awareness and understanding of the new Auditing Standards. The survey focused on smaller practitioners who do not have the technical resources of the large and mid-tier firms, and the findings from the survey were shared directly with the accounting bodies and the Financial Reporting Council (FRC). Over the last quarter of the financial year the accounting bodies held a number of workshops and briefings to address the new Auditing Standards.

In response to a request by the FRC to the AUASB to consider making an amendment to the Auditing Standards to require a statement in the auditor's report on an entity's compliance with International Financial Reporting Standards (IFRSs), an amending standard was approved in June 2007, impacting on ASA 700 *The Auditor's Report on a General Financial Report*, with consequential amendments required to draft letters and auditor's reports in nine other standards. The AUASB and the FRC consider that this will further enhance the recognition of compliance with IFRSs in Australian financial reports.

The ASAs will be progressively reviewed to improve quality, clarity and presentation and will be impacted by the developments of the International Auditing and Assurance Standards Board's (IAASB's) 'Clarity of IAASB Standards' project as well as other international standard setting activities.



## Reissuing other auditing and assurance standards and guidance statements

The focus of the AUASB's work programme for 2006-07 has been on the revision of other standards and guidance statements, and this will continue to be the focus of the work programme for the 2007-08 year. The AUASB has also spent considerable effort in clarification of the structure and policies for development of AUASB pronouncements, the levels of authority to be attached to different pronouncements and developing drafting guidelines. As a result, the *Framework for Assurance Engagements*, within which standards and guidance are to be issued, was revised and reissued in June 2007, following exposure for public comment. The *Foreword to AUASB Pronouncements* has also been revised and will be reissued in the second half of 2007.

The reviews of guidance statements and other standards have been prioritised based on amendments to regulations and accounting standards, changes to related ASAs, legal and international developments and changes in best practice. The standards that are not legally enforceable are being progressively reviewed and reissued as Standards on Assurance Engagements (ASAEs), Standards on Review Engagements (ASREs) or Standards on Related Services (ASRSs). The Standard on Assurance Engagements has been revised and reissued as ASAE 3000, as well as a number of industry-specific guidance statements. Projects to revise standards on Review Engagements, Performance Auditing and other guidance statements are well under way, as is the development of a new standard on Compliance Engagements.

The status of the 2006-07 AUASB work programme is reported in Appendix F. The AUASB's standards setting priorities for 2007-08 have been approved by the FRC and are summarised in Appendix F.

## Auditing Small and Medium-Sized Entities

In March 2007, the AUASB released for public comment a discussion paper on Auditing Small and Medium-Sized Entities (SMEs) and participated in the accounting bodies' round table discussion on SMEs in the same month. The Chairman also presented on this topic at the IAASB's Strategic Review Forum held in April 2007. The discussions at both forums indicated that there was little appetite for separate auditing standards or differing levels of assurance for audits for SMEs.

## **Relationship with the International Auditing and Assurance Standards Board and other national standards setters**

Consistent with its Strategic Direction, the AUASB has, wherever possible, used the ISAs as a base for its ASAs, and in doing so seeks to maintain conformity of its standards with those of the IAASB. The strong rationale for continuing with this policy is the existence of the IAASB as the major global principles-based auditing and assurance standards setting body. Compliance with the AUASB's reissued standards (ASAs) enables compliance with the equivalent ISA, where it exists.

The IAASB is currently pursuing a major exercise of reviewing its own auditing standards, through the 'Clarity of IAASB Standards' project. This project is significant since it will have major implications for the strategy adopted by the AUASB in reviewing its Auditing Standards vis-a-vis ongoing conformity between ASAs and ISAs. Mr Ian McPhee, AUASB and IAASB member, is Chairman of a taskforce charged with redrafting ISA 250 *Consideration of Laws and Regulations in an Audit of Financial Statements* and ISA 210 *Terms of Audit Engagements*. The AUASB is providing the technical resources for this taskforce. The IAASB approved ED ISA 250 for public exposure in May 2007 and ISA 210 was expected to be released for exposure in July 2007. Mr McPhee is also the Chairman of a Taskforce charged with redrafting ISA 260 *Communication of Audit Matters with those Charged with Governance*.

Participation in and input into the work of the IAASB are considered integral to the ability of the AUASB to continue as an effective national standard setter, and are considered crucial to it maintaining and further developing the current body of Auditing and Assurance Standards and related guidance which is used by the Australian accounting profession. For many years, Australia has been regarded as an influential international contributor, through participation on the IAASB and its related activities – AUASB member, Mr Ian McPhee, being a member of the IAASB and its Steering Committee and AUASB Principal Executive, Mr Richard Mifsud, serving as Mr McPhee's IAASB Technical Advisor throughout the past year.

The AUASB also actively engages with and monitors the activities of other national standards setters, most notably through participation in the IAASB-National Standards Setters (NSS) forum which met in March 2007, and the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG), which meets on a quarterly basis.

## **Facilities, technical support and resources**

In September 2006, the AUASB relocated to Level 7, 600 Bourke St, Melbourne, to occupy offices as a co-tenant with the Australian Accounting Standards Board, as it had done at the previous premises at 530 Collins St, Melbourne.

The AUASB is assisted by the technical and secretarial support that is provided by the Principal Executive and the staff of the AUASB Technical Group. The AUASB has continued to recruit well-qualified and experienced professional staff members during the year to replace staff leaving through natural attrition, and to provide staff needed to address the ongoing workload. The work of the AUASB has also been assisted during the year by the contributions of external Project Advisory Groups and members of the auditing profession, who provided input on several projects being undertaken by the AUASB.

## **Acknowledgements**

I would like to thank the members of the AUASB for their contributions over the past year. I especially would like to thank Mr Jon Tyers (Deputy Chairman throughout the year), and Mr Ian McPhee (IAASB Member) for their assistance in carrying out their respective roles over this period.

I would also like to thank the FRC and its Chairman, Mr Charles Macek, for their oversight and support of the AUASB's ongoing operations.

Finally, I would also like to express my appreciation to Richard Mifsud (Principal Executive) and to the staff of the AUASB Technical Group, which comprised Johanna Foyster, Claire Grayston, Nina Lewis, Marina Michaelides, Howard Pratt and Margaret Salter (Senior Project Managers), Alan Marrone (Senior Consultant), Craig Angove, Brett James and Michael Sadhu (Project Managers), Chiara Carotenuto (Research Project Officer) and Christine Purtell (Executive Assistant) for their work in supporting the AUASB. Thanks are also extended to Leone Mansell and Litsa Pillios and the administrative staff of the Australian Accounting Standards Board (AASB) for additional administrative support services provided to the AUASB over the past year.

## **The Auditing and Assurance Standards Board going forward**

The revision of selected guidance statements, which provide industry and situation specialist guidance to support the ASAs, as well as revision of other standards for reissue as Standards on Assurance Engagements (ASAE), Review Engagements (ASRE) and Related Services (ASRS), are now well under way and will continue to dominate the AUASB's work programme throughout the coming year. Monitoring the impact of the new legally enforceable Auditing Standards and communicating with stakeholders in relation to the application of the ASAs will be ongoing and a high priority during the 2007-08 year as practitioners adjust their audit practices.

Responding to changes in the international and local business, regulatory and public sector environments as they impact on audit and assurance services will remain critical to the AUASB continuing to provide high-quality standards in the public interest and relevant to stakeholders' needs.

A handwritten signature in black ink, appearing to read 'Merran H Kelsall', with a long, sweeping flourish extending to the right.

Merran H Kelsall  
Chairman, Auditing and Assurance Standards Board  
15 October 2007

## **AUDITING AND ASSURANCE STANDARDS BOARD DIRECTORS' REPORT OF OPERATIONS**

### **Technical activities of the Auditing and Assurance Standards Board during 2006-07**

#### **Functions and powers of the Auditing and Assurance Standards Board**

Under section 227B of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) the functions and powers of the AUASB are:

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

#### **Membership and meetings of the Auditing and Assurance Standards Board**

The responsibility for the appointment, including determination of terms and conditions, of the Chairman and the members of the AUASB resides with the Australian Treasurer and the FRC respectively under section 236F of the ASIC Act. In addition, the period of employment may not exceed five years, at which point retiring members are eligible for reappointment.

Eligibility requirements for appointment are knowledge of, or experience in, business, accounting, auditing, law or government.

Details of the Chairman and the members of the AUASB during 2006-07 are listed at Appendix C. During the year, the AUASB held 11 meetings for a total of 15 meeting days. Attendance of members at these meetings is set out at Appendix D.

## Auditing and Assurance Standards Board standards

On 1 July 2004, the majority of the Auditing Standards previously issued by the former AuASB of the Australian Accounting Research Foundation, were granted interim legal endorsement under sub section 1455(1) of the *Corporations Act 2001* and Corporations regulation 10.5.01. The Auditing Standards with interim legal endorsement do not have effect for financial reporting periods ending on or after 29 June 2007, under sub section 1455(4) of the *Corporations Act 2001*.

In April 2006 the AUASB issued 35 Auditing Standards as legally enforceable standards with effect for financial reporting periods commencing on or after 1 July 2006. These are listed at Appendix G.

The AUASB's work during 2006-07 has involved:

- clarification of the structure and policies for the development of AUASB pronouncements, the drafting rules and the levels of authority to be attached to the various pronouncements, resulting in the issue of the Framework for Assurance Engagements;
- completing the review and reissue of Auditing Standards and progressing the review and reissue of guidance statements required due to regulatory and legal changes, as well as international and best practice developments;
- commencement of projects to revise and issue pronouncements on Assurance Engagements and Concise Financial Reports (issued in July 2007). Other projects to develop pronouncements in respect of Review Engagements, Compliance Audits and Performance Audits and industry-specific guidance are also well underway; and
- undertaking the revision of ISA 210 *Terms of Audit Engagements* and ISA 250 *Consideration of Laws and Regulations in an Audit of Financial Statements* in Clarity format on behalf of the IAASB.

During the year, the AUASB issued the following Auditing Standards:

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### Legally enforceable AUASB Auditing Standards

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|            |   |
|------------|---|
| ASA 550    | Related Parties (October 2006)                          |
| ASA 2007-1 | Amendments to Australian Auditing Standards (June 2007) |

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During the year, the AUASB issued the following other pronouncements:

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### Other pronouncements

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|   |
|---|
| Framework for Assurance Engagements (June 2007) |
|---|

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During the year, the AUASB issued the following compiled versions of Auditing Standards:

| <b>Compiled versions of Auditing Standards</b> |  |
|--|--|
| Compiled ASA 200                               | Objective and General Principles Governing an Audit of a Financial Report (June 2007)                |
| Compiled ASA 210                               | Terms of Audit Engagements (June 2007)   |
| Compiled ASA 510                               | Initial Engagements — Opening Balances (June 2007)   |
| Compiled ASA 570                               | Going Concern (June 2007)  |
| Compiled ASA 700                               | The Auditor's Report on a General Purpose Financial Report (June 2007)                               |
| Compiled ASA 701                               | Modifications to the Auditor's Report (June 2007)  |
| Compiled ASA 710                               | Comparatives (June 2007)   |
| Compiled ASA 800                               | The Auditor's Report on Special Purpose Audit Engagements (June 2007)                                |
| Compiled ASRE 2410                             | Review of an Interim Financial Report Performed by the Independent Auditor of the Entity (June 2007) |

During the year, the AUASB issued the following guidance statements:

| <b>Guidance statements</b> |  |
|----------------------------|--|
| AGS 1070                   | Special Considerations in the Audit of Risk Management Requirements for Registrable Entities and Licensees (July 2006) |
| Addendum to AGS 1064       | Audit Implications of Prudential Reporting Requirements for General Insurers (October 2006)                            |

During the year, the AUASB issued the following guidance notes:

| <b>Auditing Guidance Notes</b>  |  |
|---|--|
| Auditor's Report on AASB 124 Remuneration Disclosures contained in the Annual Directors' Report (August 2006) |  |

## **Attendance at meetings of the International Auditing and Assurance Standards Board**

During the year, Mr Ian McPhee, AUASB and IAASB member, attended various meetings of the IAASB with the AUASB Principal Executive, Mr Richard Mifsud, as his Technical Advisor. Meetings of the IAASB held during the year were as follows:

- 10 to 13 July 2006 in Brussels;
- 18 to 22 September 2006 in Montreal;
- 25 to 27 October 2006 in New York;
- 4 to 8 December 2006 in London;
- 13 to 16 February 2007 in New York; and
- 16 to 20 April 2007 in Sydney.

## Due process

The AUASB has formalised a comprehensive 'due process' (outlined in the *Foreword to AUASB Pronouncements*) for the development of its pronouncements, which will encourage stakeholders to actively participate in the standards setting process by:

- communicating its views and policies to key stakeholders via invitations to comment on exposure drafts;
- meeting with representatives of stakeholder organisations;
- inviting public comment on its policies and standards under consideration;
- issuing media releases related to its activities; and
- maintaining a website, [www.auasb.gov.au](http://www.auasb.gov.au).

In addition, the AUASB posts highlights of minutes of its meetings on the website to keep interested parties informed of the AUASB's deliberations during each of its meetings as well as the current status of projects.

## Liaison with constituents

The AUASB has met with key stakeholders to discuss the review and reissue of Auditing Standards as legally enforceable standards, as well as matters in relation to specific projects.

## Use of website

The AUASB has a website, [www.auasb.gov.au](http://www.auasb.gov.au) which is periodically updated to meet stakeholder information needs. The website is used to provide information about the AUASB, its activities and work programme to its stakeholders and interested parties. The AUASB also publishes meeting agendas prior to meetings and meeting highlights after meetings on the website. During the year, all revised and reissued standards and pronouncements have been made available on the website.

## Accountability

The AUASB Chairman reports on the activities of the AUASB at all FRC meetings.



## **Indemnities and insurance premiums for directors and officers**

No indemnities have been given or agreements made in respect of any current or former officer of the AUASB, including FRC Directors. The AUASB has arranged professional indemnity insurance with COMCOVER, to a value of \$100 million at a cost of \$6,000 per annum.

## **Regulation Impact Statements**

Regulation Impact Statements (RISs) are required by the Australian Government for all new legislation and regulations, including AUASB standards legally enforceable under the *Corporations Act 2001*. The objective of the RIS requirements is 'to ensure that proposed new regulations that impact on business are warranted and efficient' (Productivity Commission 2005). RISs are prepared to inform decision makers about the possible economic impact of the legislation and regulations being proposed. The Office of Best Practice Regulation (formerly the Office for Regulation Review), which is part of the Productivity Commission, is required to formally approve all draft RISs before they are sent to the relevant decision makers.

During 2006-07 the AUASB prepared a RIS to address the effects of the options that were available to the AUASB in issuing Auditing Standard 2007-1 *Amendments to Australian Auditing Standards* issued on 27 June 2007. The RIS is available on the AUASB's website.

## **Making of legislative instruments**

Legally enforceable Auditing Standards made by the AUASB together with explanatory statements are required to be lodged and registered with the Federal Register of Legislative Instruments (FRLI) prior to their tabling in both Houses of Parliament for a (review) disallowance period of 15 sitting days.

Legally enforceable auditing standard 2007-1 *Amendments to Australian Auditing Standards* made on 27 June 2007 was lodged and registered with the FRLI and is to be tabled in both Houses of Parliament. The disallowance period for these Auditing Standards is expected to end on 15 October 2007.

## **AUDITING AND ASSURANCE STANDARDS BOARD PUBLICATIONS**

All pronouncements issued by the AUASB are published on its website and are available for purchase from the AUASB using the contact details below. A full list of pronouncements currently on issue is at Appendix G.

The AUASB also publishes a range of other documents, which are available on its website, including:

- media releases;
- exposure drafts of proposed AUASB standards and explanatory guides;
- explanatory statements for AUASB standards;
- Regulatory Impact Statements for legally enforceable AUASB standards; and
- invitations to comment on exposure drafts issued by the International Auditing and Assurance Standards Board.

## **FREEDOM OF INFORMATION**

The AUASB maintains possession of the following documents:

- copies of Auditing and Assurance Standards, guidance statements and other guidance issued by the former AuASB of the Australian Accounting Research Foundation;
- copies of AUASB pronouncements and explanatory statements;
- copies of exposure drafts of proposed AUASB standards and explanatory guides;
- copies of media releases;
- AUASB meeting agenda papers;
- correspondence with constituents, including submissions received on exposure drafts; and
- internal technical and administrative papers, including project proposals, key decisions, and issues papers.

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

## COMMONWEALTH FRAUD CONTROL GUIDELINES

The AUASB has in place a Fraud Control Plan and fraud control mechanisms, which are appropriate to its needs. The AUASB complied with the requirements of the Commonwealth Fraud Control Guidelines for the year ended 30 June 2007.

## COMMONWEALTH DISABILITY STRATEGY

The AUASB is committed to applying the Commonwealth Disability Strategy (CDS) and has instituted activities that contribute to meeting its requirements. The role of the AUASB is specified elsewhere in this report. For the purposes of the CDS, the AUASB performs a Regulator role.

### Commonwealth Disability Strategy performance reporting

| Requirement for role   | How met   |
|--|---|
| Provision of accessible policy, programme and regulatory information |   |
| Internet format  | AUASB: all news items, policy statements, Auditing Standards, Assurance Standards, related guidance exposure drafts and other formal regulatory documents are available on a Government Standards-compliant website.  |
| Disk format  | Contact details for the AUASB are available on its website. Users can call or write to request material on disk.  |
| Plain English communication  | Where possible, general information is written in plain English. However, some financial reporting matters are highly complex and require the accuracy of technical language.   |
| Consultation   | The AUASB consults widely in its own right, with users, preparers and others interested in financial reporting.<br><br>Because the nature of AUASB activity is broad, and focuses on capital markets, specific consultation with people with disabilities is generally inappropriate. |
| Complaint or grievance mechanisms                                    | Contact details for the AUASB are available on its website. People can call or write to register any complaint.   |

## **CONTACTING THE AUDITING AND ASSURANCE STANDARDS BOARD**

The AUASB can be contacted as follows:

|                    |  |
|--------------------|--|
| Post:              | The Principal Executive<br>Auditing and Assurance Standards Board<br>PO Box 204<br>Collins Street West<br>MELBOURNE VIC 8007 |
| Telephone:         | 03 8080 7400   |
| Facsimile:         | 03 8080 7450   |
| Document exchange: | DX 30897   |
| Email:             | <a href="mailto:enquiries@auasb.gov.au">enquiries@auasb.gov.au</a>   |

## **Part 5: Financial Reports**



# AUSTRALIAN ACCOUNTING STANDARDS BOARD

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## INDEPENDENT AUDITOR'S REPORT

To the Treasurer

### Scope

We have audited the accompanying financial statements of the Australian Accounting Standards Board (the Board) for the year ended 30 June 2007. The financial statements comprise: a statement by the Directors and Chief Executive; income statement; balance sheet; statement of changes in equity; cash flow statement; schedules of commitments and contingencies; a summary of significant accounting policies; and other explanatory notes.

### *The Responsibility of the Directors for the Financial Statements*

The Directors of the Australian Accounting Standards Board are responsible for the preparation and fair presentation of the financial statements in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and Australian Accounting Standards, including Australian Accounting Interpretations. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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

***Independence***

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

**Auditor's Opinion**

In my opinion, the financial statements of the Australian Accounting Standards Board:

- (a) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and Australian Accounting Standards (including Australian Accounting Interpretations); and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Australian Accounting Standards Board's financial position as at 30 June 2007 and of its financial performance and its cash flows for the year then ended.

Australian National Audit Office



P Hinchey  
Senior Director  
Delegate of the Auditor-General

Sydney  
5 September 2007

# AUSTRALIAN ACCOUNTING STANDARDS BOARD

## STATEMENT BY DIRECTORS AND CHIEF EXECUTIVE

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In our opinion, the attached financial statements for the year ended 30 June 2007 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.

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

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



Charles Macek  
Chairman — FRC  
5 September 2007



Bruce Brook  
Director  
5 September 2007



David Boymal  
Chairman — AASB  
5 September 2007

## Australian Accounting Standards Board Income statement

For the year ended 30 June 2007

|   | Notes | 2007<br>\$       | 2006<br>\$       |
|---|-------|------------------|------------------|
| <b>INCOME</b>                           |       |                  |                  |
| <b>Revenues</b>                         |       |                  |                  |
| Revenue from Government                 | 3A    | 2,770,000        | 2,727,500        |
| Sale of goods and rendering of services | 3B    | 104,367          | 124,252          |
| Interest                                | 3C    | 138,475          | 113,834          |
| Rental income                           | 3D    | 35,023           | -                |
| Other revenues                          | 3E    | 1,427,821        | 1,491,647        |
| <b>Total revenue</b>                    |       | <b>4,475,686</b> | <b>4,457,233</b> |
| <b>Gains</b>                            |       |                  |                  |
| Sale of assets                          | 3F    | 1,141            | -                |
| <b>Total gains</b>                      |       | <b>1,141</b>     | <b>-</b>         |
| <b>Total income</b>                     |       | <b>4,476,827</b> | <b>4,457,233</b> |
| <b>Expenses</b>                         |       |                  |                  |
| Employee benefits                       | 4A    | 2,723,774        | 2,616,123        |
| Suppliers                               | 4B    | 1,261,058        | 1,257,058        |
| Grants                                  | 4C    | 200,000          | -                |
| Depreciation and amortisation           | 4D    | 139,179          | 221,366          |
| Finance costs                           | 4E    | 4,938            | -                |
| Write-down and impairment of assets     | 4F    | -                | 457,061          |
| <b>Total Expenses</b>                   |       | <b>4,328,949</b> | <b>4,551,608</b> |
| <b>Surplus (Deficit)</b>                |       | <b>147,878</b>   | <b>(94,375)</b>  |

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

## Australian Accounting Standards Board

### Balance sheet

As at 30 June 2007

|                                     | Notes | 2007<br>\$       | 2006<br>\$       |
|-------------------------------------|-------|------------------|------------------|
| <b>ASSETS</b>                       |       |                  |                  |
| <b>Financial assets</b>             |       |                  |                  |
| Cash and cash equivalents           | 5A    | 3,173,831        | 2,321,846        |
| Trade and other receivables         | 5B    | 57,981           | 353,634          |
| <b>Total financial assets</b>       |       | <b>3,231,812</b> | <b>2,675,480</b> |
| <b>Non-financial assets</b>         |       |                  |                  |
| Infrastructure, plant and equipment | 6A,C  | 744,315          | 288,987          |
| Intangibles                         | 6B,C  | 5,524            | 13,209           |
| Inventories                         | 6D    | 2,661            | 2,995            |
| Other non-financial assets          | 6E    | 100,085          | 121,699          |
| <b>Total non-financial assets</b>   |       | <b>852,585</b>   | <b>426,890</b>   |
| <b>Total assets</b>                 |       | <b>4,084,397</b> | <b>3,102,370</b> |
| <b>LIABILITIES</b>                  |       |                  |                  |
| <b>Payables</b>                     |       |                  |                  |
| Suppliers                           | 7A    | 140,580          | 115,181          |
| Tax liabilities                     | 7B    | 44,095           | 45,444           |
| Other                               | 7C    | 664,317          | 43,849           |
| <b>Total payables</b>               |       | <b>848,992</b>   | <b>204,474</b>   |
| <b>Provisions</b>                   |       |                  |                  |
| Employee provisions                 | 8A    | 544,016          | 664,736          |
| Other provisions                    | 8B    | 95,350           | -                |
| <b>Total provisions</b>             |       | <b>639,366</b>   | <b>664,736</b>   |
| <b>Total liabilities</b>            |       | <b>1,488,358</b> | <b>869,210</b>   |
| <b>Net assets</b>                   |       | <b>2,596,039</b> | <b>2,233,160</b> |
| <b>EQUITY</b>                       |       |                  |                  |
| Retained surplus                    |       | 2,596,039        | 2,233,160        |
| <b>Total equity</b>                 |       | <b>2,596,039</b> | <b>2,233,160</b> |
| <b>Current liabilities</b>          |       | <b>818,989</b>   | <b>869,210</b>   |
| <b>Non-current liabilities</b>      |       | <b>669,369</b>   | <b>-</b>         |
| <b>Current assets</b>               |       | <b>3,253,187</b> | <b>2,814,146</b> |
| <b>Non-current assets</b>           |       | <b>831,210</b>   | <b>288,224</b>   |

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

**Australian Accounting Standards Board**  
**Statement of changes in equity**  
 For the year ended 30 June 2007

|   | <b>Accumulated results</b> |           | <b>Total equity</b> |           |
|---|----------------------------|-----------|---------------------|-----------|
|   | <b>2007</b>                | 2006      | <b>2007</b>         | 2006      |
|   | <b>\$</b>                  | \$        | <b>\$</b>           | \$        |
| <b>Opening balance</b>  | <b>2,233,160</b>           | 2,155,535 | <b>2,233,160</b>    | 2,155,535 |
| <b>Income and expenses</b>  |                            |           |                     |           |
| Surplus   | <b>147,879</b>             | (94,375)  | <b>147,879</b>      | (94,375)  |
| Income and expenses directly recognised<br>in equity Actuarial gains/(losses) | <b>215,000</b>             | 172,000   | <b>215,000</b>      | 172,000   |
| <b>Sub-total income and expenses</b>  |                            |           |                     |           |
| of which:   |                            |           |                     |           |
| attributable to Australian Government   | <b>362,879</b>             | 77,625    | <b>362,879</b>      | 77,625    |
| <b>Total income and expenses recognised in equity</b>                         | <b>362,879</b>             | 77,625    | <b>362,879</b>      | 77,625    |
| <b>Transactions with owners</b>   | -                          | -         | -                   | -         |
| <b>Transfers between equity components</b>                                    | -                          | -         | -                   | -         |
| <b>Closing balance at 30 June 2007</b>  | <b>2,596,039</b>           | 2,233,160 | <b>2,596,039</b>    | 2,233,160 |
| <b>Closing balance attributable to the Australian Government</b>              | <b>2,596,039</b>           | 2,233,160 | <b>2,596,039</b>    | 2,233,160 |

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

## Australian Accounting Standards Board

### Cash flow statement

For the year ended 30 June 2007

|  | Notes | 2007<br>\$       | 2006<br>\$       |
|--|-------|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>                            |       |                  |                  |
| <b>Cash received</b>                                   |       |                  |                  |
| Revenues from Government                               |       | 3,057,500        | 2,491,244        |
| Goods and services                                     |       | 89,279           | 134,082          |
| Interest   |       | 129,269          | 113,834          |
| Net GST received                                       |       | 249,280          | 144,902          |
| Other cash received                                    |       | 1,530,551        | 1,570,305        |
| <b>Total cash received</b>                             |       | <b>5,055,879</b> | <b>4,454,367</b> |
| <b>Cash used</b>                                       |       |                  |                  |
| Employees  |       | 2,640,954        | 2,535,844        |
| Suppliers  |       | 1,201,661        | 1,483,499        |
| Net GST paid   |       | 293,623          | 130,260          |
| Other cash used  |       | 200,000          | -                |
| <b>Total cash used</b>                                 |       | <b>4,336,238</b> | <b>4,149,603</b> |
| <b>Net cash from or (used by) operating activities</b> | 9     | <b>719,641</b>   | <b>304,764</b>   |
| <b>INVESTING ACTIVITIES</b>                            |       |                  |                  |
| <b>Cash received</b>                                   |       |                  |                  |
| Proceeds from sale of plant and equipment              |       | 22,144           | -                |
| <b>Total cash received</b>                             |       | <b>22,144</b>    | <b>-</b>         |
| <b>Cash used</b>                                       |       |                  |                  |
| Purchase of property, plant and equipment              |       | 599,927          | 51,145           |
| <b>Total cash used</b>                                 |       | <b>599,927</b>   | <b>51,145</b>    |
| <b>Net cash from or (used by) investing activities</b> |       | <b>(577,783)</b> | <b>(51,145)</b>  |
| <b>FINANCING ACTIVITIES</b>                            |       |                  |                  |
| <b>Cash received</b>                                   |       |                  |                  |
| Lease incentive  |       | 710,127          | -                |
| <b>Total cash received</b>                             |       | <b>710,127</b>   | <b>-</b>         |
| <b>Cash used</b>                                       |       |                  |                  |
| Other cash used  |       | -                | -                |
| <b>Total cash used</b>                                 |       | <b>-</b>         | <b>-</b>         |
| <b>Net cash from or (used by) financing activities</b> |       | <b>710,127</b>   | <b>-</b>         |
| <b>Net increase or (decrease) in cash held</b>         |       | <b>851,985</b>   | <b>253,619</b>   |
| Cash at the beginning of the reporting period          |       | 2,321,846        | 2,068,227        |
| <b>Cash at the end of the reporting period</b>         | 5A    | <b>3,173,831</b> | <b>2,321,846</b> |

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

## Australian Accounting Standards Board

### Schedule of commitments

As at 30 June 2007

|  | Notes | 2007             | 2006             |
|--|-------|------------------|------------------|
|  |       | \$               | \$               |
| <b>BY TYPE</b>                           |       |                  |                  |
| <b>Commitments receivable</b>            |       |                  |                  |
| Sublease rental income <sup>1</sup>      |       | 463,674          | 502,002          |
| GST recoverable on commitments           |       | 459,782          | 480,446          |
| <b>Total commitments receivable</b>      |       | <b>923,456</b>   | <b>982,448</b>   |
| <b>Other commitments</b>                 |       |                  |                  |
| Operating leases <sup>2</sup>            |       | 4,547,558        | 4,732,702        |
| Other commitments                        |       | 46,368           | 50,200           |
| <b>Total other commitments</b>           |       | <b>4,593,926</b> | <b>4,782,902</b> |
| <b>Net commitments by type</b>           |       | <b>3,670,470</b> | <b>3,800,454</b> |
| <b>BY MATURITY</b>                       |       |                  |                  |
| <b>Commitments receivable</b>            |       |                  |                  |
| One year or less                         |       | 88,174           | 79,074           |
| From one to five years                   |       | 386,722          | 365,383          |
| Over five years                          |       | 448,560          | 537,991          |
|  |       | <b>923,456</b>   | <b>982,448</b>   |
| <b>Commitments payable</b>               |       |                  |                  |
| <b>Operating lease commitments</b>       |       |                  |                  |
| One year or less                         |       | 445,438          | 398,510          |
| From one to five years                   |       | 1,937,677        | 1,690,267        |
| Over five years                          |       | 2,164,443        | 2,643,925        |
| <b>Total operating lease commitments</b> |       | <b>4,547,558</b> | <b>4,732,702</b> |
| <b>Other commitments</b>                 |       |                  |                  |
| One year or less                         |       | 4,335            | 3,833            |
| From one to five years                   |       | 19,143           | 18,406           |
| Over five years                          |       | 22,890           | 27,961           |
| <b>Total other commitments</b>           |       | <b>46,368</b>    | <b>50,200</b>    |
| <b>Net commitments by maturity</b>       |       | <b>3,670,470</b> | <b>3,800,454</b> |

NB: Commitments are GST inclusive where relevant.

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

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

| Nature of lease                | General description of leasing arrangement   |
|--------------------------------|--|
| Lease for office accommodation | Lease payments are subject to increase of 4 per cent per annum as per Lease agreement. |
| Lease of photocopier           | The lessor provides a photocopier for 36 months at a fixed instalment rate             |

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



**Australian Accounting Standards Board**  
**Schedule of contingencies**  
As at 30 June 2007

There are no known contingencies as at 30 June 2007.

(Nil contingencies as at 30 June 2006.)

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 1: Summary of significant accounting policies

#### 1.1 Basis of preparation of the Financial Statements

The Financial Statements and notes are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a General Purpose Financial Report.

The AASB is dependent on funding from the Parliament of the Commonwealth and on contributions from the States and Territories, CPA Australia, The Institute of Chartered Accountants in Australia, the National Institute of Accountants and the Australian Stock Exchange to carry out its normal activities.

The Financial Statements and Notes have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 1 July 2006)); and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The Financial Report is presented in Australian dollars.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

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

## 1.2 Significant accounting judgements and estimates

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

## 1.3 Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

The AASB has applied Australian Accounting Standards in preparing its financial report for the year ended 30 June 2007. Some of the requirements of these standards, as they apply to not-for-profit entities such as the AASB, are different from IFRSs. The nature and timing of the transactions in the year ended 30 June 2007 have been such that these differences have not had an impact on the AASB's financial report. Accordingly, the application of Australian Accounting Standards in the year ended 30 June 2007 has given the same outcomes as would have been achieved had the AASB applied IFRSs. Whether the AASB also complies with IFRSs in future years depends on the nature and timing of the transactions in those years.

Australian Accounting Standards require the AASB to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective.

The AASB website identifies standards and amendments that will become effective in the future. The AASB intends to adopt all of the standards upon their application date where they apply to the AASB.

The impact of the adoption of these standards on the financial report is not expected to be financially significant based on the AASB's initial assessment at this date, but this assessment may change.

Users should consult the full version available on the AASB website to identify the full impact of the change.

## 1.4 Revenue

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

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

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

## 1.5 Employee benefits

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

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

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

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

### *Leave*

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the AASB is estimated to be less than the annual entitlements for sick leave.

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

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2007. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

### *Superannuation*

The AASB sponsors the AASB Superannuation Plan, which provides accumulation benefits to members.

For certain employees, the AASB has guaranteed minimum accumulated balances equivalent to benefits under a defined benefit plan. The Present Value of the Defined Benefit Obligation of these members as at 30 June 2007 amounted to \$2,586,000 (2006: \$2,563,000) compared to the fair value of attributable assets of \$2,692,000 (2006: \$2,461,000), giving a surplus of \$106,000 (2006: deficiency \$102,000). A provision for this surplus has been recognised at 30 June 2007 (refer Notes 4A and 8A).

Refer to Note 8A (i) for a reconciliation of the superannuation liability as at 30 June 2007.

## **1.6 Leases**

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

The AASB has no finance leases.

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

## **1.7 Cash**

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

Temporarily surplus funds are placed on deposit at call with the AASB's Business Investment Account. Interest is credited to revenue as it accrues.

## **1.8 Receivables**

Receivables are recognised at nominal amounts due less any provision for bad and doubtful debts. Credit terms are 14 days (2005-06: 14 days).

## **1.9 Financial risk management**

The AASB's activities expose it to normal commercial financial risk. As a result of the nature of the AASB's business, internal controls, and Australian Government policies dealing with the management of financial risk, the AASB's exposure to market, credit, liquidity and cash flow and fair value interest rate risk is considered to be low.

## **1.10 Derecognition of financial assets and liabilities**

Financial assets are derecognised when the contractual rights to the cash flow from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged or cancelled or expires.

## **1.11 Impairment of financial assets**

Financial assets are assessed for impairment at each balance date.

### *Financial assets held at cost*

If there is objective evidence that an impairment loss has been incurred on the funds held in the AASB business investment account with the National Australia Bank, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets. Since the account is a current account and the interest is a commercial rate calculated daily, the asset has not been discounted.

If there is objective evidence that an impairment loss has been incurred for receivables, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

### *Comparative year*

For the comparative year, receivables were recognised and carried at original invoice amount less a provision for doubtful debts based on an estimate made when collection of the full amount was no longer probable. There were no bad debts.

## **1.12 Payables**

Payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Settlement is usually made net 30 days.

## **1.13 Contingent liabilities and contingent assets**

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are discussed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is greater than remote.

## **1.14 Acquisition of assets**

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

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

recognised in the transferor authority's accounts immediately prior to the restructuring.

### 1.15 Plant and equipment (P&E)

#### *Asset recognition threshold*

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$500, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

#### *Revaluations*

Leasehold improvements, plant and equipment are carried at fair value, being revalued with sufficient frequency such that the carrying amount of each asset is not materially different, at reporting date, from its fair value. Valuations undertaken in each year are as at 30 June.

Fair values for each class of asset are determined as follows:

|   |                              |
|---|------------------------------|
| Furniture and equipment (other than computer equipment) | Market selling price         |
| Computers and related equipment                         | Depreciated replacement cost |
| Leasehold Improvements                                  | Depreciated replacement cost |

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

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

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

#### *Depreciation*

Depreciable leasehold improvements, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the AASB using, in all cases, the straight line method of depreciation. Leasehold improvements are depreciated on a straight line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

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

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

|                        | 2007          | 2006          |
|------------------------|---------------|---------------|
| Leasehold improvements | Lease term    | Lease term    |
| Plant and equipment    | 3 to 10 years | 3 to 10 years |

The aggregate amount of depreciation/amortisation allocated for each class of asset during the reporting period is disclosed in Note 4D.

### 1.16 Impairment

All assets were assessed for impairment at 30 June 2007. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

### 1.17 Intangibles

The AASB's intangible assets comprise purchased software and licences for internal use. These assets are carried at cost.

Software and licences are amortised on a straight line basis over their anticipated useful life. The useful life of AASB's software and licences is 3-5 years (2005-06: 3-5 years).

### 1.18 Inventories

Inventories held for resale are valued at the lower of cost and net realisable value.

### 1.19 Taxation

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



Revenues, expenses and assets are recognised net of GST:

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

### **1.20 Insurance**

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

### **1.21 Foreign currency**

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency transactions relate primarily to currency obtained for overseas travel. The amounts and any associated gains or losses are not material.

### **1.22 Comparative figures**

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

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

At the date of this report, the AASB has no reportable events after the Balance Sheet date.

**Note 3: Income**

|  | <b>2007</b>      | 2006      |
|--|------------------|-----------|
|  | <b>\$</b>        | \$        |
| <i>Revenue</i>   |                  |           |
| <b>Note 3A: Revenues from Government</b>                               |                  |           |
| Other:   |                  |           |
| ASIC funding   | <b>1,620,000</b> | 1,607,500 |
| Appropriation funds from FRC   | <b>1,150,000</b> | 1,120,000 |
| <b>Total revenue from Government</b>                                   | <b>2,770,000</b> | 2,727,500 |
| <b>Note 3B: Sale of goods and rendering of services</b>                |                  |           |
| Provision of goods — related entities                                  | <b>3,663</b>     | 2,770     |
| Provision of goods — non-related entities                              | <b>100,704</b>   | 121,482   |
| <b>Total sales of goods</b>  | <b>104,367</b>   | 124,252   |
| <b>Total sales of goods and rendering of services</b>                  | <b>104,367</b>   | 124,252   |
| <b>Note 3C: Interest</b>   |                  |           |
| Deposits   | <b>138,475</b>   | 113,834   |
| <b>Total interest</b>  | <b>138,475</b>   | 113,834   |
| <b>Note 3D: Rental income</b>  |                  |           |
| Operating lease:   |                  |           |
| Other  | <b>35,023</b>    | -         |
| <b>Total rental income</b>   | <b>35,023</b>    | -         |
| <b>Note 3E: Other revenue</b>  |                  |           |
| Contributions from States and Territories                              | <b>500,000</b>   | 500,000   |
| Contributions from CPA Australia                                       | <b>245,000</b>   | 325,000   |
| Contributions from the Institute of Chartered Accountants in Australia | <b>245,000</b>   | 325,000   |
| Contributions from National Institute of Accountants                   | <b>110,000</b>   | 100,000   |
| Contributions from Australian Stock Exchange                           | <b>100,000</b>   | 100,000   |
| Contributions from Companies Unclaimed Monies Account                  | <b>75,000</b>    | -         |
| <b>Total contributions</b>   | <b>1,275,000</b> | 1,350,000 |
| Seminar income   | -                | 207       |
| Recoupment of costs from AUASB   | <b>133,583</b>   | 141,440   |
| South Australian Auditor-General                                       | <b>19,238</b>    | -         |
| <b>Total other revenue</b>   | <b>1,427,821</b> | 1,491,647 |
| <i>Gains</i>   |                  |           |
| <b>Note 3F: Sale of assets</b>   |                  |           |
| Infrastructure, plant and equipment                                    |                  |           |
| Proceeds from sale   | <b>1,141</b>     | -         |
| <b>Net gain from sale of assets</b>                                    | <b>1,141</b>     | -         |

**Note 4: Expenses**

|   | <b>2007</b>      | 2006      |
|---|------------------|-----------|
|   | <b>\$</b>        | <b>\$</b> |
| <b>4A: Employee benefits</b>                        |                  |           |
| Wages and salaries                                  | <b>2,395,622</b> | 2,542,716 |
| Superannuation                                      | <b>257,362</b>   | 29,137    |
| Leave and other benefits                            | <b>70,790</b>    | 44,270    |
| <b>Total employee benefits</b>                      | <b>2,723,774</b> | 2,616,123 |
| <b>Note 4B: Suppliers expenses</b>                  |                  |           |
| Provision of goods — related entities               | <b>339</b>       | -         |
| Provision of goods — external entities              | <b>86,494</b>    | 105,572   |
| Provision of services — related entities            | <b>86,801</b>    | 108,006   |
| Provision of services — external entities           | <b>745,462</b>   | 575,457   |
| Operating lease rentals:                            |                  |           |
| Minimum lease payments                              | <b>331,382</b>   | 453,856   |
| Workers compensation premiums                       | <b>10,580</b>    | 14,167    |
| <b>Total supplier expenses</b>                      | <b>1,261,058</b> | 1,257,058 |
| <b>Note 4C: Grants</b>                              |                  |           |
| Grant to IASC Foundation                            | <b>200,000</b>   | -         |
| <b>Total grants</b>                                 | <b>200,000</b>   | -         |
| <b>Note 4D: Depreciation and amortisation</b>       |                  |           |
| Depreciation:                                       |                  |           |
| Infrastructure, plant and equipment                 | <b>122,453</b>   | 214,479   |
| <b>Total depreciation</b>                           | <b>122,453</b>   | 214,479   |
| Amortisation:                                       |                  |           |
| Intangibles:  |                  |           |
| Computer software                                   | <b>7,685</b>     | 6,887     |
| Make good asset                                     | <b>9,041</b>     | -         |
| <b>Total amortisation</b>                           | <b>16,726</b>    | 6,887     |
| <b>Total depreciation and amortisation</b>          | <b>139,179</b>   | 221,366   |
| <b>Note 4E: Finance costs</b>                       |                  |           |
| Unwinding of discount                               | <b>4,938</b>     | -         |
| <b>Total finance costs</b>                          | <b>4,938</b>     | -         |
| <b>Note 4F: Write-down and impairment of assets</b> |                  |           |
| Impairment of non-financial assets                  |                  |           |
| Leasehold improvements                              | -                | 456,322   |
| Furniture and equipment                             | -                | 739       |
| <b>Total write-down and impairment of assets</b>    | -                | 457,061   |

**Note 5: Financial assets**

|  | <b>2007</b>      | 2006      |
|--|------------------|-----------|
|  | <b>\$</b>        | \$        |
| <b>Note 5A: Cash and cash equivalents</b>          |                  |           |
| Cash at bank                                       | <b>673,831</b>   | 2,321,846 |
| Term deposit                                       | <b>2,500,000</b> | -         |
| <b>Total cash and cash equivalents</b>             | <b>3,173,831</b> | 2,321,846 |
| <b>Note 5B: Trade and other receivables</b>        |                  |           |
| GST receivable from the Australian Taxation Office | <b>15,152</b>    | 15,094    |
| Other:   |                  |           |
| Interest   | <b>9,205</b>     | -         |
| Other receivables                                  | <b>33,624</b>    | 338,540   |
| <b>Total trade and other receivables (net)</b>     | <b>57,981</b>    | 353,634   |
| All receivables are current                        |                  |           |

**Note 6: Non-financial assets**

|  | <b>2007</b>      | 2006      |
|--|------------------|-----------|
|  | <b>\$</b>        | \$        |
| <b>Note 6A: Infrastructure, plant and equipment</b>            |                  |           |
| Infrastructure, plant and equipment                            |                  |           |
| — gross carrying value (at fair value)                         | <b>987,693</b>   | 456,615   |
| — accumulated depreciation                                     | <b>(243,378)</b> | (167,628) |
| <b>Total infrastructure, plant and equipment (non-current)</b> | <b>744,315</b>   | 288,987   |
| <b>Note 6B: Intangibles</b>                                    |                  |           |
| Computer software at cost:                                     | <b>20,896</b>    | 30,419    |
| Accumulated amortisation                                       | <b>(15,372)</b>  | (17,210)  |
| <b>Total intangibles (non-current)</b>                         | <b>5,524</b>     | 13,209    |

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

Table A — reconciliation of the opening and closing balance of infrastructure, plant and equipment and intangibles for 2006-2007.

|  | Infrastructure,<br>plant and<br>equipment<br>\$ | Computer<br>software<br>purchased<br>\$ |
|--|---|---|
| <b>As at 1 July 2006</b>                                 |   |   |
| Gross book value   | 456,615   | 30,419                                  |
| Accumulated depreciation/amortisation                    | (167,628)                                       | (17,210)                                |
| <b>Net book value 1 July 2006</b>                        | <b>288,987</b>                                  | <b>13,209</b>                           |
| Additions by purchase                                    | 599,925   | -                                       |
| Depreciation/amortisation expense                        | (122,453)                                       | (7,685)                                 |
| Other disposals  | (22,144)  | -                                       |
|  | <b>455,328</b>                                  | <b>(7,685)</b>                          |
| <b>Net book value as of 30 June 2007 represented by:</b> |   |   |
| Gross book value   | 987,693   | 20,896                                  |
| Accumulated depreciation/amortisation                    | (243,378)                                       | (15,372)                                |
| <b>Net book value 30 June 2007</b>                       | <b>744,315</b>                                  | <b>5,524</b>                            |

Table B — reconciliation of the opening and closing balance of infrastructure, plant and equipment and intangibles for 2005-2006.

|  | Infrastructure,<br>plant and<br>equipment<br>\$ | Computer<br>software<br>purchased<br>\$ |
|--|---|---|
| <b>As at 1 July 2005</b>                                 |   |   |
| Gross book value   | 1,180,318                                       | 19,999                                  |
| Accumulated depreciation/amortisation                    | (275,387)                                       | (10,323)                                |
| <b>Net book value 1 July 2005</b>                        | <b>904,931</b>                                  | <b>9,676</b>                            |
| Additions by purchase                                    | 55,596  | 10,420                                  |
| Depreciation/amortisation expense                        | (214,479)                                       | (6,887)                                 |
| Other disposals  | (457,061)                                       | -                                       |
|  | <b>(615,944)</b>                                | <b>3,533</b>                            |
| <b>Net book value as of 30 June 2006 represented by:</b> |   |   |
| Gross book value   | 456,615   | 30,419                                  |
| Accumulated depreciation/amortisation                    | (167,628)                                       | (17,210)                                |
| <b>Net book value 30 June 2006</b>                       | <b>288,987</b>                                  | <b>13,209</b>                           |

|  | 2007           | 2006           |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>Note 6D: Inventories</b>                |                |                |
| Inventories held for sale                  | 2,661          | 2,995          |
| <b>Total inventories</b>                   | <b>2,661</b>   | <b>2,995</b>   |
| All inventories are current assets         |                |                |
| <b>Note 6E: Other non-financial assets</b> |                |                |
| Restoration of Leasehold Improvements      | 90,412         | -              |
| Accumulated amortisation                   | (9,041)        | -              |
| Other                                      | 18,714         | 121,699        |
| <b>Total other non-financial assets</b>    | <b>100,085</b> | <b>121,699</b> |

Restoration of Leasehold Improvements and accumulated amortisation are non-current assets. All other assets are current.

## Note 7: Payables

|  | 2007           | 2006           |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>Note 7A: Suppliers</b>              |                |                |
| Trade creditors                        | 140,580        | 115,181        |
| <b>Total supplier payables</b>         | <b>140,580</b> | <b>115,181</b> |
| Supplier payables are represented by:  |                |                |
| Current                                | 140,580        | 115,181        |
| <b>Total supplier payables</b>         | <b>140,580</b> | <b>115,181</b> |
| Settlement is usually made net 30 days |                |                |
| <b>Note 7B: Tax liabilities</b>        |                |                |
| Tax liabilities equivalent             | 44,095         | 45,444         |
| <b>Total tax liabilities</b>           | <b>44,095</b>  | <b>45,444</b>  |
| Tax liabilities are represented by:    |                |                |
| Current                                | 44,095         | 45,444         |
| <b>Total tax liabilities</b>           | <b>44,095</b>  | <b>45,444</b>  |
| <b>Note 7C: Other payables</b>         |                |                |
| Lease incentive                        | 645,032        | -              |
| Other                                  | 19,285         | 43,849         |
| <b>Total other payables</b>            | <b>664,317</b> | <b>43,849</b>  |
| Other payables are represented by:     |                |                |
| Current                                | 90,298         | 43,849         |
| Non-current                            | 574,019        | -              |
| <b>Total other payables</b>            | <b>664,317</b> | <b>43,849</b>  |

**Note 8: Provisions**

|   | <b>2007</b>                       | 2006      |
|---|-----------------------------------|-----------|
|   | <b>\$</b>                         | \$        |
| <b>Note 8A: Employee provisions</b>                   |                                   |           |
| Salaries and wages                                    | 15,692                            | (798)     |
| Annual Leave  | 298,479                           | 252,614   |
| Long service leave                                    | 335,845                           | 310,920   |
| Superannuation [Note 1.5, 8A(i)]                      | (106,000)                         | 102,000   |
| <b>Total employee provisions</b>                      | <b>544,016</b>                    | 664,736   |
| Employee provisions are represented by:               |                                   |           |
| Current   | 544,016                           | 562,736   |
| Non-current   | -                                 | 102,000   |
| <b>Total employee provisions</b>                      | <b>544,016</b>                    | 664,736   |
| <b>Note 8A (i): Superannuation provision</b>          |                                   |           |
| Net superannuation liability (asset) at start of year | 102,000                           | 205,000   |
| Expense recognised in income statement                | 106,000                           | 193,000   |
| Amount directly recognised in retained surplus        | (215,000)                         | (172,000) |
| Employer contributions                                | (99,000)                          | (124,000) |
| Net superannuation liability (asset) at end of year   | (106,000)                         | 102,000   |
| <b>Note 8B: Other provisions</b>                      |                                   |           |
| Restoration obligations                               | 95,350                            | -         |
| <b>Total other provisions</b>                         | <b>95,350</b>                     | -         |
| Other provisions are represented by:                  |                                   |           |
| Current   | -                                 | -         |
| Non-current   | 95,350                            | -         |
| <b>Total other provisions</b>                         | <b>95,350</b>                     | -         |
|   | <b>Provisions for restoration</b> |           |
| <b>Carrying amount 1 July 2006</b>                    | -                                 | -         |
| Additional provisions made                            | 90,412                            | -         |
| Unwinding of discount                                 | 4,938                             | -         |
| <b>Closing balance 30 June 2007</b>                   | <b>95,350</b>                     | -         |

The AASB currently has one agreement for the leasing of premises which have provisions requiring the AASB to restore the premises to their original condition at the conclusion of the lease. The AASB has made a provision to reflect the present value.

**Note 9: Cash flow reconciliation**

|  | 2007           | 2006            |
|--|----------------|-----------------|
|  | \$             | \$              |
| <b>Reconciliation of operating result to net cash from operating activities:</b> |                |                 |
| Operating result   | 147,879        | (94,375)        |
| Other movement in retained surplus — superannuation actuarial gain               | 215,000        | -               |
| <b>Adjusted result from operating activities</b>                                 | <b>362,879</b> | <b>(94,375)</b> |
| <b>Non cash items</b>  |                |                 |
| Depreciation   | 139,179        | 221,366         |
| Amortisation of lease  | (65,095)       | -               |
| Net write down of non-financial assets   | -              | 457,061         |
| Unwinding of discount  | 4,938          | -               |
| (Increase)/decrease in net receivables   | 295,654        | (302,785)       |
| (Increase)/decrease in inventories   | 334            | 1,542           |
| (Increase)/decrease in prepayments   | 102,986        | (81,071)        |
| (Increase)/decrease in superannuation provision                                  | (208,000)      | 69,826          |
| Increase/(decrease) in employee provisions — (non super'n)                       | 87,280         | 46,313          |
| Increase/(decrease) in supplier payables   | 25,399         | (11,202)        |
| Decrease/(increase) in subscriptions in advance                                  | (25,314)       | 1,963           |
| Increase/(decrease) in other payables  | 750            | -               |
| Increase/(decrease) in tax liabilities   | (1,349)        | (3,874)         |
| <b>Net cash from/(used by) operating activities</b>                              | <b>719,641</b> | <b>304,764</b>  |

**Note 10: Directors' remuneration**

The number of directors of the AASB included in these figures are shown below in the relevant remuneration bands.

|  |                |                |
|--|----------------|----------------|
| \$.....nil — \$14,999  | 19             | 21             |
| \$75,001 — \$90,000  | 1              | 1              |
| <b>Total number of directors of the AASB</b>   | <b>20</b>      | <b>22</b>      |
| Aggregate amount of superannuation payments in connection with the retirement of directors | 10,200         | 9,835          |
| Other remuneration received or due and receivable by directors of the AASB                 | 121,297        | 109,276        |
| <b>Total remuneration received or due and receivable by directors of the AASB*</b>         | <b>131,497</b> | <b>119,111</b> |

\* Director's remuneration relates to the remuneration of the FRC Chairman and the sitting fees paid to members of the FRC. The members of the FRC are the Directors of both the AASB and AUASB, however, their remuneration, and all the FRC related expenses are met by the Department of Treasury.

# Nine (9) of the members in the nil — \$14,999 range received no remuneration.



## Note 11: Related party disclosures

### Chairman

Charles Macek                      Company Director, Melbourne  
 Nominated by the Securities Institute  
 Appointed by the Australian Government  
 Reappointed Chairman from 11 June 2006 to 10 December 2007

### Deputy Chairman

Elizabeth Alexander AM        Company Director, Melbourne  
 Nominated by the Australian Government  
 Reappointed from 7 March 2005 to 6 September 2006, and  
 22 September 2006 to 31 October 2007

### Members

Bruce Brook                      Company Director, Melbourne  
 Nominated by Business Council of Australia  
 Appointed from 7 March 2006 to 6 March 2009

Kathryn Campbell              Deputy Secretary, Financial Management Group, Department of Finance and  
 Administration, Canberra  
 Nominated by the Australian Government  
 Appointed from 22 September 2006 to 31 October 2009

Don Challen                      Secretary, Tasmanian Department of Treasury and Finance, Hobart  
 Nominated by Heads of State and Territory Treasuries  
 Reappointed from 7 March 2005 to 6 September 2006, and  
 22 September 2006 to 6 March 2008

Michael Coleman                Partner, KPMG, Sydney  
 Nominated by the Australian Institute of Company Directors  
 Appointed from 22 September 2006 to 31 October 2009

Mark Coughlin                 General Manager, South Australia and Envestra Services, APA Group,  
 Adelaide  
 Nominated by CPA Australia  
 Appointed from 22 September 2006 to 31 October 2009

John Gethin-Jones              General Manager, Queensland Investment Corporation, Brisbane  
 Nominated by the Investment and Financial Services Association  
 Appointed from 11 June 2006 to 10 June 2009

Richard Humphry AO          Trustee, International Accounting Standards Committee Foundation, Sydney  
 Nominated by the Australian Government  
 Appointed from 7 March 2005 to 6 March 2008

Warwick Hunt                    Chair, Accounting Standards Review Board of New Zealand, Auckland  
 Nominated by the New Zealand Minister of Finance  
 Appointed from 9 February 2005 to 8 February 2008

## Members (continued)

|                     |   |
|---------------------|---|
| David Jackson       | Member, Australian Shareholders' Association, Sydney<br>Nominated by the Australian Shareholders' Association<br>Reappointed from 22 September 2006 to 19 March 2008  |
| Graeme McGregor AO  | Company Director, Melbourne<br>Nominated by CPA Australia<br>Reappointed from 7 March 2005 to 6 September 2006  |
| Eric Mayne          | Chief Supervision Officer, Markets Supervision, Australian Securities Exchange, Sydney<br>Nominated by the Australian Securities Exchange<br>Appointed from 6 March 2006 to 26 February 2009                    |
| Jim Murphy          | Executive Director, Markets Group, Department of the Treasury, Canberra<br>Nominated by the Australian Government<br>Reappointed from 7 March 2006 to 6 March 2009  |
| Phillip Prior       | Chief Financial Officer, Department of Defence, Canberra<br>Nominated by the Australian Government<br>Reappointed from 13 September 2004 to 12 September 2006   |
| John Stanhope       | Chief Financial Officer and Group Managing Director, Finance and Administration, Telstra Corporation Limited, Melbourne<br>Nominated by the Group of 100 Inc<br>Appointed from 6 March 2006 to 26 February 2009 |
| Catherine Walter AM | Company Director and Solicitor, Melbourne<br>Chair of the Business Regulation Advisory Group<br>Nominated by the Australian Government<br>Reappointed from 7 March 2006 to 6 March 2009                         |
| Jan West            | Partner, Deloitte Touche Tohmatsu, Melbourne<br>Nominated by The Institute of Chartered Accountants in Australia<br>Appointed from 7 March 2005 to 6 March 2008   |
| Lee White           | Chief Accountant, Australian Securities and Investments Commission (ASIC), Sydney<br>Nominated by ASIC<br>Appointed from 6 March 2006 to 26 February 2009   |
| Klaus Zimmermann    | Chief Executive Officer, Eldercare Incorporated, Adelaide<br>Nominated by the National Institute of Accountants<br>Reappointed from 7 March 2006 to 6 March 2009  |

**Note 12: Executive remuneration**

|  | 2007           | 2006      |
|--|----------------|-----------|
| The number of senior executives who received or were due to receive total remuneration of \$130,000 or more: |                |           |
| \$60,000 — \$79,999  | 1              | -         |
| \$80,000 — \$95,000  | 1              | -         |
| \$130,000 — \$144,999  | -              | 1         |
| \$265,000 — \$279,999  | -              | 1         |
| \$280,000 — \$294,999  | 1              | 1         |
| \$330,000 — \$344,999  | 1              | -         |
|  | <b>4</b>       | <b>3</b>  |
|  | <b>\$</b>      | <b>\$</b> |
| The aggregate amount of total remuneration of executives shown above   | <b>787,524</b> | 699,831   |
| The aggregate amount of separation benefit payment during the year to executives shown above                 | <b>28,360</b>  | -         |

The senior executives' remuneration includes executives concerned with or taking part in the management of the AASB during 2006-07, except the FRC Chairman. Details in relation to the remuneration of the FRC Chairman and FRC members have been incorporated into Note 10: Directors remuneration.

**Note 13: Remuneration of part-time members of the AASB**

|              | 2007          | 2006      |
|--------------|---------------|-----------|
|              | <b>\$</b>     | <b>\$</b> |
| Sitting fees | <b>77,031</b> | 98,470    |

**Note 14: Remuneration of auditors**

|  | 2007          | 2006      |
|--|---------------|-----------|
|  | <b>\$</b>     | <b>\$</b> |
| Financial statement audit services are provided to the Authority   |               |           |
| Remuneration to the Australian National Audit Office (ANAO) for auditing the financial statements for the reporting period | <b>20,000</b> | 18,000    |
| No other services were provided by the ANAO during the reporting period.   |               |           |

**Note 15: Average staffing levels**

|  | 2007      | 2006 |
|--|-----------|------|
| The average staffing levels for the AASB during the year were (equivalent full-time staff) | <b>23</b> | 22   |

**Note 16: Financial instruments**

Note 16A: Interest rate risk

| Financial instrument                            | Notes | Floating interest rate |                  | Non-interest bearing |                  | Total            |                  | Weighted average effective interest rate |         |
|---|-------|------------------------|------------------|----------------------|------------------|------------------|------------------|--|---------|
|   |       | 2006-07                | 2005-06          | 2006-07              | 2005-06          | 2006-07          | 2005-06          | 2006-07                                  | 2005-06 |
|   |       | \$                     | \$               | \$                   | \$               | \$               | \$               | %  | %       |
| <b>Financial assets (recognised)</b>            |       |                        |                  |                      |                  |                  |                  |  |         |
| Cash on hand                                    | 5A    | -                      | -                | 2,482                | 1,584            | 2,482            | 1,584            | n/a                                      | n/a     |
| Cash at bank-cheque account                     | 5A    | 148,271                | 280,264          | -                    | -                | 148,271          | 280,264          | 3.91                                     | 3.65    |
| Cash at bank-AA SB bus invest a/c               | 5A    | 523,079                | 2,039,998        | -                    | -                | 523,079          | 2,039,998        | 5.26                                     | 5.15    |
| Term deposit                                    | 5A    | 2,500,000              | -                | -                    | -                | 2,500,000        | -                | 6.40                                     | n/a     |
| Receivables for goods and services              | 5B    | -                      | -                | 57,980               | 353,634          | 57,980           | 353,634          | n/a                                      | n/a     |
| <b>Total financial assets (recognised)</b>      |       | <b>3,171,350</b>       | <b>2,320,262</b> | <b>60,462</b>        | <b>355,218</b>   | <b>3,231,812</b> | <b>2,675,480</b> |  |         |
| <b>Total assets</b>                             |       |                        |                  | <b>4,084,397</b>     | <b>3,102,370</b> |                  |                  |  |         |
| <b>Financial liabilities (recognised)</b>       |       |                        |                  |                      |                  |                  |                  |  |         |
| Suppliers                                       | 7A    | -                      | -                | 140,580              | 115,181          | 140,580          | 115,181          |  |         |
| Tax liabilities                                 | 7B    | -                      | -                | 44,095               | 45,444           | 44,095           | 45,444           |  |         |
| Other   | 7C    | -                      | -                | 664,317              | 43,849           | 664,317          | 43,849           |  |         |
| <b>Total financial liabilities (recognised)</b> |       |                        |                  | <b>848,992</b>       | <b>204,474</b>   | <b>848,992</b>   | <b>204,474</b>   |  |         |
| <b>Total liabilities</b>                        |       |                        |                  | <b>1,488,358</b>     | <b>869,210</b>   |                  |                  |  |         |

**Note 16B**

The fair value of financial assets and liabilities approximate their carrying amounts.

**Note 16C**

The economic entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.

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



# AUDITING AND ASSURANCE STANDARDS BOARD

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## INDEPENDENT AUDITOR'S REPORT

To the Treasurer

### Scope

We have audited the accompanying financial statements of the Auditing and Assurance Standards Board (the Board) for the year ended 30 June 2007. The financial statements comprise: a statement by the Directors and Chief Executive; income statement; balance sheet; statement of changes in equity; cash flow statement; schedules of commitments and contingencies; a summary of significant accounting policies; and other explanatory notes.

### *The Responsibility of the Directors for the Financial Statements*

The Directors of the Auditing and Assurance Standards Board are responsible for the preparation and fair presentation of the financial statements in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and Australian Accounting Standards, including Australian Accounting Interpretations. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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

***Independence***

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

**Auditor's Opinion**

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

- (a) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and Australian Accounting Standards (including Australian Accounting Interpretations); and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Auditing and Assurance Standards Board's financial position as at 30 June 2007 and of its financial performance and its cash flows for the year then ended.

Australian National Audit Office



P Hinchey  
Senior Director  
Delegate of the Auditor-General

Sydney  
5 September 2007

# AUDITING AND ASSURANCE STANDARDS BOARD STATEMENT BY DIRECTORS AND CHIEF EXECUTIVE

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In our opinion, the attached financial statements for the year ended 30 June 2007 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.

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

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



Charles Macek  
Chairman — FRC  
5 September 2007



Bruce Brook  
Director  
5 September 2007



Merran Kelsall  
Chairman — AUASB  
5 September 2007

**Auditing and Assurance Standards Board****Income statement**

For the year ended 30 June 2007

|                                     | Notes | 2007<br>\$       | 2006<br>\$ |
|-------------------------------------|-------|------------------|------------|
| <b>INCOME</b>                       |       |                  |            |
| <b>Revenues</b>                     |       |                  |            |
| Revenue from Government             | 3A    | 1,300,000        | 900,000    |
| Interest                            | 3B    | 26,652           | 32,187     |
| Rental income                       | 3C    | 21,194           | -          |
| Other revenues                      | 3D    | 900,000          | 1,000,000  |
| <b>Total revenue</b>                |       | <b>2,247,846</b> | 1,932,187  |
| <b>Gains</b>                        |       |                  |            |
| Sale of assets                      | 3E    | 45               | -          |
| <b>Total gains</b>                  |       | <b>45</b>        | -          |
| <b>Total income</b>                 |       | <b>2,247,891</b> | 1,932,187  |
| <b>Expenses</b>                     |       |                  |            |
| Employee benefits                   | 4A    | 1,280,127        | 1,098,850  |
| Suppliers                           | 4B    | 811,783          | 766,751    |
| Depreciation and amortisation       | 4C    | 53,383           | 12,842     |
| Finance costs                       | 4D    | 2,988            | -          |
| Write-down and impairment of assets | 4E    | 4,459            | -          |
| <b>Total expenses</b>               |       | <b>2,152,740</b> | 1,878,443  |
| <b>Surplus (Deficit)</b>            |       | <b>95,151</b>    | 53,744     |

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

## Auditing and Assurance Standards Board

### Balance sheet

As at 30 June 2007

|                                     | Notes | 2007<br>\$       | 2006<br>\$ |
|-------------------------------------|-------|------------------|------------|
| <b>ASSETS</b>                       |       |                  |            |
| <b>Financial assets</b>             |       |                  |            |
| Cash and cash equivalents           | 5A    | 506,742          | 643,009    |
| Trade and other receivables         | 5B    | 306,615          | 11,102     |
| <b>Total financial assets</b>       |       | <b>813,357</b>   | 654,111    |
| <b>Non-financial assets</b>         |       |                  |            |
| Infrastructure, plant and equipment | 6A,C  | 355,835          | 45,256     |
| Intangibles                         | 6B,C  | 7,829            | 12,429     |
| Other non-financial assets          | 6D    | 56,388           | 8,075      |
| <b>Total non-financial assets</b>   |       | <b>420,052</b>   | 65,760     |
| <b>Total assets</b>                 |       | <b>1,233,409</b> | 719,871    |
| <b>LIABILITIES</b>                  |       |                  |            |
| <b>Payables</b>                     |       |                  |            |
| Suppliers                           | 7A    | 87,351           | 114,060    |
| Tax liabilities                     | 7B    | 27,581           | 27,094     |
| Other                               | 7C    | 390,332          | -          |
| <b>Total payables</b>               |       | <b>505,264</b>   | 141,154    |
| <b>Provisions</b>                   |       |                  |            |
| Employee provisions                 | 8A    | 144,802          | 153,224    |
| Other provisions                    | 8B    | 57,699           | -          |
| <b>Total provisions</b>             |       | <b>202,501</b>   | 153,224    |
| <b>Total liabilities</b>            |       | <b>707,765</b>   | 294,378    |
| <b>Net assets</b>                   |       | <b>525,644</b>   | 425,493    |
| <b>EQUITY</b>                       |       |                  |            |
| Retained surplus                    |       | 525,644          | 425,493    |
| <b>Total equity</b>                 |       | <b>525,644</b>   | 425,493    |
| <b>Current liabilities</b>          |       | <b>302,706</b>   | 294,378    |
| <b>Non-current liabilities</b>      |       | <b>405,059</b>   | -          |
| <b>Current assets</b>               |       | <b>820,505</b>   | 670,640    |
| <b>Non-current assets</b>           |       | <b>412,904</b>   | 49,231     |

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

**Auditing and Assurance Standards Board**  
**Statement of changes in equity**  
 For the year ended 30 June 2007

|  | <b>Accumulated results</b> |             | <b>Total equity</b> |             |
|--|----------------------------|-------------|---------------------|-------------|
|  | <b>2007</b>                | <b>2006</b> | <b>2007</b>         | <b>2006</b> |
|  | <b>\$</b>                  | <b>\$</b>   | <b>\$</b>           | <b>\$</b>   |
| <b>Opening balance</b>   | <b>425,493</b>             | 362,749     | <b>425,493</b>      | 362,749     |
| <b>Income and expenses</b>   |                            |             |                     |             |
| Surplus  | <b>95,151</b>              | 53,744      | <b>95,151</b>       | 53,744      |
| Income and expenses directly recognised in equity actuarial gains/(losses) | <b>5,000</b>               | 9,000       | <b>5,000</b>        | 9,000       |
| <b>Sub-total income and expenses</b>                                       |                            |             |                     |             |
| of which:  |                            |             |                     |             |
| attributable to Australian Government                                      | <b>100,151</b>             | 62,744      | <b>100,151</b>      | 62,744      |
| <b>Total income and expenses recognised in equity</b>                      | <b>100,151</b>             | 62,744      | <b>100,151</b>      | 62,744      |
| <b>Transactions with owners</b>  | -                          | -           | -                   | -           |
| <b>Transfers between equity components</b>                                 | -                          | -           | -                   | -           |
| <b>Closing balance at 30 June 2007</b>                                     | <b>525,644</b>             | 425,493     | <b>525,644</b>      | 425,493     |
| <b>Closing balance attributable to the Australian Government</b>           | <b>525,644</b>             | 425,493     | <b>525,644</b>      | 425,493     |

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

## Auditing and Assurance Standards Board

### Cash flow statement

For the year ended 30 June 2007

|  | Notes | 2007             | 2006             |
|--|-------|------------------|------------------|
|  |       | \$               | \$               |
| <b>OPERATING ACTIVITIES</b>                            |       |                  |                  |
| <b>Cash received</b>                                   |       |                  |                  |
| Revenue from Government                                |       | 1,000,000        | 900,000          |
| Interest   |       | 26,652           | 32,187           |
| Net GST received                                       |       | 120,905          | 75,469           |
| Other cash received                                    |       | 1,013,363        | 1,232,910        |
| <b>Total cash received</b>                             |       | <b>2,160,920</b> | <b>2,240,566</b> |
| <b>Cash used</b>                                       |       |                  |                  |
| Employees  |       | 1,274,392        | 1,095,577        |
| Suppliers  |       | 908,968          | 754,399          |
| Net GST paid   |       | 95,200           | 121,629          |
| <b>Total cash used</b>                                 |       | <b>2,368,560</b> | <b>1,971,605</b> |
| <b>Net cash from or (used by) operating activities</b> | 9     | <b>(207,640)</b> | <b>268,961</b>   |
| <b>INVESTING ACTIVITIES</b>                            |       |                  |                  |
| <b>Cash received</b>                                   |       |                  |                  |
| Proceeds from sale of plant and equipment              |       | -                | -                |
| <b>Total cash received</b>                             |       | <b>-</b>         | <b>-</b>         |
| <b>Cash used</b>                                       |       |                  |                  |
| Purchase of property, plant and equipment              |       | 358,351          | 25,565           |
| <b>Total cash used</b>                                 |       | <b>358,351</b>   | <b>25,565</b>    |
| <b>Net cash from or (used by) investing activities</b> |       | <b>358,351</b>   | <b>25,565</b>    |
| <b>FINANCING ACTIVITIES</b>                            |       |                  |                  |
| <b>Cash received</b>                                   |       |                  |                  |
| Lease incentive  |       | 429,723          | -                |
| <b>Total cash received</b>                             |       | <b>429,723</b>   | <b>-</b>         |
| <b>Cash used</b>                                       |       |                  |                  |
| Other cash used  |       | -                | -                |
| <b>Total cash used</b>                                 |       | <b>-</b>         | <b>-</b>         |
| <b>Net cash from or (used by) financing activities</b> |       | <b>429,723</b>   | <b>-</b>         |
| <b>Net increase or (decrease) in cash held</b>         |       | <b>(136,267)</b> | <b>243,396</b>   |
| Cash at the beginning of the reporting period          |       | 643,009          | 399,613          |
| <b>Cash at the end of the reporting period</b>         | 5A    | <b>506,742</b>   | <b>643,009</b>   |

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

## Auditing and Assurance Standards Board Schedule of commitments

As at 30 June 2007

|  | Notes | 2007<br>\$       | 2006<br>\$ |
|--|-------|------------------|------------|
| <b>BY TYPE</b>                           |       |                  |            |
| <b>Commitments receivable</b>            |       |                  |            |
| Sublease rental income <sup>1</sup>      |       | 280,586          | 303,780    |
| GST recoverable on commitments           |       | 270,054          | 293,110    |
| <b>Total commitments receivable</b>      |       | <b>550,640</b>   | 596,890    |
| <b>Other commitments</b>                 |       |                  |            |
| Operating leases <sup>2</sup>            |       | 2,661,949        | 2,890,053  |
| Other commitments                        |       | 28,058           | 30,378     |
| <b>Total other commitments</b>           |       | <b>2,690,007</b> | 2,920,431  |
| <b>Net commitments by type</b>           |       | <b>2,139,367</b> | 2,323,541  |
| <b>BY MATURITY</b>                       |       |                  |            |
| <b>Commitments receivable</b>            |       |                  |            |
| One year or less                         |       | 52,200           | 46,250     |
| From one to five years                   |       | 227,001          | 219,069    |
| Over five years                          |       | 271,440          | 331,571    |
|  |       | <b>550,640</b>   | 596,890    |
| <b>Commitments payable</b>               |       |                  |            |
| <b>Operating lease commitments</b>       |       |                  |            |
| One year or less                         |       | 257,694          | 228,984    |
| From one to five years                   |       | 1,094,472        | 1,061,134  |
| Over five years                          |       | 1,309,783        | 1,599,935  |
| <b>Total operating lease commitments</b> |       | <b>2,661,949</b> | 2,890,053  |
| <b>Other commitments</b>                 |       |                  |            |
| One year or less                         |       | 2,319            | 2,319      |
| From one to five years                   |       | 8,819            | 11,139     |
| Over five years                          |       | 16,920           | 16,920     |
| <b>Total other commitments</b>           |       | <b>28,058</b>    | 30,378     |
| <b>Net commitments by maturity</b>       |       | <b>2,139,367</b> | 2,323,541  |

NB: Commitments are GST inclusive where relevant.

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

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

| Nature of lease                | General description of leasing arrangement   |
|--------------------------------|--|
| Lease for office accommodation | Lease payments are subject to increase of 4 per cent per annum as per Lease agreement. |
| Lease of photocopier           | The lessor provides a photocopier for 36 months at a fixed instalment rate.            |

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



**Auditing and Assurance Standards Board**  
**Schedule of contingencies**  
As at 30 June 2007

There are no known contingencies as at 30 June 2007.

(Nil contingencies as at 30 June 2006).

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 1: Summary of significant accounting policies

#### 1.1 Basis of preparation of the Financial Statements

The Financial Statements and notes are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a General Purpose Financial Report.

The AUASB is dependent on funding from the Parliament of the Commonwealth and on contributions from CPA Australia, The Institute of Chartered Accountants in Australia, and the National Institute of Accountants to carry out its normal activities.

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMO's, being the Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 1 July 2006));
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The Financial Report is presented in Australian dollars.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

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

## 1.2 Significant accounting judgements and estimates

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

## 1.3 Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

The AUASB has applied Australian Accounting Standards in preparing its financial report for the year ended 30 June 2007. Some of the requirements of these Standards, as they apply to not-for-profit entities such as the AUASB, are different from IFRSs. The nature and timing of the transactions in the year ended 30 June 2007 has been such that these differences have not had an impact on the AUASB's financial report. Accordingly, the application of Australian Accounting Standards in the year ended 30 June 2007 has given the same outcomes as would have been achieved had the AUASB applied IFRSs. Whether the AUASB also complies with IFRSs in future years depends on the nature and timing of the transactions in those years.

Australian Accounting Standards require the AUASB to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective.

The AASB website identifies standards and amendments that will become effective in the future. The AUASB intends to adopt all of the standards upon their application date where they apply to the AUASB.

The impact of the adoption of these standards on the financial report is not expected to be financially significant based on the AUASB's initial assessment at this date, but this assessment may change.

Users should consult the full version available on the AUASB website to identify the full impact of the change.

## 1.4 Revenue

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

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

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

## 1.5 Employee benefits

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

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

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

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

### *Leave*

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the AUASB is estimated to be less than the annual entitlements for sick leave.

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

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2007. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

### *Superannuation*

The AUASB participates as an Associate Employer of the AASB Superannuation Plan which provides accumulation benefits to members.

For certain employees, the AUASB has guaranteed minimum accumulated balances equivalent to benefits under a defined benefit plan. The Present Value of the Defined Benefit Obligation of these members as at 30 June 2007 amounted to \$367,000 (2006: \$295,000) compared to the fair value of attributable assets of \$341,000 (2006: \$250,000), giving a deficiency of \$26,000 (2006: deficiency \$45,000). A provision for this deficiency has been recognised at 30 June 2007 (refer Notes 4A and 8A).

Refer to Note 8A(i) for a reconciliation of the superannuation liability as at 30 June 2007.

## **1.6 Leases**

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

The AUASB has no finance leases.

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

## **1.7 Cash**

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

Temporarily surplus funds are placed on deposit at call with the AUASB's Business Investment Account. Interest is credited to revenue as it accrues.

## **1.8 Receivables**

Receivables are recognised at nominal amounts due less any provision for bad and doubtful debts. Credit terms are 14 days (2005-06: 14 days).

## **1.9 Financial risk management**

The AUASB's activities expose it to normal commercial financial risk. As a result of the nature of the AUASB's business, internal controls, and Australian Government policies dealing with the management of financial risk, the AUASB's exposure to market, credit, liquidity and cash flow and fair value interest rate risk is considered to be low.

## **1.10 Derecognition of financial assets and liabilities**

Financial assets are derecognised when the contractual rights to the cash flow from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged or cancelled or expires.

## **1.11 Impairment of financial assets**

Financial assets are assessed for impairment at each balance date.

## Financial reports

### *Financial assets held at cost*

If there is objective evidence that an impairment loss has been incurred on the funds held in the AUASB business investment account with the National Australia Bank, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets. Since the account is a current account and the interest is a commercial rate calculated daily, the asset has not been discounted.

If there is objective evidence that an impairment loss has been incurred for receivables, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

### *Comparative year*

For the comparative year receivables were recognised and carried at original invoice amount less a provision for doubtful debts based on an estimate made when collection of the full amount was no longer probable. There were no bad debts.

## **1.12 Payables**

Payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Settlement is usually made net 30 days.

## **1.13 Contingent liabilities and contingent assets**

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are discussed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is greater than remote.

## **1.14 Acquisition of assets**

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

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

recognised in the transferor authority's accounts immediately prior to the restructuring.

## 1.15 Plant and equipment (P&E)

### *Asset recognition threshold*

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$500, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

### *Revaluations*

Plant and equipment are carried at fair value, being revalued with sufficient frequency such that the carrying amount of each asset is not materially different, at reporting date, from its fair value. Valuations undertaken in each year are as at 30 June.

Fair values for each class of asset are determined as follows:

|   |                              |
|---|------------------------------|
| Furniture and equipment (other than computer equipment) | Market selling price         |
| Computers and related equipment                         | Depreciated replacement cost |
| Leasehold improvements                                  | Depreciated replacement cost |

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

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

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

### *Depreciation*

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

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

## Financial reports

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

|                        | 2007                | 2006          |
|------------------------|---------------------|---------------|
| Leasehold improvements | Lease term 10 years | -             |
| Plant and equipment    | 3 to 10 years       | 3 to 10 years |

The aggregate amount of depreciation/amortisation allocated for each class of asset during the reporting period is disclosed in Note 4C.

### 1.16 Impairment

All assets were assessed for impairment at 30 June 2007. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

### 1.17 Intangibles

The AUASB's intangible assets comprise purchased software and licences for internal use. These assets are carried at cost.

Software and licences are amortised on a straight line basis over their anticipated useful life. The useful life of AUASB's software and licences is 3-5 years (2005-06: 3-5 years).

### 1.18 Taxation

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

Revenues, expenses and assets are recognised net of GST:

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



**1.19 Insurance**

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

**1.20 Foreign currency**

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency transactions relate primarily to currency obtained for overseas travel. The amounts and any associated gains or losses are not material.

**1.21 Comparative figures**

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

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

As the date of this report, the AASB has no reportable events after the Balance Sheet date.

**Note 3: Income**

|  | <b>2007</b>      | 2006      |
|--|------------------|-----------|
|  | <b>\$</b>        | \$        |
| <i>Revenue</i>   |                  |           |
| <b>Note 3A: Revenue from Government</b>                                |                  |           |
| Other:   |                  |           |
| Appropriation funds from FRC   | <b>1,300,000</b> | 900,000   |
| <b>Total revenue from Government</b>                                   | <b>1,300,000</b> | 900,000   |
| <b>Note 3B: Interest</b>   |                  |           |
| Deposits   | <b>26,652</b>    | 32,187    |
| <b>Total interest</b>  | <b>26,652</b>    | 32,187    |
| <b>Note 3C: Rental income</b>  |                  |           |
| Operating lease:   |                  |           |
| Other  | <b>21,194</b>    | -         |
| <b>Total rental income</b>   | <b>21,194</b>    | -         |
| <b>Note 3D: Other revenue</b>  |                  |           |
| Contributions from CPA Australia                                       | <b>362,500</b>   | 412,500   |
| Contributions from the Institute of Chartered Accountants in Australia | <b>362,500</b>   | 412,500   |
| Contributions from National Institute of Accountants                   | <b>175,000</b>   | 175,000   |
| <b>Total contributions</b>   | <b>900,000</b>   | 1,000,000 |
| <i>Gains</i>   |                  |           |
| <b>Note 3E: Sale of assets</b>   |                  |           |
| Infrastructure, plant and equipment                                    |                  |           |
| Proceeds from sale   | <b>45</b>        | -         |
| <b>Net gain from sale of assets</b>                                    | <b>45</b>        | -         |

**Note 4: Expenses**

|  | 2007             | 2006             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>Note 4A: Employee benefits</b>                    |                  |                  |
| Wages and salaries                                   | 1,152,618        | 947,513          |
| Superannuation                                       | 109,034          | 107,451          |
| Leave and other benefits                             | 18,475           | 43,886           |
| <b>Total employee benefits</b>                       | <b>1,280,127</b> | <b>1,098,850</b> |
| <b>Note 4B: Suppliers expenses</b>                   |                  |                  |
| Provision of goods – related entities                | 953              | 578              |
| Provision of goods – external entities               | 48,865           | 67,092           |
| Provision of services – related entities             | 201,410          | 335,065          |
| Provision of services – external entities            | 354,141          | 357,384          |
| Operating lease rentals:                             |                  |                  |
| Minimum lease payments                               | 200,458          | -                |
| Workers compensation premium                         | 5,956            | 6,632            |
| <b>Total supplier expenses</b>                       | <b>811,783</b>   | <b>766,751</b>   |
| <b>Note 4C: Depreciation and amortisation</b>        |                  |                  |
| Depreciation:  |                  |                  |
| Infrastructure, plant and equipment                  | 43,312           | 11,498           |
| <b>Total depreciation</b>                            | <b>43,312</b>    | <b>11,498</b>    |
| Amortisation:  |                  |                  |
| Intangibles:   |                  |                  |
| Computer software                                    | 4,600            | 1,344            |
| Make good asset                                      | 5,471            | -                |
| <b>Total amortisation</b>                            | <b>10,071</b>    | <b>1,344</b>     |
| <b>Total depreciation and amortisation</b>           | <b>53,383</b>    | <b>12,842</b>    |
| <b>Note 4D: Finance costs</b>                        |                  |                  |
| Unwinding of discount                                | 2,988            | -                |
| <b>Total finance costs</b>                           | <b>2,988</b>     | <b>-</b>         |
| <b>Note 4E: Write-down and impairments of assets</b> |                  |                  |
| Impairment of non-financial assets                   |                  |                  |
| Furniture and equipment                              | 4,459            | -                |
| <b>Total write-down and impairments of assets</b>    | <b>4,459</b>     | <b>-</b>         |

Furniture and fittings became obsolete during 2006/2007 after relocation. The recoverable amount of this asset was determined as net selling price.

**Note 5: Financial assets**

|  | <b>2007</b>    | 2006    |
|--|----------------|---------|
|  | <b>\$</b>      | \$      |
| <b>Note 5A: Cash and cash equivalents</b>          |                |         |
| Cash at bank                                       | <b>506,742</b> | 643,009 |
| <b>Total cash and cash equivalents</b>             | <b>506,742</b> | 643,009 |
| <b>Note 5B: Trade and other receivables</b>        |                |         |
| Revenue from Government                            | <b>300,000</b> | -       |
| GST receivable from the Australian Taxation Office | <b>3,199</b>   | 11,102  |
| Other receivables                                  | <b>3,416</b>   | -       |
| <b>Total trade and other receivables (net)</b>     | <b>306,615</b> | 11,102  |
| All receivables are current                        |                |         |

**Note 6: Non-financial assets**

|  | <b>2007</b>     | 2006     |
|--|-----------------|----------|
|  | <b>\$</b>       | \$       |
| <b>Note 6A: Infrastructure, plant and equipment</b>            |                 |          |
| Infrastructure, plant and equipment                            |                 |          |
| — gross carrying value (at fair value)                         | <b>416,719</b>  | 62,829   |
| — accumulated depreciation                                     | <b>(60,884)</b> | (17,573) |
| <b>Total Infrastructure, plant and equipment (non-current)</b> | <b>355,835</b>  | 45,256   |
| <b>Note: 6B: Intangibles</b>                                   |                 |          |
| Computer software at cost:                                     | <b>13,801</b>   | 13,801   |
| Accumulated amortisation                                       | <b>(5,972)</b>  | (1,372)  |
| <b>Total Intangibles (non-current)</b>                         | <b>7,829</b>    | 12,429   |

**Note 6C: Analysis of Infrastructure, Plant and Equipment and Intangibles**

Table A — reconciliation of the opening and closing balance of infrastructure, plant and equipment and intangibles for 2006—2007.

|  | Infrastructure,<br>plant and<br>equipment<br>\$ | Computer<br>software<br>purchased<br>\$ |
|--|---|---|
| <b>As at 1 July 2006</b>                                 |   |   |
| Gross book value   | 62,829  | 13,801                                  |
| Accumulated depreciation/amortisation                    | (17,573)  | (1,372)                                 |
| <b>Net book value 1 July 2006</b>                        | <b>45,256</b>                                   | <b>12,429</b>                           |
| Additions by purchase                                    | 353,890   | -                                       |
| Depreciation/amortisation expense                        | (43,311)  | (4,600)                                 |
|  | <b>310,579</b>                                  | <b>(4,600)</b>                          |
| <b>Net book value as at 30 June 2007 represented by:</b> |   |   |
| Gross book value   | 416,719   | 13,801                                  |
| Accumulated depreciation/amortisation                    | (60,884)  | (5,972)                                 |
| <b>Net book value 30 June 2007</b>                       | <b>355,835</b>                                  | <b>7,829</b>                            |

Table B — reconciliation of the opening and closing balance of infrastructure, plant and equipment and intangibles for 2005-2006.

|  | Infrastructure,<br>plant and<br>equipment<br>\$ | Computer<br>software<br>purchased<br>\$ |
|--|---|---|
| <b>As at 1 July 2005</b>                                 |   |   |
| Gross book value   | 42,461  | 693                                     |
| Accumulated depreciation/amortisation                    | (7,741)   | (28)                                    |
| <b>Net Book Value 1 July 2005</b>                        | <b>34,720</b>                                   | <b>665</b>                              |
| Additions by purchase                                    | 22,034  | 13,108                                  |
| Depreciation/amortisation expense                        | (11,498)  | (1,344)                                 |
|  | <b>10,536</b>                                   | <b>11,764</b>                           |
| <b>Net book value as at 30 June 2006 represented by:</b> |   |   |
| Gross book value   | 62,829  | 13,801                                  |
| Accumulated depreciation/amortisation                    | (17,573)  | (1,372)                                 |
| <b>Net book value 30 June 2006</b>                       | <b>45,256</b>                                   | <b>12,429</b>                           |

|  | <b>2007</b>    | 2006  |
|--|----------------|-------|
|  | <b>\$</b>      | \$    |
| <b>Note 6D. Other non-financial assets</b> |                |       |
| Restoration of leasehold improvements      | <b>54,711</b>  | -     |
| Accumulated amortisation                   | <b>(5,471)</b> | -     |
| Other                                      | <b>7,148</b>   | 8,075 |
| <b>Total other non-financial assets</b>    | <b>56,388</b>  | 8,075 |

Restoration of leasehold improvements and accumulated amortisation are non-current assets. All other assets are current.

## Note 7: Payables

|  | <b>2007</b>    | 2006    |
|--|----------------|---------|
|  | <b>\$</b>      | \$      |
| <b>Note 7A: Suppliers</b>              |                |         |
| Trade creditors                        | <b>87,351</b>  | 114,060 |
| <b>Total supplier payables</b>         | <b>87,351</b>  | 114,060 |
| Supplier payables are represented by:  |                |         |
| Current                                | <b>87,351</b>  | 114,060 |
| Non-current                            | -              | -       |
| <b>Total supplier payables</b>         | <b>87,351</b>  | 114,060 |
| Settlement is usually made net 30 days |                |         |
| <b>Note 7B: Tax liabilities</b>        |                |         |
| Tax liabilities equivalent             | <b>27,581</b>  | 27,094  |
| <b>Total tax liabilities</b>           | <b>27,581</b>  | 27,094  |
| Tax liabilities are represented by:    |                |         |
| Current                                | <b>27,581</b>  | 27,094  |
| Non-current                            | -              | -       |
| <b>Total tax liabilities</b>           | <b>27,581</b>  | 27,094  |
| <b>Note 7C: Other payables</b>         |                |         |
| Lease incentive                        | <b>390,332</b> | -       |
| <b>Total other payables</b>            | <b>390,332</b> | -       |
| Other payables are represented by:     |                |         |
| Current                                | <b>42,972</b>  | -       |
| Non-current                            | <b>347,360</b> | -       |
| <b>Total other payables</b>            | <b>390,332</b> | -       |

**Note 8: Provisions**

|   | <b>2007</b>                          | 2006     |
|---|--------------------------------------|----------|
|   | <b>\$</b>                            | \$       |
| <b>Note 8A. Employee provisions</b>                   |                                      |          |
| Salaries and wages                                    | -                                    | 7,897    |
| Annual leave  | <b>79,382</b>                        | 71,889   |
| Long service leave                                    | <b>39,420</b>                        | 28,438   |
| Superannuation [Notes 1.5, 8A(i)]                     | <b>26,000</b>                        | 45,000   |
| <b>Total employee provisions</b>                      | <b>144,802</b>                       | 153,224  |
| Employee provisions are represented by:               |                                      |          |
| Current   | <b>144,802</b>                       | 59,934   |
| Non-current   | -                                    | 93,290   |
| <b>Total employee provisions</b>                      | <b>144,802</b>                       | 153,224  |
| <b>Note 8A(i). Superannuation provision</b>           |                                      |          |
| Net superannuation liability (asset) at start of year | <b>45,000</b>                        | 38,000   |
| Expense recognised in income statement                | <b>27,000</b>                        | 40,000   |
| Amount directly recognised in retained surplus        | <b>(5,000)</b>                       | (9,000)  |
| Employer contributions                                | <b>(41,000)</b>                      | (24,000) |
| Net superannuation liability (asset) at end of year   | <b>26,000</b>                        | 45,000   |
| <b>Note 8B. Other provisions</b>                      |                                      |          |
| Restoration obligations                               | <b>57,699</b>                        | -        |
| <b>Total other provisions</b>                         | <b>57,699</b>                        | -        |
| Other provisions are represented by:                  |                                      |          |
| Current   | -                                    | -        |
| Non-current   | <b>57,699</b>                        | -        |
| <b>Total other provisions</b>                         | <b>57,699</b>                        | -        |
|   | <b>Provision<br/>for restoration</b> |          |
| <b>Carrying amount 1 July 2006</b>                    | -                                    | -        |
| Additional provisions made                            | <b>54,711</b>                        | -        |
| Unwinding of discount                                 | <b>2,988</b>                         | -        |
| <b>Closing balance 30 June 2007</b>                   | <b>57,699</b>                        | -        |

The AUASB currently has one agreement for the leasing of premises which have provisions requiring the AUASB to restore the premises to their original condition at the conclusion of the lease. The AUASB has made a provision to reflect the present value.

**Note 9: Cash flow reconciliation**

|  | <b>2007</b>      | 2006           |
|--|------------------|----------------|
|  | <b>\$</b>        | \$             |
| <b>Reconciliation of operating result to net cash from operating activities:</b> |                  |                |
| Operating result   | <b>95,151</b>    | 53,744         |
| Other movement in retained surplus — superannuation actuarial gain               | <b>5,000</b>     | -              |
| <b>Adjusted result from operating activities</b>                                 | <b>100,151</b>   | 53,744         |
| <b>Non cash items</b>  |                  |                |
| Depreciation   | <b>53,383</b>    | 12,842         |
| Amortisation Lease Incentive   | <b>(39,391)</b>  | -              |
| Net write down of non-financial assets   | <b>4,459</b>     | -              |
| Unwinding of discount  | <b>2,988</b>     | -              |
| (Increase)/decrease in net receivables   | <b>(295,513)</b> | 121,808        |
| (Increase)/decrease in prepayments   | <b>927</b>       | (13,385)       |
| (Increase)/decrease in superannuation provision                                  | <b>(19,000)</b>  | 16,667         |
| Increase/(decrease) in employee provisions — (non super'n)                       | <b>10,578</b>    | 48,338         |
| Increase/(decrease) in supplier payables   | <b>(26,709)</b>  | 33,541         |
| Increase/(decrease) in other payables  | -                | (4,594)        |
| Increase/(decrease) in tax liabilities   | <b>487</b>       | -              |
| <b>Net cash from/(used by) operating activities</b>                              | <b>(207,640)</b> | <b>268,961</b> |

**Note 10: Directors' remuneration**

The number of directors of the AUASB included in these figures are shown below in the relevant remuneration bands.

|   |           |    |
|---|-----------|----|
| \$.....nil — \$14,999                         | <b>19</b> | 21 |
| \$75,001 — \$90,000                           | <b>1</b>  | 1  |
| <b>Total number of directors of the AUASB</b> | <b>20</b> | 22 |

|  |                |         |
|--|----------------|---------|
| Aggregate amount of superannuation payments in connection with the retirement of directors | <b>10,200</b>  | 9,835   |
| Other remuneration received or due and receivable by directors of the AUASB                | <b>121,297</b> | 109,276 |
| <b>Total remuneration received or due and receivable by directors of the AUASB*</b>        | <b>131,497</b> | 119,111 |

\* Director's remuneration relates to the remuneration of the FRC Chairman and the sitting fees paid to members of the FRC. The members of the FRC are the Directors of both the AASB and AUASB, however, their remuneration, and all the FRC related expenses are met by the Department of Treasury.

# Nine (9) of the members in the nil — \$14,999 range received no remuneration.



## Note 11: Related party disclosures

### Chairman

Charles Macek                      Company Director, Melbourne  
 Nominated by the Securities Institute  
 Appointed by the Australian Government  
 Reappointed Chairman from 11 June 2006 to 10 December 2007

### Deputy Chairman

Elizabeth Alexander AM        Company Director, Melbourne  
 Nominated by the Australian Government  
 Reappointed from 7 March 2005 to 6 September 2006, and  
 22 September 2006 to 31 October 2007

### Members

Bruce Brook                      Company Director, Melbourne  
 Nominated by Business Council of Australia  
 Appointed from 7 March 2006 to 6 March 2009

Kathryn Campbell              Deputy Secretary, Financial Management Group, Department of Finance and  
 Administration, Canberra  
 Nominated by the Australian Government  
 Appointed from 22 September 2006 to 31 October 2009

Don Challen                      Secretary, Tasmanian Department of Treasury and Finance, Hobart  
 Nominated by Heads of State and Territory Treasuries  
 Reappointed from 7 March 2005 to 6 September 2006, and  
 22 September 2006 to 6 March 2008

Michael Coleman                Partner, KPMG, Sydney  
 Nominated by the Australian Institute of Company Directors  
 Appointed from 22 September 2006 to 31 October 2009

Mark Coughlin                  General Manager, South Australia and Envestra Services, APA Group,  
 Adelaide  
 Nominated by CPA Australia  
 Appointed from 22 September 2006 to 31 October 2009

John Gethin-Jones              General Manager, Queensland Investment Corporation, Brisbane  
 Nominated by the Investment and Financial Services Association  
 Appointed from 11 June 2006 to 10 June 2009

Richard Humphry AO          Trustee, International Accounting Standards Committee Foundation, Sydney  
 Nominated by the Australian Government  
 Appointed from 7 March 2005 to 6 March 2008

Warwick Hunt                    Chair, Accounting Standards Review Board of New Zealand, Auckland  
 Nominated by the New Zealand Minister of Finance  
 Appointed from 9 February 2005 to 8 February 2008

David Jackson                    Member, Australian Shareholders' Association, Sydney  
 Nominated by the Australian Shareholders' Association  
 Reappointed from 22 September 2006 to 19 March 2008

## Members (continued)

|                     |   |
|---------------------|---|
| Graeme McGregor AO  | Company Director, Melbourne<br>Nominated by CPA Australia<br>Reappointed from 7 March 2005 to 6 September 2006  |
| Eric Mayne          | Chief Supervision Officer, Markets Supervision, Australian Securities Exchange, Sydney<br>Nominated by the Australian Securities Exchange<br>Appointed from 6 March 2006 to 26 February 2009                    |
| Jim Murphy          | Executive Director, Markets Group, Department of the Treasury, Canberra<br>Nominated by the Australian Government<br>Reappointed from 7 March 2006 to 6 March 2009  |
| Phillip Prior       | Chief Financial Officer, Department of Defence, Canberra<br>Nominated by the Australian Government<br>Reappointed from 13 September 2004 to 12 September 2006   |
| John Stanhope       | Chief Financial Officer and Group Managing Director, Finance and Administration, Telstra Corporation Limited, Melbourne<br>Nominated by the Group of 100 Inc<br>Appointed from 6 March 2006 to 26 February 2009 |
| Catherine Walter AM | Company Director and Solicitor, Melbourne<br>Chair of the Business Regulation Advisory Group<br>Nominated by the Australian Government<br>Reappointed from 7 March 2006 to 6 March 2009                         |
| Jan West            | Partner, Deloitte Touche Tohmatsu, Melbourne<br>Nominated by The Institute of Chartered Accountants in Australia<br>Appointed from 7 March 2005 to 6 March 2008   |
| Lee White           | Chief Accountant, Australian Securities and Investments Commission (ASIC), Sydney<br>Nominated by ASIC<br>Appointed from 6 March 2006 to 26 February 2009   |
| Klaus Zimmermann    | Chief Executive Officer, Eldercare Incorporated, Adelaide<br>Nominated by the National Institute of Accountants<br>Reappointed from 7 March 2006 to 6 March 2009  |

**Note 12: Executive remuneration**

|  | <b>2007</b>    | 2006      |
|--|----------------|-----------|
| The number of Senior Executives who received or were due to receive total remuneration of \$130,000 or more: |                |           |
| Remuneration of senior executives:   |                |           |
| \$70,000 — \$84,999  | 1              | 1         |
| \$220,000 — \$234,999  | -              | 1         |
| \$250,000 — \$264,999  | 1              | -         |
|  | <b>2</b>       | <b>2</b>  |
|  | <b>\$</b>      | <b>\$</b> |
| The aggregate amount of total remuneration of executives shown above   | <b>339,888</b> | 304,297   |

The senior executives' remuneration includes executives concerned with or taking part in the management of the AUASB during 2006-07 except the FRC Chairman. Details in relation to the remuneration of the FRC Chairman and FRC members have been incorporated into Note 10: Directors remuneration.

**Note 13: Remuneration of part-time members of AUASB**

|              | <b>2007</b>   | 2006      |
|--------------|---------------|-----------|
|              | <b>\$</b>     | <b>\$</b> |
| Sitting fees | <b>90,968</b> | 87,811    |

**Note 14: Remuneration of auditors**

|  | <b>2007</b>   | 2006      |
|--|---------------|-----------|
|  | <b>\$</b>     | <b>\$</b> |
| Remuneration to the Australian National Audit Office (ANAO) for auditing the financial statements for the reporting period | <b>18,000</b> | 17,000    |
| No other services were provided by the ANAO during the reporting period.   |               |           |

**Note 15: Average staffing levels**

|   | <b>2007</b> | 2006 |
|---|-------------|------|
| The average staffing levels for the AUASB during the year were (equivalent full time staff) | <b>7</b>    | 8    |

**Note 16: Financial instruments**  
**Note 16A: Interest rate risk**

| Financial instrument                            | Notes | Floating interest rate |                | Non-interest bearing |                | Total            |                | Weighted average effective interest rate |         |  |
|---|-------|------------------------|----------------|----------------------|----------------|------------------|----------------|--|---------|--|
|   |       | 2006-07                | 2005-06        | 2006-07              | 2005-06        | 2006-07          | 2005-06        | 2006-07                                  | 2005-06 |  |
|   |       | \$                     | \$             | \$                   | \$             | \$               | \$             | %  | %       |  |
| <b>Financial assets (recognised)</b>            |       |                        |                |                      |                |                  |                |  |         |  |
| Cash on hand                                    | 5A    | -                      | -              | 300                  | 300            | 300              | 300            | n/a                                      | n/a     |  |
| Cash at bank-cheque account                     | 5A    | 84,794                 | 111,405        | -                    | -              | 84,794           | 111,405        | 3.69                                     | 3.31    |  |
| Cash at bank-AASB bus invest a/c                | 5A    | 421,647                | 531,303        | -                    | -              | 421,647          | 531,303        | 5.25                                     | 5.15    |  |
| Receivables                                     | 5B    | -                      | -              | 306,615              | 11,102         | 306,615          | 11,102         | n/a                                      | n/a     |  |
| <b>Total financial assets (recognised)</b>      |       | <b>506,442</b>         | <b>642,708</b> | <b>306,915</b>       | <b>11,402</b>  | <b>813,357</b>   | <b>654,111</b> |  |         |  |
| <b>Total assets</b>                             |       |                        |                |                      |                | <b>1,233,409</b> | <b>719,871</b> |  |         |  |
| <b>Financial liabilities (recognised)</b>       |       |                        |                |                      |                |                  |                |  |         |  |
| Suppliers                                       | 7A    | -                      | -              | 87,351               | 114,060        | 87,351           | 114,060        | n/a                                      | n/a     |  |
| Tax liabilities                                 | 7B    | -                      | -              | 27,581               | 27,094         | 27,581           | 27,094         | n/a                                      | n/a     |  |
| Other   | 7C    | -                      | -              | 390,332              | -              | 390,332          | -              | n/a                                      | n/a     |  |
| <b>Total financial liabilities (recognised)</b> |       | <b>-</b>               | <b>-</b>       | <b>505,264</b>       | <b>141,154</b> | <b>505,264</b>   | <b>141,154</b> |  |         |  |
| <b>Total liabilities</b>                        |       |                        |                |                      |                | <b>707,765</b>   | <b>294,378</b> |  |         |  |

**Note 16B**

The fair value of financial assets and liabilities approximate their carrying amounts.

**Note 16C**

The economic entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.

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



## APPENDICES

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## MEMBERS OF THE FINANCIAL REPORTING COUNCIL 1 JULY 2006 TO 30 JUNE 2007

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The Chairman and all members are non-executive directors of the Financial Reporting Council (FRC).

### Chairman

Charles Macek  
Company Director, Melbourne  
Nominated by the Securities Institute  
Reappointed Chairman from 11 June 2006 to 10 December 2007

### Deputy Chairman

Elizabeth Alexander AM  
Company Director, Melbourne  
Nominated by the Australian Government  
Reappointed from 7 March 2005 to 6 September 2006, and again from 22 September 2006 to 31 October 2007

### Members

Bruce Brook  
Company Director, Melbourne  
Nominated by Business Council of Australia  
Appointed from 7 March 2006 to 6 March 2009

Kathryn Campbell  
Deputy Secretary, Financial Management Group, Department of Finance and Administration, Canberra  
Nominated by the Australian Government  
Appointed from 22 September 2006 to 31 October 2009

Don Challen  
Secretary, Tasmanian Department of Treasury and Finance, Hobart  
Nominated by Heads of State and Territory Treasuries  
Reappointed from 7 March 2005 to 6 September 2006, and again from 22 September 2006 to 6 March 2008

Michael Coleman  
Partner, KPMG, Sydney  
Nominated by the Australian Institute of Company Directors  
Appointed from 22 September 2006 to 31 October 2009

Mark Coughlin  
General Manager, South Australia and Envestra Services, APA Group, Adelaide  
Nominated by CPA Australia  
Appointed from 22 September 2006 to 31 October 2009

John Gethin-Jones  
General Manager, Queensland Investment Corporation, Brisbane  
Nominated by the Investment and Financial Services Association  
Appointed from 11 June 2006 to 10 June 2009

## Members of the Financial Reporting Council *(continued)*

### Members

|                     |   |
|---------------------|---|
| Richard Humphry AO  | Trustee, International Accounting Standards Committee Foundation, Sydney<br>Nominated by the Australian Government<br>Appointed from 7 March 2005 to 6 March 2008   |
| Warwick Hunt        | Chair, Accounting Standards Review Board of New Zealand, Auckland<br>Nominated by the New Zealand Minister of Finance<br>Appointed from 9 February 2005 to 8 February 2008                                      |
| David Jackson       | Member, Australian Shareholders' Association, Sydney<br>Nominated by the Australian Shareholders' Association<br>Reappointed from 22 September 2006 to 19 March 2008  |
| Graeme McGregor AO  | Company Director, Melbourne<br>Nominated by CPA Australia<br>Reappointed from 7 March 2005 to 6 September 2006  |
| Eric Mayne          | Chief Supervision Officer, Markets Supervision, Australian Securities Exchange, Sydney<br>Nominated by the Australian Securities Exchange<br>Appointed from 6 March 2006 to 26 February 2009                    |
| Jim Murphy          | Executive Director, Markets Group, the Treasury, Canberra<br>Nominated by the Australian Government<br>Reappointed from 7 March 2006 to 6 March 2009  |
| Phillip Prior       | Chief Financial Officer, Department of Defence, Canberra<br>Nominated by the Australian Government<br>Reappointed from 13 September 2004 to 12 September 2006   |
| John Stanhope       | Chief Financial Officer and Group Managing Director, Finance and Administration, Telstra Corporation Limited, Melbourne<br>Nominated by the Group of 100 Inc<br>Appointed from 6 March 2006 to 26 February 2009 |
| Catherine Walter AM | Company Director and Solicitor, Melbourne<br>Chair of the Business Regulation Advisory Group<br>Nominated by the Australian Government<br>Reappointed from 7 March 2006 to 6 March 2009                         |
| Jan West AM         | Partner, Deloitte Touche Tohmatsu, Melbourne<br>Nominated by The Institute of Chartered Accountants in Australia<br>Appointed from 7 March 2005 to 6 March 2008   |
| Lee White           | Chief Accountant, Australian Securities and Investments Commission (ASIC), Sydney<br>Nominated by ASIC<br>Appointed from 6 March 2006 to 26 February 2009   |
| Klaus Zimmermann    | Chief Executive Officer, Eldercare Incorporated, Adelaide<br>Nominated by the National Institute of Accountants<br>Reappointed from 7 March 2006 to 6 March 2009  |

## APPENDIX B

# MEMBERS OF THE AUSTRALIAN ACCOUNTING STANDARDS BOARD 1 JULY 2006 TO 30 JUNE 2007

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Members of the Australian Accounting Standards Board (AASB) in 2006-07 are shown below:

### **Chairman (full-time appointment by the Treasurer)**

|              |  |
|--------------|--|
| David Boymal | Chairman AASB<br>Appointed from 5 November 2003 to 4 November 2008 |
|--------------|--|

### **Members (part-time appointments by the FRC)**

|                              |   |
|------------------------------|---|
| Glenn Appleyard              | Economic Consultant, Hobart<br>Reappointed from 1 January 2006 to 31 December 2008  |
| Garth Campbell-Cowan         | General Manager, Corporate Accounting, Telstra Corporation Limited, Melbourne<br>Retired 1 July 2006  |
| Sue Highland                 | Director, Financial Management Branch, Queensland Treasury, Brisbane<br>Appointed from 15 February 2007 to 31 December 2009   |
| Brett Kaufmann               | Assistant Secretary, Australian Government Financial Reporting, Department of Finance and Administration, Canberra<br>Reappointed from 15 February 2007 to 31 December 2008 |
| Ken Leo<br>(Deputy Chairman) | Professor of Accounting, Curtin University of Technology, Perth<br>Retired 14 February 2007   |
| Jan McCahey                  | Partner, PricewaterhouseCoopers, Melbourne<br>Appointed from 1 January 2006 to 31 December 2008   |

**Members (part-time appointments by the FRC) (continued)**

|   |   |
|---|---|
| John O’Grady  | Partner, Ernst & Young, Melbourne<br>Appointed from 1 January 2006 to 31 December 2008                                |
| Frank Palmer  | Director, Corporate Reporting Group, Macquarie Bank, Sydney<br>Appointed from 7 June 2005 to 6 June 2008              |
| Colin Parker  | Director, GAAP Consulting Services, Melbourne<br>Appointed from 15 February 2006 to 14 February 2009                  |
| Kris Peach  | Partner, KPMG, Melbourne<br>Reappointed from 15 February 2007 to 31 December 2009                                     |
| Des Pearson   | Auditor-General Victoria, Melbourne<br>Appointed from 7 June 2005 to 6 June 2008                                      |
| Joanna Perry  | Chairman, FRSB (New Zealand)<br>Reappointed from 1 January 2007 to 31 December 2009                                   |
| Bruce Porter<br>(appointed Deputy Chairman<br>14 February 2007) | Partner, Deloitte Touche Tohmatsu, Melbourne<br>Appointed from 1 January 2005 to 31 December 2007                     |
| Brett Rix   | Manager, Group Accounting — Policy and Governance, BHP Billiton,<br>Melbourne<br>Appointed 4 July 2006 to 3 July 2009 |

**Observers**

|                 |   |
|-----------------|---|
| Peter Batten    | Australian representative on the IPSASB (from February 2007)  |
| Wayne Cameron   | Australian representative on the IPSASB (until December 2006) |
| Warren McGregor | IASB member   |
| Judith Downes   | SAC member  |

## APPENDIX C

# MEMBERS OF THE AUDITING AND ASSURANCE STANDARDS BOARD 1 JULY 2006 TO 30 JUNE 2007

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Members of the Auditing and Assurance Standards Board (AUASB) in 2006-07 are shown below:

### **Chairman (part-time appointment by Treasurer)**

Merran Kelsall                      Chairman AUASB  
Appointed 10 August 2004 for three years  
Reappointed from 10 August 2007 until 9 August 2010

### **Members (part-time appointments by the FRC)**

Dianne Azoor Hughes              National Technical Director  
Pitcher Partners, Melbourne  
Appointed 1 January 2005 until 31 December 2006  
Reappointed from 1 January 2007 until 31 December 2009

Mike Blake                              Auditor-General of Tasmania, Hobart  
Appointed from 1 January 2006 until 31 December 2008

Chris Hall                                Partner  
KPMG, Sydney  
Appointed from 1 January 2006 until 31 December 2008

Elizabeth Johnstone                Partner  
Blake Dawson Waldron, Sydney  
Appointed from 1 January 2006 until 31 December 2008

Christine Jubb                         Professor of Accounting  
Deakin Business School,  
Deakin University, Malvern, Victoria  
Appointed from 1 January 2005 until 31 December 2007

Ian McPhee  
(IAASB Member)                      Auditor-General of Australia  
Australian National Audit Office, Canberra  
Appointed 12 August 2004 until 31 December 2005.  
Reappointed from 1 January 2006 until 31 December 2008

**Members (part-time appointments by the FRC) (continued)**

|                   |   |
|-------------------|---|
| Clive Mottershead | Partner<br>Deloitte Touche Tohmatsu, Melbourne<br>Appointed 12 August 2004 until 30 June 2005<br>Reappointed from 1 July 2005 until 30 June 2007<br>Reappointed from 1 July 2007 until 31 December 2009 |
| Kevin Neville     | Managing Partner<br>Moore Stephens, Melbourne<br>Appointed from 12 August 2004 until 31 December 2004<br>Reappointed from 1 January 2005 until 31 December 2007   |
| Greg Pound        | Consultant, Melbourne<br>Appointed from 1 January 2006 until 31 December 2008   |
| David Simmonds    | Partner<br>Ernst & Young, Sydney<br>Appointed from 1 January 2006 until 31 December 2008  |
| Kim Smith         | Partner<br>PricewaterhouseCoopers, Sydney<br>Appointed from 1 January 2005 until 31 December 2007   |
| Jon Tyers         | Head of Corporate Audit Services<br>ING Group Australia, Sydney<br>Deputy Chairman, AUASB from 1 January 2006<br>Appointed 1 January 2005 until 31 December 2007  |

## APPENDIX D

### ATTENDANCE AT MEETINGS

---

#### Financial Reporting Council

The FRC met five times during 2006-07. Members' attendance is shown in the table:

| Members        | Number of meetings |          |                      |           |
|----------------|--------------------|----------|----------------------|-----------|
|                | Eligible to attend | Attended | Represented by proxy | Apologies |
| C Macek        | 5                  | 5        | 0                    | 0         |
| E Alexander AM | 5                  | 5*       | 0                    | 0         |
| B Brook        | 5                  | 5        | 0                    | 0         |
| K Campbell     | 5                  | 5        | 0                    | 0         |
| D Challen      | 5                  | 5*       | 0                    | 0         |
| M Coleman      | 5                  | 5        | 0                    | 0         |
| M Coughlin     | 5                  | 5        | 0                    | 0         |
| J Gethin-Jones | 5                  | 5        | 0                    | 0         |
| R Humphry AO   | 5                  | 5        | 0                    | 0         |
| W Hunt         | 5                  | 4        | 0                    | 1         |
| D Jackson      | 5                  | 5        | 0                    | 0         |
| E Mayne        | 5                  | 5        | 0                    | 0         |
| J Murphy       | 5                  | 5        | 0                    | 0         |
| J Stanhope     | 5                  | 3        | 0                    | 2         |
| C Walter AM    | 5                  | 3        | 0                    | 2         |
| J West AM      | 5                  | 5        | 0                    | 0         |
| L White        | 5                  | 4        | 0                    | 1         |
| K Zimmermann   | 5                  | 4        | 0                    | 1         |

\* In the case of one meeting, the Member was present for less than half the meeting.

### FRC Nominations Committee

The FRC Nominations Committee held three formal meetings in 2006-07, in addition to conducting interviews of candidates for the AASB and AUASB. Members' attendance is shown in the table below:

| Members                  | Number of meetings |          |           |
|--------------------------|--------------------|----------|-----------|
|                          | Eligible to attend | Attended | Apologies |
| P Prior (Chairman*)      | 1                  | 1        | 0         |
| K Zimmermann (Chairman*) | 3                  | 3        | 0         |
| K Campbell               | 2                  | 2        | 0         |
| D Challen                | 3                  | 2        | 1         |
| M Coughlin               | 2                  | 2        | 0         |
| C Macek                  | 3                  | 2        | 1         |
| J West AM                | 3                  | 3        | 0         |

\* Mr Prior retired from the FRC during September 2006. Mr Zimmermann was appointed Chairman of the Committee in September 2006.

### FRC Finance Committee AASB Audit Committee AUASB Audit Committee

The Finance Committee and the two Audit Committees held five combined meetings during 2006-07. Members' attendance is shown in the table below:

| Members                   | Number of meetings |          |           |
|---------------------------|--------------------|----------|-----------|
|                           | Eligible to attend | Attended | Apologies |
| G McGregor AO (Chairman*) | 1                  | 1        | 0         |
| B Brook (Chairman*)       | 5                  | 5        | 0         |
| M Coleman                 | 4                  | 4        | 0         |
| D Jackson                 | 5                  | 4        | 1         |
| C Macek                   | 5                  | 4        | 1         |
| J Stanhope                | 5                  | 5        | 0         |

\* Mr McGregor retired from the FRC during September 2006. Mr Brook was appointed Chairman of the Committee in September 2006.



## Audit Independence Committee

The Audit Independence Committee formally met nine times during 2006-07. Members' attendance is shown in the table below:

| Members                   | Number of meetings |          |           |
|---------------------------|--------------------|----------|-----------|
|                           | Eligible to attend | Attended | Apologies |
| E Alexander AM (Chairman) | 9                  | 9        | 0         |
| J Gethin-Jones            | 7                  | 5        | 2         |
| D Jackson                 | 9                  | 9        | 0         |
| C Macek                   | 9                  | 9        | 0         |
| C Walter AM               | 9                  | 7        | 2         |

## Australian Accounting Standards Board

The AASB met 10 times during 2006-2007 for a total of 19 meeting days. Members' attendance is shown in the table below:

| Members          | Number of days eligible to attend | Number of days attended | Apologies (days) |
|------------------|-----------------------------------|-------------------------|------------------|
| D Boymal         | 19                                | 19                      | -                |
| G Appleyard      | 19                                | 18                      | 1                |
| G Campbell-Cowan | -                                 | -                       | -                |
| S Highland       | 8                                 | 8                       | -                |
| B Kaufmann       | 19                                | 17                      | 2                |
| K Leo*           | 11                                | 2                       | 9*               |
| J McCahey        | 19                                | 19                      | -                |
| J O'Grady        | 19                                | 16                      | 3                |
| F Palmer*        | 19                                | 15                      | 4*               |
| C Parker         | 19                                | 19                      | -                |
| K Peach          | 19                                | 19                      | -                |
| D Pearson        | 19                                | 18                      | 1                |
| J Perry          | 19                                | 17                      | 2                |
| B Porter         | 19                                | 17                      | 2                |
| B Rix            | 19                                | 17                      | 2                |

\* Professor Leo was granted leave of absence from July to December 2007. Mr Palmer was granted leave of absence from July to November 2007.

## Auditing and Assurance Standards Board

The AUASB met 11 times during the financial year for a total of 15 meeting days. Members' attendance is shown in the table below:

| <b>Members</b> | <b>Number of days eligible to attend</b> | <b>Number of days attended</b> | <b>Apologies (days)</b> |
|----------------|--|--------------------------------|-------------------------|
| M Kelsall      | 15                                       | 15                             | 0                       |
| D Azoor Hughes | 15                                       | 14                             | 1                       |
| M Blake        | 15                                       | 12                             | 3                       |
| C Hall         | 15                                       | 10                             | 5                       |
| E Johnstone    | 15                                       | 14                             | 1                       |
| C Jubb         | 15                                       | 13                             | 2                       |
| I McPhee       | 15                                       | 11                             | 4                       |
| C Mottershead  | 15                                       | 11                             | 4                       |
| K Neville      | 15                                       | 14                             | 1                       |
| G Pound        | 15                                       | 15                             | 0                       |
| D Simmonds     | 15                                       | 14                             | 1                       |
| K Smith        | 15                                       | 13                             | 2                       |
| J Tyers        | 15                                       | 11                             | 4                       |

# AUSTRALIAN ACCOUNTING STANDARDS BOARD WORK PROGRAMME

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## Progress made on 2006-07 work programme

The AASB's progress on its 2006-07 work programme is set out below:

### IASB-related projects involving significant AASB input

---

| Project               | IASB status      | Outcomes to 30 June 2007  |
|-----------------------|------------------|---|
| Extractive Activities | Research project | <p>AASB leading a team (Canada, Norway &amp; South Africa) to develop draft recommendations for consideration by the IASB.</p> <p>The project team presented papers dealing with the potential measurement of reserves and resources on financial reports to an IASB meeting in October 2006.</p> <p>The project team has been gathering information from analysts around the world (through surveys and interviews) about the information they wish to see in the financial reports of extractive entities.</p> <p>The project team organised a group of analysts to attend an IASB meeting in June 2007 and discuss key aspects of the project.</p> |
| Intangible Assets     | Research project | <p>AASB staff have prepared a number of papers for the consideration of the IASB and the FASB in connection with those Boards' need to make an agenda decision in December 2007 about this project under the IASB/FASB MoU.</p> <p>This involved presentations to the IASB in October 2006, January and April 2007, and meetings with IASB Board advisors.</p>  |

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**IASB-related projects involving significant AASB input (continued)**

| Project                     | IASB status                      | Outcomes to 30 June 2007  |
|-----------------------------|----------------------------------|---|
| Insurance Contracts Phase 2 | Active project                   | <p>AASB staff reviewed and commented on drafts of the IASB's Discussion Paper <i>Preliminary Views on Insurance Contracts</i>, which was released in final form in May 2007.</p> <p>The AASB issued Invitation to Comment 13, which incorporates the IASB's Discussion Paper and outlines the potential impact of the preliminary views on current Australian practices.</p> <p>The AASB has conducted Insurance Roundtables with constituents in June 2007 on the preliminary views, with the involvement of IASB Board members and staff.</p> |
| Revenue Recognition         | Convergence <sup>1</sup> project | AASB staff have contributed to discussions about papers for consideration by the IASB and the FASB.   |

**IASB-related projects involving monitoring by the AASB (in conjunction with New Zealand FRSB)**

| Project                                  | IASB Status         | Outcomes to 30 June 2007   |
|--|---------------------|--|
| Non-financial Liabilities (Provisions)   | Active project      | Monitored IASB's progress (a revised Standard is expected in the second half of 2007).   |
| Puttable Instruments                     | Active project      | <p>The AASB examined comments from Australian constituents on ED 150 and (in turn) commented to the IASB on its proposals.</p> <p>(A revised Standard is expected in the second half of 2007.)</p> |
| Borrowing Costs                          | Convergence project | <p>The AASB examined comments from Australian constituents on ED 149 and (in turn) commented to the IASB on its proposals.</p> <p>A revised IFRS and revised AASB Standard have been issued.</p>   |
| Financial Statement Presentation Phase 1 | Convergence project | <p>The AASB examined comments from Australian constituents on ED 148 and (in turn) commented to the IASB on its proposals.</p> <p>(A revised Standard is expected in the second half of 2007.)</p> |
| Joint Ventures                           | Convergence project | Monitored IASB's progress (an Exposure Draft is expected in the second half of 2007).  |
| Segment Reporting                        | Convergence project | <p>The AASB examined comments from Australian constituents on ED 145 and (in turn) commented to the IASB on its proposals.</p> <p>A new IFRS and new AASB Standard have been issued.</p>           |
| Impairment                               | Convergence project | Monitored IASB's progress (limited progress has been made).  |
| Income Tax                               | Convergence project | Monitored IASB's progress (limited progress has been made).  |

1 'Convergence' denotes a project aimed at achieving greater convergence between the IASB and the FASB.

## IASB-related projects involving monitoring by the AASB (in conjunction with New Zealand FRSB) (continued)

| Project  | IASB status         | Outcomes to 30 June 2007  |
|--|---------------------|---|
| Earnings per Share                                 | Convergence project | Monitored IASB's progress (an Exposure Draft is expected in the second half of 2007).   |
| Business Combinations Phase 2                      | Convergence project | Monitored IASB's progress (a revised Standard is expected in the second half of 2007).  |
| Fair Value Measurement Guidance                    | Convergence project | The IASB issued a Discussion Paper on which the AASB commented.   |
| Small and Medium-sized Entities                    | Active project      | The IASB issued an Exposure Draft of a Proposed IFRS for Small and Medium-sized Entities in March 2007. The AASB issued Invitation to Comment 12 incorporating the IASB's ED with a Preface outlining possible ways in which an SMEs Standard might be applied in Australia.<br><b>This is now a major project of the AASB.</b>   |
| Consolidation (including Special Purpose Entities) | Active project      | Monitored IASB's progress (a revised Standard is expected in the second half of 2007).  |
| Conceptual Framework                               | Active project      | The IASB issued Preliminary Views on an improved Conceptual Framework for Financial Reporting: <i>The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information</i> in July 2006. The AASB issued an Invitation to Comment incorporating the IASB's Preliminary Views in July 2006 and conducted Roundtables to elicit views from Australian constituents.<br><br>The AASB examined comments from Australian constituents on the Invitation to Comment and (in turn) commented to the IASB on its proposals.<br><br>The AASB staff also participated with the staff of national standard setters from Canada, New Zealand and the UK in gathering information about the potential impact of the IASB's views if they were to be applied to not-for-profit and public sector entities. |
| Post-employment Benefits                           | Research project    | Monitored IASB's progress (limited progress has been made).   |
| Measurement  | Research project    | Monitored IASB's progress (limited progress has been made).<br><br>AASB staff attended Fair Value Roundtables conducted by the IASB.  |
| Leases   | Research project    | Monitored IASB's progress (limited progress has been made).   |
| Financial Instruments                              | Research project    | Monitored IASB's progress (limited progress has been made).   |
| Financial Statement Presentation Phase 2           | Research project    | Monitored IASB's progress (limited progress has been made).   |
| Management Commentary                              | Research project    | Monitored IASB's progress (limited progress has been made).   |

## IFAC-IPSASB-related projects involving monitoring by the AASB (in conjunction with New Zealand FRSB)

| Project                               | IPSASB status    | Outcomes to 30 June 2007   |
|---------------------------------------|------------------|--|
| Non-exchange Revenues                 | Active project   | The AASB examined comments from Australian constituents on ED 145 and (in turn) commented to the IPSASB on its proposals.<br>A new IPSAS has been issued, however, the AASB (and FRSB) do not support the approach taken by the IPSASB.<br><b>This topic is now the subject of a major 'domestic' joint project between the AASB and the FRSB.</b> |
| Social Policy Obligations             | Active project   | The IPSASB has decided to progress this project in parts, dealing first with limited disclosures about Social Benefits and intends issuing an Exposure Draft shortly. AASB staff have commented on various drafts of the ED and associated papers.   |
| GAAP/GFS convergence                  | Active project   | Monitored IPSASB's progress (limited progress has been made).  |
| Heritage Assets                       | Active project   | The AASB commented on an IPSASB Discussion Paper.  |
| Budget Reporting                      | Active project   | Monitored IPSASB's progress (limited progress has been made).  |
| Amending IPSASs for IASB Improvements | Active project   | AASB staff have commented on various papers associated with the topics covered by the Improvements project.  |
| Conceptual Framework                  | Research project | AASB staff developed a draft paper on Reporting Entity for use by the IPSASB, and provided comments to the IPSASB on papers dealing with other aspects of the project.   |
| Service Concessions                   | Research project | AASB staff have reviewed papers on the topic and participated in conference calls with the IPSASB and other national standard setters.   |

### New Zealand convergence

In adopting the IASB standards, both the AASB and the New Zealand FRSB originally removed optional treatments, added some disclosure requirements and catered for not-for-profit entities. In some cases, the amendments and additions made by the AASB are different from the amendments and additions made by the FRSB.

The AASB has reviewed all of its Australian equivalents to IFRSs in 2006-07, which involved the issue of two Exposure Drafts. As a result of the review, more than three-quarters of the Australian equivalents to IFRSs have been amended to include the options contained in IFRSs and remove some of the additional Australian disclosure requirements. Some additional disclosure requirements remain and the not-for-profit paragraphs also remain. In the meantime, the FRSB has finalised its New Zealand equivalents to IFRSs (which are mandatory from 1 January 2007).

As a consequence of the work undertaken in Australia and New Zealand in 2006-07, the two sets of Standards have been converged to a more significant degree.

The Boards have undertaken to work together to remove as many of the remaining differences as possible in keeping with the need for Trans-Tasman cooperation on regulatory matters.

The AASB and the FRSB have also agreed to share resources to the extent feasible and in most cases have allocated one or other of the Boards to be the prime Board responsible for monitoring the work of the IASB and the IPSASB.

### Domestic GAAP/GFS convergence projects

| Project   | Status | Outcomes to 30 June 2007   |
|---|--------|--|
| General Government Sector reporting [Part 1 of Phase 1]                                   | ED 142 | The AASB considered comments on ED 142 and issued AASB 1049 <i>Financial Reporting of General Government Sectors by Governments</i> in September 2006. |
| Whole of Government (WoG) Sector reporting [Part 2 of Phase 1]                            | ED 155 | ED 155 <i>Financial Reporting by Whole of Governments</i> was issued in May 2007 for public comment.   |
| PNFC & PFC Sectors [Part 3 of Phase 1]  | —      | The AASB will consider flow-on consequences of the GGS and WoG work.   |
| Entities within the GGS (including government departments) [Phase 2]                      | —      | The AASB will consider flow-on consequences of the GGS and WoG work.   |
| Other public sector entities (including local governments, universities & GBEs) [Phase 3] | —      | The AASB will consider flow-on consequences of the GGS and WoG work.   |

### Other domestic projects

| Project  | Status                                     | Outcomes to 30 June 2007   |
|--|--|--|
| Superannuation Plans   | AAS 25 (1993)                              | The AASB has been developing a Consultation Paper dealing primarily with the issues surrounding consolidation.<br><br>The AASB has also considered a range of issues papers in preparation for developing an ED.   |
| Definition of Not-for-Profit Entities                                    | Definition used in existing AASB standards | The AASB has received additional input for use in progressing this project from two studies undertaken by academics from the University of WA under the sponsorship of CPA Australia.  |
| Review of Local Government, Government Departments & Whole of Government | AAS 27, AAS 29 and AAS 31                  | ED 156 <i>Proposals Arising from the Short-term Review of the Requirements in AAS 27, AAS 29 and AAS 31</i> was issued in June 2007 for public comment.<br><br>The AASB also issued paragraph-by-paragraph analyses of AAS 27, AAS 29 and AAS 31 to facilitate constituents' consideration of the ED 156 proposals.  |
| Review of Reporting Entity and GPFR/SPFR distinction                     | SAC 1 & SAC 2                              | The IASB issued an Exposure Draft of a Proposed IFRS for Small and Medium-sized Entities in March 2007. The AASB issued Invitation to Comment 12 incorporating the IASB's ED with a Preface outlining possible ways in which an SMEs Standard might be applied in Australia.<br><br>The AASB's Preface includes proposals for relying on the notion of a General Purpose Financial Report (GPFR) rather than the reporting entity concept in determining the entities that should apply Standards. The AASB's proposals would involve the revision or withdrawal of SAC 1 & SAC 2. |

## Other domestic projects (continued)

| Project   | Status                           | Outcomes to 30 June 2007  |
|---|----------------------------------|---|
| Related Party Disclosures in the Public Sector          | Currently scoped out of AASB 124 | Limited progress has been made.   |
| Segment Reporting in the Public Sector                  | Currently scoped out of AASB 114 | The AASB examined comments from Australian constituents on ED 145, which included questions about the suitability of the proposed approach in the public sector.<br><br>Based on the responses received, the AASB will undertake separate work on segment reporting in the public sector.   |
| Administered Items                                      | AAS 29                           | ED 156 (see Review of Local Government, Government Department & Whole of Government above) includes a proposed Standard on administered items.  |
| KMP disclosures — AASB 124 and section 300A convergence | AASB 124<br>Section 300A         | AASB staff and Treasury staff have been consulting on avenues for rationalising the disclosure requirements for compensation and other related disclosures of key management personnel (KMP) currently set out in AASB 124 and section 300A of the <i>Corporations Act 2001</i> .<br><br>AASB staff provided comments on draft Treasury proposals and draft legislation during 2006-07. |

## AASB/IFRIC Interpretations

| Project             | Status  | Outcomes to 30 June 2007  |
|---------------------|---|---|
| Service Concessions | Interpretation 12                                       | IFRIC 12 and an equivalent Australian Interpretation have been issued and deal only with private sector operators in service concession arrangements.<br><br>An Interpretations Advisory Panel has been established to make recommendations to the AASB on the manner in which the AASB should proceed in respect of public sector grantors in service concession arrangements. |
| IFRIC projects      | Active projects and Draft Interpretations as they arise | There were two Draft IFRIC Interpretations posted for comment on the AASB's website in 2006-07. The AASB commented on both drafts.<br><br>Three new Interpretations and two revised Interpretations were issued in 2006-07.   |
| Domestic projects   | Active projects as they arise                           | An AASB Interpretations Advisory Panel on Petroleum Resource Rent Tax was formed and has posted a draft recommendation on the AASB's website.   |

## Work programme 2007-08

During 2006-2007, the Board reaffirmed its view that there are four policy areas on which it should focus, and which should guide the content and timing of its work programme. The Board will primarily continue to work on IFRS developments, whilst working on domestic and international work on not-for-profit entity issues, particularly in the public sector.



The four policy areas remain as follows:

1. ***International role*** – to seek to influence the agenda, priorities and standards of the IASB and the IPSASB by:
  - (a) participating in IASB research projects in a manner such that our contribution is recognised;
  - (b) providing staff to IASB to work on selected standards setting project teams and from time to time engage in staff secondments to the IASB;
  - (c) simultaneously issuing (to the extent feasible) Australian versions of Exposure Drafts and Invitations to Comment containing a tentative AASB view of the proposal(s);
  - (d) responding to all significant Exposure Drafts of the IASB and IPSASB in the name of the AASB or the AASB staff;
  - (e) providing technical support to Australian representatives at IASB and IPSASB meetings and project meetings;
  - (f) closely monitoring the progress of selected IASB and IPSASB projects with the objective of alerting the constituency to forthcoming significant issues and to indicate to the IASB and IPSASB information about Australian views on such issues at the earliest possible time; and
  - (g) establishing and maintaining working relationships with other standard setters in our region, in particular New Zealand, and also establishing and maintaining working relationships with equivalent organisations of high standing in other parts of the world.
  
2. ***Interpretations*** – promote globally consistent application and interpretation of accounting standards and continue to be involved in interpreting standards relating to a purely local standard, or to a sector not covered by the IASB or where an international interpretation of an international standard is not forthcoming (this latter situation is expected to be rare), and including:
  - (a) on discovering unacceptable diversity of accounting treatments arising from differences in interpretation, in the first instance, attempting to have the matter resolved at an international level; and
  - (b) making arrangements to have all international Implementation Guidance and Bases for Conclusions relating to international accounting standards freely available on its website to its Australian constituents.

3. **Communications** – to improve communication with constituents and the use of constituent input by:
  - (a) developing communications processes and policies to facilitate effective and timely engagement with stakeholders, stakeholder groups and with bodies we are seeking to influence; and
  - (b) establishing a communication function and developing a broad communications strategy.
  
4. **Transaction neutrality** – to continue promulgating standards that deal with like transactions and events in a like manner by using IFRSs as the core direction for accounting treatments, but recognising that the IASB has written IFRSs specifically for the for-profit sector. In view of the different business models in the other sectors, the AASB will amend the IFRSs, where necessary in order that they are also appropriate for use in the not-for-profit private and not-for-profit public sectors.

Based on the above policies, the Board discussed its key aims for 2007 at its February 2007 meeting and identified six top priorities (A list projects) and a further five high priorities (B list projects). The relevant project areas are shown below.

## A list projects

### GAAP/GFS Harmonisation — implications for Whole of Government, including the PNFC and PFC sectors

| Status  | Proposed actions                                      |
|---|---|
| ED 155 <i>Financial Reporting by Whole of Governments</i> was issued in May 2007. | Consider ED comments and finalise and issue Standard. |

### Whole of Government, Government Department, and Local Government review

| Status   | Proposed actions   |
|--|--|
| ED 156 <i>Proposals Arising from the Short-term Review of AAS 27, AAS 29 and AAS 31</i> was issued in June 2007. | Consider ED comments and finalise and issue various draft new and revised Standards. |

### Gaps in GAAP for public sector not-for-profit entities

| Status   | Proposed action   |
|--|---|
| Considered an issues paper outlining the nature of each issue and agreed on a suggested approach to addressing each issue. | Consider detailed issues papers on selected issues including suggested proposals for amending Standards or providing guidance. Consider need for EDs and revised standards. |

## Reporting Entity and GPFR/SPFR issues, including Differential Reporting/SMEs

| Status  | Proposed actions  |
|---|---|
| Australian Preface to the IASB's ED on SMEs, which asks constituents their views on Board proposals for differential reporting and the future of SAC 1 and SAC 2. Invitation to Comment ITC 12 'Request for Comment on a Proposed Differential Reporting Regime for Australia and IASB Exposure Draft of a Proposed IFRS for Small and Medium-sized Entities' was issued in May 2007. | Consider comments from constituents on Board proposals. Respond to IASB ED.<br>Consider developing an Australian equivalent to the IFRS for SMEs. |

## Superannuation plans

| Status   | Proposed actions   |
|--|--|
| Issues papers on a range of topics considered. | Issue Consultation Paper on Consolidation and consider comments.<br>Develop and issue an ED. |

## Revenue from Non-Exchange Transactions (with New Zealand)

| Status                           | Proposed actions  |
|----------------------------------|---|
| AASB 1004 <i>Contributions</i> . | Consider issues papers analysing issues in the context of: <ul style="list-style-type: none"> <li>• the framework;</li> <li>• IPSAS 23 <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i>;</li> <li>• AASB 1004 <i>Contributions</i>;</li> <li>• AASB 118 <i>Revenue</i>;</li> <li>• AASB 120 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>;</li> <li>• previous ED 144 and ED 147; and</li> <li>• relevant parts of AAS 27, AAS 29 and AAS 31.</li> </ul> Develop and issue a Discussion Paper. |

## B list projects

### Control of an asset/entity in the not-for-profit/public sector

| Status      | Proposed action   |
|-------------|---|
| New project | Consider issues papers and liaise with key constituents to confirm nature of issues/problems.<br>Develop and issue Exposure Draft(s). |

## Insurance Phase II, including participation in IASB Project Team

| Status  | Proposed action   |
|---|---|
| ITC 13 Request for Comment on IASB Discussion Paper <i>Preliminary Views on Insurance Contracts</i> incorporating IASB's Discussion Paper issued in May 2007. | Comment on IASB Discussion Paper and continue to participate in IASB project team at staff level and assist in the development of an IASB Exposure Draft and IASB Standard. |

## Conceptual Framework (IASB/FASB)#

| Status   | Proposed action   |
|--|---|
| ITC 11 Request for Comment on IASB Discussion Paper 'Preliminary Views on an Improved Conceptual Framework for Financial Reporting': <i>The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information</i> was issued in August 2006. | <p>Consider and issue further Invitations to Comment incorporating IASB/FASB Discussion Papers. Two are expected:</p> <ul style="list-style-type: none"> <li>• Elements, Recognition and Measurement; and</li> <li>• Reporting Entity.</li> </ul> <p>Conduct and participate in Roundtables in Australia to encourage feedback to AASB and IASB/FASB.</p> <p>Comment on IASB/FASB Discussion Papers.</p> <p>Continue participating in IASB/FASB work to the extent feasible and contributing comments at Roundtables where appropriate.</p> |

## Conceptual Framework (IPSASB)#

| Status   | Proposed action  |
|--|--|
| First draft paper on Reporting Entity (prepared by AASB staff) considered by IPSASB. | <p>Continue participating in IPSASB work to the extent feasible and contributing comments and ideas where appropriate.</p> <p>Comment on IPSASB Discussion Papers.</p> |

AASB staff are acting as IPSASB project team members, with responsibility for developing papers on the Reporting Entity topic.

# The Chairman and certain AASB staff participate in a Monitoring Group comprising standard setters from Australia, Canada, New Zealand, the United Kingdom and the IPSASB, which comments on the IASB/FASB Conceptual Framework Project Board papers on an ongoing basis from a not-for-profit entity perspective.

## Service Concessions (IPSASB)

| Status                       | Proposed action                                       |
|------------------------------|---|
| IPSASB Working Party formed. | Consider and contribute to IPSASB Consultation Paper. |

AASB staff will be acting as an IPSASB project team members, with responsibility for developing papers on aspects of the topic. The AASB has also established a Panel to develop recommendations to the AASB regarding the grantor accounting as a result of the issue of Interpretation 12 *Service Concession Arrangements*.

## Other projects and activities

The following tables show the other projects of the AASB not included among the highest priorities for 2007-08.

### 1 IASB-related projects involving significant AASB input

| Project               | IASB status                      | Proposed actions  |
|-----------------------|----------------------------------|---|
| Extractive Activities | Research project                 | AASB leading a team (Canada, Norway & South Africa) to develop draft recommendations for consideration by the IASB. |
| Intangible Assets     | Research project                 | AASB developing active project proposal papers for consideration by the IASB.                                       |
| Revenue Recognition   | Convergence <sup>2</sup> project | AASB contributing through Project Team membership.  |

### 2 IASB-related projects involving monitoring by the AASB (in conjunction with New Zealand FRSB)

| Project  | IASB status         | Proposed actions   | Board with prime responsibility |
|--|---------------------|--|---------------------------------|
| Non-financial Liabilities (Provisions)             | Active project      | Monitor closely  | AASB                            |
| Puttable Instruments                               | Active project      | FRSB leading project and AASB monitoring closely                               | FRSB                            |
| Borrowing Costs                                    | Convergence project | Issue revised Standard of IAS 23, possibly amended for not-for-profit entities | AASB                            |
| Financial Statement Presentation Phase 1           | Convergence project | ED 148 issued for comment in Australia. Monitor closely                        | AASB                            |
| Joint Ventures                                     | Convergence project | Monitor passively  | AASB                            |
| Impairment   | Convergence project | Monitor passively  | AASB                            |
| Income Tax   | Convergence project | Monitor passively  | AASB/FRSB                       |
| Earnings per Share                                 | Convergence project | Monitor passively  | AASB                            |
| Business Combinations Phase 2                      | Convergence project | Monitor closely  | FRSB                            |
| Fair value measurement guidance                    | Convergence project | Monitor closely  | AASB                            |
| Consolidation (including Special Purpose Entities) | Active project      | Monitor passively  | FRSB                            |
| Post-employment Benefits                           | Research project    | Monitor passively  | AASB                            |
| Measurement  | Research project    | Monitor passively  | AASB                            |

<sup>2</sup> 'Convergence' denotes a project aimed at achieving greater convergence between the IASB and the FRSB.

## 2 IASB-related projects involving monitoring by the AASB (in conjunction with New Zealand FRSB) (continued)

| Project                                  | IASB status             | Proposed actions  | Board with prime responsibility |
|--|-------------------------|---|---------------------------------|
| Leases                                   | Research project        | Monitor passively   | FRSB                            |
| Financial Instruments                    | Research project        | Monitor passively   | AASB                            |
| Financial Statement Presentation Phase 2 | Research project        | Monitor closely.<br>Australia represented on IASB Working Group | AASB                            |
| Management Commentary                    | Research project        | Monitor passively   | FRSB                            |
| Common Control Business Combinations     | Possible active project | Providing input for an IASB agenda decision                     | AASB                            |

Where the AASB has designated a project as one that it should monitor closely, to the extent possible the Board intends to consider IASB papers as they are considered by the IASB, and to provide the IASB with comments and feedback on a continuous and timely basis.

Other IASB projects will be monitored as closely as possible by AASB staff, which will report issues of concern to the Board on an exception basis.

## 3 IFAC-IPSASB-related projects involving monitoring by the AASB (in conjunction with New Zealand FRSB)

| Project                               | IPSASB status  | Proposed actions  | Board with prime responsibility |
|---------------------------------------|----------------|-------------------|---------------------------------|
| Social Policy Obligations             | Active project | Monitor closely   | FRSB                            |
| Heritage Assets                       | Active project | Monitor closely   | FRSB                            |
| Budget Reporting                      | Active project | Monitor closely   | AASB                            |
| Amending IPSASs for IASB Improvements | Active project | Monitor passively | AASB/FRSB                       |

Where the AASB has designated a project as one that it should monitor closely, to the extent possible the Board (or a subcommittee of the Board or the AASB staff) intends to consider IPSASB papers as they are considered by the IPSASB, and to provide comments and feedback on a continuous and timely basis.

Other IPSASB projects will be monitored as closely as possible by AASB staff, which will report issues of concern to the Board on an exception basis.

## 4 New Zealand Convergence exercise

In adopting the IASB standards, both the AASB and the New Zealand FRSB have removed optional treatments, added some disclosure requirements and catered for not-for-profit entities. In some cases, the amendments and additions made by the AASB are different from the amendments and additions made by the FRSB. It may be considered that, since the Boards are adopting the same set of IASB standards, they

would end up with the same standards. However, the respective starting points and regulatory environments of the two Boards are different and have given rise to some differences in the 'adopted standards'. These differences are becoming fewer as the two jurisdictions cooperate and as both jurisdictions remove differences from IFRSs.

The Boards have undertaken to work together to remove as many differences as possible in keeping with the need for Trans-Tasman cooperation on regulatory matters.

The AASB and the FRSB have also agreed to share resources to the extent feasible and in most cases have allocated one or other of the Boards to be the prime Board responsible for monitoring the work of the IASB and the IPSASB.

## 5 Domestic GAAP/GFS Convergence Project

| Project  | Status | Proposed actions  |
|--|--------|---|
| PNFC & PFC Sectors [Part 3 of Phase 1]                               | —      | Consider flow-on from GGS work.   |
| Entities within the GGS (including government departments) [Phase 2] | —      | Consider flow-on from GGS work. See also the work on Government Department Review (withdrawal project). |

## 6 Other domestic projects

| Project   | Status   | Proposed actions  |
|---|--|---|
| Definition of Not-for-Profit Entities                   | Definition used in existing AASB standards             | Develop guidance to assist constituents to distinguish for-profit and not-for-profit entities. ED to make use of New Zealand guidance on Public Benefit Entities.   |
| Related Party Disclosures in the Public Sector          | Currently scoped out of AASB 1017, AAS 22 and AASB 124 | Examine the specific issues associated with the public sector in light of existing practice in the Australian public sector and the IPSASB Standard on related parties and undertake the normal due process.                          |
| Segment Reporting in the Public Sector                  | Currently scoped out of AASB 114                       | Examine the specific issues associated with the public sector in light of existing practice in the Australian public sector and the IPSASB Standard on segment reporting and undertake the normal due process.                        |
| KMP disclosures — AASB 124 and section 300A convergence | AASB 124 section 300A                                  | In conjunction with Treasury staff, examine avenues for rationalising the disclosure requirements for compensation and other related disclosures currently set out in AASB 124 and section 300A of the <i>Corporations Act 2001</i> . |

## 7 AASB/IFRIC Interpretations

| Project           | Status                              | Proposed actions  |
|-------------------|-------------------------------------|---|
| IFRIC projects    | Draft Interpretations as they arise | Issue for comment in Australia and develop submissions. |
| Domestic projects | Active projects as they arise       | Carry out revised Interpretations process.              |

## APPENDIX F

# AUDITING AND ASSURANCE STANDARDS BOARD WORK PROGRAMME

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## Status of Auditing and Assurance Standards Board's 2006-07 work programme

### Highest priority projects

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| Project  | Project description  | Output to 30 June 2007  |
|--|--|---|
| Formulate new and revised Auditing Standards, reflecting international developments.                         | Reviewing and reissuing Auditing Standards as Legislative Instruments using ISAs as a base.<br><br>Amendment of Standards to require auditors to report on the entity's compliance with IFRS.  | Amending Standard was issued, and compiled versions of nine other affected standards were prepared.   |
| Conduct market research to monitor the impact and awareness of legally enforceable standards.                | A quantitative research survey was commissioned on the awareness of ASAs amongst auditors in smaller firms.<br><br>Restructuring the framework for assurance engagements.  | Results of the survey were presented to the accounting bodies.<br><br>The Framework for Assurance Engagements was revised and issued 27 June 2007.  |
| Review and reissue other Auditing Standards (not issued as legislative instruments) and Guidance Statements. | Revision of Standard on Assurance Engagements.<br><br>Reviewing and reissuing other Auditing Standards and guidance statements.<br><br>Developing and issuing new Auditing Standards or guidance statements (liaising with working parties and experts where appropriate). | AUS 110 was revised and reissued 7 July 2007 as ASAE 3000, operative for reporting periods commencing on or after 1 July 2007.<br><br>Project established to develop Guidance Statement on Concise Financial Reports — issued as GS 001 on 7 July 2007.<br><br>Projects established and in progress to develop guidance statements on: <ul style="list-style-type: none"><li>• review engagements;</li><li>• the use of service organisations;</li><li>• internal audit;</li><li>• compliance audits; and</li><li>• performance auditing.</li></ul> |

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**Highest priority projects (continued)**

| <b>Project</b>                                      | <b>Project description</b>  | <b>Output to 30 June 2007</b>  |
|---|---|--|
| Other ad hoc projects                               | Participating in and responding to developments or changes initiated by regulators such as: <ul style="list-style-type: none"> <li>• ASIC;</li> <li>• APRA; and</li> <li>• APESB.</li> </ul>  | Assisting and providing technical advice to other standards setters.<br><br>Revision of guidance statements in response to changes in APRA regulations.<br><br><i>GS 002 (AGS 1070) Special considerations in the audit of Risk Management Requirements for Registrable Superannuation Entities and Licensees</i> revised and reissued.<br><br>Projects established to revise guidance statements AGS 1064, AGS 1008 and Auditing Standard AUS 524.  |
| International:                                      |   |  |
| IAASB projects                                      | Monitoring the activities of the IAASB including the progress of the IAASB Clarity Project.<br><br>Contributing directly to IAASB projects by taking a leadership role in redrafting ISAs in the clarity format.<br><br>Providing comment on IAASB outputs (such as Exposure Drafts).<br><br>Attendance at IAASB meetings.<br><br>Staff briefings to the AUASB on IAASB meeting papers. | AUASB and IAASB Board member and Principal Executive attended IAASB meetings and reported to AUASB at each Board meeting.<br><br>The Technical Group was responsible for the redrafting of ISA 210 and ISA 250 in clarity format.<br><br>Formal submission made on all IAASB exposure drafts. Comments provided on IAASB meeting papers and Task Force papers.<br><br>Representation at all IAASB meetings.<br><br>Staff briefings either written or verbal provided to AUASB Board on key IAASB issues. |
| Monitoring of other international standards setters | Monitoring and reviewing the activities of other international standard setting bodies, including the PCAOB, and subsequent reporting to the Board.   | Chairman and Principal Executive attendance at Annual IAASB-National Standards Setters Meeting, Trans-Tasman Accounting and Auditing Advisory Group and ongoing liaison with other national Auditing Standards Setters, including those from France, Germany, Canada, NZ, USA and UK, Reporting to the Board at each meeting on the activities of other standards setters.   |

## Other projects

| Project  | Project description   | Output to 30 June 2007  |
|--|---|---|
| Communications strategy  | Finalisation of a Communications Strategy.  | Communications plan prepared; implementation of strategy ongoing.   |
|  | Development and ongoing maintenance of the AUASB website.   | Website maintained and updated throughout the year.   |
|  | Liaising with regulators, constituents and media groups.  | Attendance at meetings with stakeholders; other liaison specific to issue of legally enforceable standards. |
| Monitoring auditing research undertaken in Australia and internationally | Establishing a Research Committee.  | Committee established.  |
|  | Monitoring auditing research undertaken in Australia and internationally.   | Regular updates presented to the Board at each meeting.   |
|  | Facilitating auditing research in Australia in order to maximise funding opportunities for research that are of interest to or have an impact on the AUASB work plan. | Committee currently exploring research opportunities.   |

## Auditing and Assurance Standard Board 2007-08 work programme

The AUASB's work programme for 2007-08 is aligned to its broad corporate strategies, which are to:

- formulate legally enforceable Auditing Standards;
- formulate other auditing and assurance standards;
- formulate guidance pronouncements;
- international: participate in the standard setting activities of the International Auditing and Assurance Standards Board (IAASB) and liaise with other standards setters (such as the United States of America, Canada, the United Kingdom and New Zealand); and
- local: participate in the standard setting activities of relevant Australian organisations.

These pronouncements are to be developed with:

- a clear public interest focus;
- recognition that Australia is part of the global market;
- recognition of the importance of conformity with international auditing standards; and

- an emphasis on communication.

The main focuses of the 2007-08 work programmes are:

- completion of the revision and reissue of guidance statements and Auditing and Assurance Standards for other purposes;
- revision and reissue of guidance statements and Auditing Standards previously issued;
- emphasis on communication with stakeholders; and
- development of a strategy for the revision of ASAs in clarity format, and commencement of that project by January 2008.

### **Formulate legally enforceable Auditing Standards**

The AUASB plans to formulate new legally enforceable Auditing Standards as well as revise those issued during the last two years, under the AUASB's Phase 2 programme, in order to responsibly address stakeholder expectations. As part of this process, the AUASB plans to assess the requirements for additional standards to enable both practitioners and regulators to enhance financial reporting and corporate governance frameworks in Australia.

### **Formulate other auditing and assurance standards**

The AUASB plans to progress and finalise the following projects to formulate new or revised auditing and assurance standards other than legally enforceable standards.

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#### **Projects**

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##### **Assurance (ASAE)**

Assurance Engagements: Revision of AUS 108 Framework for Assurance engagements and AUS 110 Assurance Engagements Other Than Audits or Reviews of Historical Information

Internal Controls: Revision of AUS 810 Special Purpose Reports on the Effectiveness of Control Procedures, including AGS 1006 Expression of an Opinion on Internal Control

Performance Audit: Revision of AUS 806 Performance Auditing and AUS 808 Planning Performance Audits

Compliance Auditing Engagements: New Standard

Revision of AUS 804 The Audit of Prospective Financial Information

##### **Review Engagement (ASRE)**

Revision of ASRE 2400 Review Engagements

##### **Related Services (ASRS)**

Revision of AUS 904 Engagements to Perform Agreed-upon Procedures

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## Formulate guidance pronouncements

The AUASB plans to undertake the following projects to formulate new or revised auditing and assurance guidance pronouncements or withdraw existing guidance. Guidance will be revised or formulated in consultation with a working party of stakeholders where necessary, but generally without public exposure. Proposed actions for each project will include preparation of a project plan, establishment of a working party if needed, updates and draft pronouncements for consideration by the AUASB and issuance of finalised guidance.

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### Projects

#### Auditing Guidance Statements — general

Revision and reissuance as Auditing Guidance Statements:

- AUS 524 The Auditor's Use of the Work of the Actuary and the Actuary's Use of the Work of the Auditor in Connection with the Preparation and Audit of a Financial Report
- AUS 522 Audit Evidence Implications of Externally Managed Assets of Superannuation, Provident or Similar Funds and AGS 1026 Superannuation Funds — Auditor Reports on Externally Managed Assets
- Appendices 3 and 5 of AUS 702 relating to Concise Financial Reports

Revision and reissuance of the following Auditing Guidance Statements:

- AGS 1050 Audit Issues Relating to the Electronic Presentation of Financial Reports
  - AGS 1044 Audit Reports on Information Provided Other than in a Financial Report (including current issues in AGS 1040 Franchising Code of Conduct)
  - AGS 1002 Bank Confirmation Requests
  - AGS 1014 Privity Letter Requests
  - AGS 1028 Uncertainty
  - AGS 1030 Auditing Derivative Financial Instruments
  - AGS 1042 Reporting on Control Procedures at Outsourcing Entities
  - AGS 1048 The Special Considerations in the Audit of Small Entities
  - AGS 1066 Reporting by Auditors on Compliance with International Financial Reporting Standards
  - AGS 1036 The Consideration of Environmental Matters in the Audit of a Financial Report
  - AGS 1054 Auditing Revenue of Charitable Entities
  - AGS 1062 Reporting in Connection with Proposed Fundraisings
  - AGS 1056 Electronic Commerce — Effect on the Audit of a Financial Report
  - AGS 1038 Access to Audit Working Papers (revised in 2006)
  - AGS 1046 Responding to Questions at an Annual General Meeting (revised in 2006)
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## **Formulate guidance pronouncements (continued)**

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### **Projects**

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#### Auditing Guidance Statements — Related to Other Regulatory Bodies

Revision and reissuance of the following Auditing Guidance Statements:

- AGS 1064 Audit Implications of Prudential Reporting Requirements for General Insurers
  - AGS 1008 Audit Implications of Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs)
  - AGS 1068 Audit Requirements for Australian Financial Services Licensees under the *Corporations Act 2001*
  - AGS 1024 *Life Insurance Act 1995* — Audit Obligations
  - AGS 1052 Special Considerations in the Audit of Compliance Plans of Managed Investment Schemes and AGS 1058 Auditing Mortgage Investment Schemes
  - AGS 1070 Risk Management Statements
- 

### **International: Participate in standard setting activities of the International Auditing and Assurance Standards Board (IAASB) and liaise with other national standard setters**

The AUASB plans to continue to maintain its international profile by committing significant AUASB resources to:

- involvement with IAASB meetings;
- contributing directly to IAASB projects by continuing with its role in redrafting ISAs in the clarity format and providing comments on exposure drafts; and
- reflecting international developments in AUASB pronouncements.

### **Local: Participate in the standard setting activities of relevant Australian organisations**

The AUASB plans to monitor emerging issues in the Australian regulatory and business environment and responsibly address significant audit issues that arise from such developments. In addition, the AUASB plans to continue to commit its resources to consider the audit implications of the activities of other related regulatory bodies and the AASB.

The AUASB also plans to provide input into the development of professional standards, including commenting on exposure drafts issued by the Accounting Professional and Ethical Standards Board (APESB) and the activities of the Audit Quality Review Board (AQRB) in relation to ethics and quality control.

## APPENDIX G

# AUSTRALIAN ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS AS AT 30 JUNE 2007

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### Statements of accounting concepts

| Number    | Title   | Issued |
|-----------|---|--------|
| SAC 1     | <i>Definition of the reporting entity</i>                                     | 8/90   |
| SAC 2     | <i>Objective of general purpose financial reporting</i>                       | 8/90   |
| Framework | <i>Framework for the Preparation and Presentation of Financial Statements</i> | 7/04   |

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### Policy statements

| Number | Title  | Issued<br>(reissued#) |
|--------|--|-----------------------|
| PS 1   | <i>The development of statements of accounting concepts and accounting standards</i> | 7/93                  |
| PS 2   | <i>The AASB consultative group</i>   | # 6/01                |
| PS 3   | <i>AASB project advisory panels</i>  | # 6/01                |
| PS 4   | <i>International convergence and harmonisation policy</i>                            | # 4/02                |

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## Accounting Standards

### AASB series

| Number | Title   | Application date<br>(annual reporting<br>periods) | Issue date |
|--------|---|---|------------|
| AASB 1 | <i>First-time Adoption of Australian Equivalents to International Financial Reporting Standards</i> | (beginning)<br>1 January 2005                     | 7/04       |
| AASB 2 | <i>Share-based Payment</i>  | (beginning)<br>1 January 2005                     | 7/04       |
| AASB 3 | <i>Business Combinations</i>  | (beginning)<br>1 January 2005                     | 7/04       |

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**AASB series (continued)**

| <b>Number</b> | <b>Title</b>  | <b>Application date<br/>(annual reporting<br/>periods)</b> | <b>Issue date</b> |
|---------------|---|--|-------------------|
| AASB 4        | <i>Insurance Contracts</i>  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 5        | <i>Non-current Assets held for Sale and Discontinued Operations</i>             | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 6        | <i>Exploration for and Evaluation of Mineral Resources</i>                      | (beginning)<br>1 January 2005                              | 12/04             |
| AASB 7        | <i>Financial Instruments: Disclosures</i>                                       | (beginning)<br>1 January 2007                              | 8/05              |
| AASB 8        | <i>Operating Segments</i>   | (beginning)<br>1 January 2009                              | 2/07              |
| AASB 101      | <i>Presentation of Financial Statements</i>                                     | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 102      | <i>Inventories</i>  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 107      | <i>Cash Flow Statements</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 108      | <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>          | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 110      | <i>Events after the Balance Sheet Date</i>                                      | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 111      | <i>Construction Contracts</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 112      | <i>Income Taxes</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 114      | <i>Segment Reporting</i>  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 116      | <i>Property, Plant and Equipment</i>  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 117      | <i>Leases</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 118      | <i>Revenue</i>  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 119      | <i>Employee Benefits</i>  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 119      | <i>Employee Benefits</i>  | (beginning)<br>1 January 2006                              | 12/04             |
| AASB 120      | <i>Accounting for Government Grants and Disclosure of Government Assistance</i> | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 121      | <i>The Effects of Changes in Foreign Exchange Rates</i>                         | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 123      | <i>Borrowing Costs</i>  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 123      | <i>Borrowing Costs</i>  | (beginning)<br>1 January 2009                              | 6/07              |
| AASB 124      | <i>Related Party Disclosures</i>  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 124      | <i>Related Party Disclosures</i>  | (beginning)<br>1 January 2006                              | 12/04             |

**AASB series (continued)**

| <b>Number</b> | <b>Title</b>   | <b>Application date<br/>(annual reporting<br/>periods)</b> | <b>Issue date</b> |
|---------------|--|--|-------------------|
| AASB 127      | <i>Consolidated and Separate Financial Statements</i>                                      | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 128      | <i>Investments in Associates</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 129      | <i>Financial Reporting in Hyperinflationary Economies</i>                                  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 130      | <i>Disclosures in the Financial Statements of Banks and Similar Financial Institutions</i> | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 131      | <i>Interests in Joint Ventures</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 132      | <i>Financial Instruments: Disclosure and Presentation</i>                                  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 133      | <i>Earnings per Share</i>  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 134      | <i>Interim Financial Reporting</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 136      | <i>Impairment of Assets</i>  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 137      | <i>Provisions, Contingent Liabilities and Contingent Assets</i>                            | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 138      | <i>Intangible Assets</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 139      | <i>Financial Instruments: Recognition and Measurement</i>                                  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 140      | <i>Investment Property</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 141      | <i>Agriculture</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 1004     | <i>Contributions</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 1023     | <i>General Insurance Contracts</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 1031     | <i>Materiality</i>   | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 1038     | <i>Life Insurance Contracts</i>  | (beginning)<br>1 January 2005                              | 7/04              |
| AASB 1039     | <i>Concise Financial Reports</i>   | (ending)<br>30 June 2005                                   | 5/05              |
| AASB 1045     | <i>Land Under Roads: Amendments to AAS 27A, AAS 29A and AAS 31A</i>                        | (ending)<br>31 December 2002                               | 2/02              |
| AASB 1046     | <i>Director and Executive Disclosures by Disclosing Entities</i>                           | (ending)<br>30 June 2004                                   | 1/04              |
| AASB 1046A    | <i>Amendments to Accounting Standard AASB 1046</i>   | (beginning)<br>1 January 2004                              | 9/04              |
| AASB 1048     | <i>Interpretation and Application of Standards</i>   | (ending)<br>31 March 2007                                  | 3/07              |
| AASB 1049     | <i>Financial Reporting of General Government Sectors by Governments</i>                    | (beginning)<br>1 July 2008                                 | 9/06              |



**AASB series (continued)**

| <b>Number</b> | <b>Title</b>   | <b>Application date<br/>(annual reporting<br/>periods)</b> | <b>Issue date</b> |
|---------------|--|--|-------------------|
| AASB 2004-1   | <i>Amendments to Australian Accounting Standards [AASB 1, AASB 116 and AASB 138]</i>   | (beginning)<br>1 January 2005                              | 12/04             |
| AASB 2004-2   | <i>Amendments to Australian Accounting Standards [AASB 1, AASB 121, AASB 131, AASB 134, AASB 139 and AASB 141]</i>   | (beginning)<br>1 January 2005                              | 12/04             |
| AASB 2004-3   | <i>Amendments to Australian Accounting Standards [AASB 1, AASB 101 and AASB 124]</i>   | (beginning)<br>1 January 2006                              | 12/04             |
| AASB 2005-1   | <i>Amendments to Australian Accounting Standard [AASB 139]</i>   | (beginning)<br>1 January 2006                              | 5/05              |
| AASB 2005-2   | <i>Amendments to Australian Accounting Standard [AASB 1023]</i>  | (beginning)<br>1 January 2005                              | 6/05              |
| AASB 2005-3   | <i>Amendments to Australian Accounting Standards [AASB 119]</i>  | (ending)<br>31 December 2005                               | 6/05              |
| AASB 2005-4   | <i>Amendments to Australian Accounting Standards [AASB 1, AASB 132, AASB 139, AASB 1023 and AASB 1038]</i>   | (beginning)<br>1 January 2006                              | 6/05              |
| AASB 2005-5   | <i>Amendments to Australian Accounting Standards [AASB 1 and AASB 139]</i>   | (beginning)<br>1 January 2006                              | 6/05              |
| AASB 2005-6   | <i>Amendments to Australian Accounting Standards [AASB 3]</i>  | (beginning)<br>1 January 2006                              | 6/05              |
| AASB 2005-7   | <i>Amendments to Australian Accounting Standards [AASB 134]</i>  | (ending)<br>30 June 2005                                   | 6/05              |
| AASB 2005-8   | <i>Amendments to Australian Accounting Standards [AASB 1]</i>  | (beginning)<br>1 January 2006                              | 6/05              |
| AASB 2005-9   | <i>Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 132 and AASB 139]</i>  | (beginning)<br>1 January 2006                              | 9/05              |
| AASB 2005-10  | <i>Amendments to Australian Accounting Standards [AASB 1, AASB 4, AASB 1023, AASB 1038, AASB 101, AASB 114, AASB 117, AASB 132, AASB 133 and AASB 139]</i> | (beginning)<br>1 January 2007                              | 9/05              |
| AASB 2005-11  | <i>Amendments to Australian Accounting Standards [AASB 101, AASB 112, AASB 132, AASB 133, AASB 139 and AASB 141]</i>                                       | (ending)<br>31 December 2005                               | 9/05              |
| AASB 2005-12  | <i>Amendments to Australian Accounting Standards [AASB 1023 and AASB 1038]</i>   | (ending)<br>31 December 2005                               | 12/05             |
| AASB 2005-13  | <i>Amendments to Australian Accounting Standards [AAS 25]</i>  | (ending)<br>31 December 2005                               | 12/05             |
| AASB 2006-1   | <i>Amendments to Australian Accounting Standards [AASB 121]</i>  | (ending)<br>31 December 2006                               | 1/06              |
| AASB 2006-2   | <i>Amendments to Australian Accounting Standards [AASB 1]</i>  | (ending)<br>30 June 2006                                   | 3/06              |
| AASB 2006-3   | <i>Amendments to Australian Accounting Standards [AASB 1045]</i>   | (ending)<br>31 December 2005                               | 10/06             |
| AASB 2006-4   | <i>Amendments to Australian Accounting Standards [AASB 134]</i>  | (ending)<br>31 December 2006                               | 12/06             |
| AASB 2007-1   | <i>Amendments to Australian Accounting Standards arising from Interpretation 11 [AASB 2]</i>   | (beginning)<br>1 March 2007                                | 2/07              |

**AASB series (continued)**

| <b>Number</b> | <b>Title</b>  | <b>Application date<br/>(annual reporting<br/>periods)</b> | <b>Issue date</b> |
|---------------|---|--|-------------------|
| AASB 2007-2   | <i>Amendments to Australian Accounting Standards arising from Interpretation 12</i> [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 and AASB 139]   | (beginning)<br>1 January 2008                              | 2/07              |
| AASB 2007-3   | <i>Amendments to Australian Accounting Standards arising from AASB 8</i> [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038]  | (beginning)<br>1 January 2009                              | 2/07              |
| AASB 2007-4   | <i>Amendments to Australian Accounting Standards arising from ED 151 and other amendments</i> [AASB 1, AASB 2, AASB 3, AASB 4, AASB 5, AASB 6, AASB 7, AASB 102, AASB 107, AASB 108, AASB 110, AASB 112, AASB 114, AASB 116, AASB 117, AASB 118, AASB 119, AASB 120, AASB 121, AASB 127, AASB 128, AASB 129, AASB 130, AASB 131, AASB 132, AASB 133, AASB 134, AASB 136, AASB 137, AASB 138, AASB 139, AASB 141, AASB 1023 and AASB 1038] | (beginning)<br>1 July 2007                                 | 4/07              |
| AASB 2007-5   | <i>Amendments to Australian Accounting Standards — Inventories Held for Distribution by Not-for-Profit Entities</i> [AASB 102]  | (beginning)<br>1 July 2007                                 | 5/07              |
| AASB 2007-6   | <i>Amendments to Australian Accounting Standards arising from AASB 123</i> [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116, AASB 138 and Interpretations 1 and 12]  | (beginning)<br>1 January 2009                              | 6/07              |
| AASB 2007-7   | <i>Amendments to Australian Accounting Standards</i> [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128]  | (beginning)<br>1 July 2007                                 | 6/07              |

**AAS series**

| <b>Number</b> | <b>Title</b>   | <b>Application date<br/>(annual reporting<br/>periods)</b> | <b>Issue date</b> |
|---------------|--|--|-------------------|
| AAS 25        | <i>Financial Reporting by Superannuation Plans</i>         | (ending)<br>30 June 1993                                   | 3/93              |
| AAS 27        | <i>Financial Reporting by Local Governments</i>            | (ending)<br>30 June 1996                                   | 6/96              |
| AAS 27A       | <i>Amendments to the Transitional Provisions in AAS 27</i> | (ending)<br>31 December 1999                               | 12/99             |
| AAS 29        | <i>Financial Reporting by Government Departments</i>       | (ending)<br>30 June 1998                                   | 6/98              |
| AAS 29A       | <i>Amendments to the Transitional Provisions in AAS 29</i> | (ending)<br>31 December 1999                               | 12/99             |
| AAS 31        | <i>Financial Reporting by Governments</i>                  | (ending)<br>30 June 1999                                   | 6/98              |
| AAS 31A       | <i>Amendments to the Transitional Provisions in AAS 31</i> | (ending)<br>31 December 1999                               | 12/99             |

## Interpretations

### Australian Interpretations corresponding to International Financial Reporting Interpretations Committee Interpretations

| Interpretation | Title  | Application date<br>(annual reporting<br>periods) | Issue date |
|----------------|--|---|------------|
| 1              | <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>                                | (beginning)<br>1 January 2005                     | 7/04       |
| 2              | <i>Members' Shares in Co-operative Entities and Similar Instruments</i>  | (ending)<br>31 December 2005                      | 3/05       |
| 4              | <i>Determining whether an Arrangement contains a Lease</i>   | (beginning)<br>1 January 2006                     | 6/05       |
| 4              | <i>Determining whether an Arrangement contains a Lease (revised)</i>   | (beginning)<br>1 January 2008                     | 2/07       |
| 5              | <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>    | (beginning)<br>1 January 2006                     | 6/05       |
| 6              | <i>Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment</i> | (beginning)<br>1 December 2005                    | 10/05      |
| 7              | <i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>     | (beginning)<br>1 March 2006                       | 2/06       |
| 8              | <i>Scope of AASB 2</i>   | (beginning)<br>1 May 2006                         | 3/06       |
| 9              | <i>Reassessment of Embedded Derivatives</i>  | (beginning)<br>1 June 2006                        | 4/06       |
| 10             | <i>Interim Financial Reporting and Impairment</i>  | (beginning)<br>1 November 2006                    | 9/06       |
| 11             | <i>AASB 2 — Group and Treasury Share Transactions</i>  | (beginning)<br>1 March 2007                       | 2/07       |
| 12             | <i>Service Concession Arrangements</i>   | (beginning)<br>1 January 2008                     | 2/07       |
| 107            | <i>Introduction of the Euro</i>  | (beginning)<br>1 January 2005                     | 7/04       |
| 110            | <i>Government Assistance — No Specific Relation to Operating Activities</i>                                    | (beginning)<br>1 January 2005                     | 7/04       |
| 112            | <i>Consolidation — Special Purpose Entities</i>  | (beginning)<br>1 January 2005                     | 12/04      |

## Australian Interpretations corresponding to International Financial Reporting Interpretations Committee Interpretations (continued)

| Interpretation | Title   | Application date<br>(annual reporting periods) | Issue date |
|----------------|---|--|------------|
| 113            | <i>Jointly Controlled Entities — Non-Monetary Contributions by Venturers</i>        | (beginning)<br>1 January 2005                  | 7/04       |
| 115            | <i>Operating Leases — Incentives</i>  | (beginning)<br>1 January 2005                  | 7/04       |
| 121            | <i>Income Taxes — Recovery of Revalued Non-Depreciable Assets</i>                   | (beginning)<br>1 January 2005                  | 7/04       |
| 125            | <i>Income Taxes — Changes in the Tax Status of an Entity or its Shareholders</i>    | (beginning)<br>1 January 2005                  | 7/04       |
| 127            | <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i> | (beginning)<br>1 January 2005                  | 7/04       |
| 129            | <i>Disclosure — Service Concession Arrangements</i>                                 | (beginning)<br>1 January 2005                  | 2/07       |
| 129            | <i>Service Concession Arrangements: Disclosures (revised)</i>                       | (beginning)<br>1 January 2008                  | 2/07       |
| 131            | <i>Revenue — Barter Transactions Involving Advertising Services</i>                 | (beginning)<br>1 January 2005                  | 7/04       |
| 132            | <i>Intangible Assets — Web Site Costs</i>   | (beginning)<br>1 January 2005                  | 7/04       |

## Other Australian Interpretations

| Interpretation | Title  | Application date<br>(annual reporting periods) | Issue date |
|----------------|--|--|------------|
| 1001           | <i>Consolidated Financial Reports in relation to Pre-Date-of-Transition Dual Listed Company Arrangements</i> | (ending)<br>31 December 2005                   | 7/05       |
| 1002           | <i>Post-Date-of-Transition Stapling Arrangements</i>   | (ending)<br>31 December 2005                   | 12/05      |
| 1013           | <i>Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements</i>            | (ending)<br>31 December 2005                   | 4/05       |
| 1017           | <i>Developer and Customer Contributions for Connection to a Price-Regulated Network</i>                      | (beginning)<br>1 January 2005                  | 11/04      |
| 1019           | <i>The Superannuation Contributions Surcharge</i>  | (beginning)<br>1 January 2005                  | 9/04       |
| 1030           | <i>Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods</i>          | (beginning)<br>1 January 2005                  | 9/04       |
| 1031           | <i>Accounting for the Goods and Services Tax (GST)</i>   | (beginning)<br>1 January 2005                  | 7/04       |
| 1038           | <i>Contributions by Owners Made to Wholly-Owned Public Sector Entities</i>                                   | (beginning)<br>1 January 2005                  | 9/04       |

**Other Australian Interpretations (continued)**

| <b>Interpretation</b> | <b>Title</b>  | <b>Application date<br/>(annual reporting<br/>periods)</b> | <b>Issue date</b> |
|-----------------------|---|--|-------------------|
| 1039                  | <i>Substantive Enactment of Major Tax Bills in Australia</i>                      | (beginning)<br>1 January 2005                              | 7/04              |
| 1042                  | <i>Subscriber Acquisition Costs in the Telecommunications Industry</i>            | (beginning)<br>1 January 2005                              | 12/04             |
| 1047                  | <i>Professional Indemnity Claims Liabilities in Medical Defence Organisations</i> | (beginning)<br>1 January 2005                              | 11/04             |
| 1052                  | <i>Tax Consolidation Accounting</i>   | (ending)<br>31 December 2005                               | 6/05              |
| 1055                  | <i>Accounting for Road Earthworks</i>   | (beginning)<br>1 January 2005                              | 9/04              |

## APPENDIX H

# AUDITING AND ASSURANCE STANDARDS BOARD PRONOUNCEMENTS AS AT 30 JUNE 2007

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### Foreword, glossary and framework

The following pronouncements have been issued by the Auditing and Assurance Standards Board (AUASB).

| <b>Title</b>                        | <b>Issued</b> |
|-------------------------------------|---------------|
| Foreword to AUASB pronouncements    | 28 April 2006 |
| AUASB glossary                      | 28 April 2006 |
| Framework for assurance engagements | 27 June 2007  |

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### Auditing Standards — issued as legislative instruments

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

| <b>Number</b> | <b>Title</b>   | <b>Issued</b> |
|---------------|--|---------------|
| ASA 100       | Preamble to AUASB Standards  | 28 April 2006 |
| ASA 200       | Objective and General Principles Governing an Audit of a Financial Report        | 28 April 2006 |
| ASA 210       | Terms of Audit Engagements   | 28 April 2006 |
| ASA 220       | Quality Control for Audits of Historical Financial Information                   | 28 April 2006 |
| ASA 230       | Audit Documentation  | 28 April 2006 |
| ASA 240       | The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report | 28 April 2006 |
| ASA 250       | Consideration of Laws and Regulations in an Audit of a Financial Report          | 28 April 2006 |

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**Auditing Standards — issued as legislative instruments (continued)**

| <b>Number</b> | <b>Title</b>  | <b>Issued</b>                               |
|---------------|---|---|
| ASA 260       | Communication of Audit Matters with Those Charged with Governance                             | 28 April 2006                               |
| ASA 300       | Planning an Audit of a Financial Report   | 28 April 2006                               |
| ASA 315       | Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement | 28 April 2006                               |
| ASA 320       | Materiality and Audit Adjustments   | 28 April 2006                               |
| ASA 330       | The Auditor's Procedures in Response to Assessed Risks  | 28 April 2006                               |
| ASA 402       | Audit Considerations Relating to Entities Using Service Organisations                         | 28 April 2006                               |
| ASA 500       | Audit Evidence  | 28 April 2006                               |
| ASA 501       | Existence and Valuation of Inventory  | 28 April 2006                               |
| ASA 505       | External Confirmations  | 28 April 2006                               |
| ASA 508       | Enquiry Regarding Litigation and Claims   | 28 April 2006                               |
| ASA 510       | Initial Engagements — Opening Balances  | 28 April 2006                               |
| ASA 520       | Analytical Procedures   | 28 April 2006                               |
| ASA 530       | Audit Sampling and Other Means of Testing   | 28 April 2006                               |
| ASA 540       | Audit of Accounting Estimates   | 28 April 2006                               |
| ASA 545       | Auditing Fair Value Measurements and Disclosures  | 28 April 2006                               |
| ASA 550       | Related Parties   | 28 April 2006<br>Reissued<br>9 October 2006 |
| ASA 560       | Subsequent Events   | 28 April 2006                               |
| ASA 570       | Going Concerns  | 28 April 2006                               |
| ASA 580       | Management Representations  | 28 April 2006                               |
| ASA 600       | Using the Work of Another Auditor   | 28 April 2006                               |
| ASA 610       | Considering the Work of Internal Audit  | 28 April 2006                               |
| ASA 620       | Using the Work of an Expert   | 28 April 2006                               |
| ASA 700       | The Auditor's Report on a General Purpose Financial Report                                    | 28 April 2006                               |
| ASA 701       | Modifications to the Auditor's Report   | 28 April 2006                               |
| ASA 710       | Comparatives  | 28 April 2006                               |
| ASA 720       | Other Information in Documents Containing Audited Financial Reports                           | 28 April 2006                               |
| ASA 800       | The Auditor's Report on Special Purpose Audit Engagements                                     | 28 April 2006                               |
| ASRE 2410     | Review of an Interim Financial Report Performed by the Independent Auditor of the Entity      | 28 April 2006                               |
| ASA 2007-1    | Amendments to Australian Auditing Standards   | 27 June 2007                                |

## Compiled Auditing Standards

Following the issue of ASA 2007-1 Amendments to Australian Auditing Standards, the AUASB has prepared the following compiled versions of affected Auditing Standards. These compiled versions incorporate the amendments contained in ASA 2007-1 and are applicable for auditors' reports signed on or after 1 July 2007.

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

## Auditing Standards — interim legal endorsement

The following Auditing Standards (AUSs), issued by the former Auditing and Assurance Standards Board (AuASB) of the Australian Accounting Research Foundation, were given interim legal endorsement under the *Corporations Act 2001* for financial reporting periods ending on and prior to 29 June 2007.

The ongoing status of these Auditing Standards is to be determined by the AUASB in 2007-08.

| Number  | Title  | Issued (Reissued)         |
|---------|--|---------------------------|
| AUS 104 | Glossary of Terms  | July 2002                 |
| AUS 202 | Objective and General Principles Governing an Audit of a Financial Report        | July 2002 (February 2004) |
| AUS 204 | Terms of Audit Engagements   | June 2002                 |
| AUS 206 | Quality Control for Audits of Historical Financial Information                   | July 2002 (June 2004)     |
| AUS 208 | Documentation  | July 2002                 |
| AUS 210 | The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report | January 2002 (June 2004)  |



**Auditing Standards — interim legal endorsement (continued)**

| <b>Number</b> | <b>Title</b>   | <b>Issued<br/>(Re-issued)</b> |
|---------------|--|-------------------------------|
| AUS 212       | Other Information in Documents Containing Audited Financial Reports  | October 1995                  |
| AUS 214       | Auditing in a CIS Environment  | October 1995                  |
| AUS 218       | Consideration of Laws and Regulations in an Audit of a Financial Report  | January 2002                  |
| AUS 302       | Planning   | October 1995                  |
| AUS 304       | Knowledge of the Business  | July 2002                     |
| AUS 306       | Materiality and Audit Adjustments  | June 2001                     |
| AUS 402       | Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatements   | February 2004                 |
| AUS 404       | Audit Implications Relating to Entities Using a Service Entity   | July 2002                     |
| AUS 406       | The Auditor's Procedures In Response to Assessed Risks   | February 2004                 |
| AUS 502       | Audit Evidence   | October 1995                  |
| AUS 504       | External Confirmations   | July 2002                     |
| AUS 506       | Existence and Valuation of Inventory   | July 2002                     |
| AUS 508       | Inquiry Regarding Litigation and Claims  | July 2002                     |
| AUS 510       | Initial Engagements - Opening Balances   | July 2002                     |
| AUS 512       | Analytical Procedures  | October 1995                  |
| AUS 514       | Audit Sampling and Other Selective Testing Procedures  | April 1998                    |
| AUS 516       | Audit of Accounting Estimates  | October 1995                  |
| AUS 518       | Related Parties  | July 2002                     |
| AUS 520       | Management Representations   | July 2002                     |
| AUS 522       | Audit Evidence Implications of Externally Managed Assets of Superannuation, Provident or Similar Funds   | October 1995                  |
| AUS 524       | The Auditor's Use of the Work of the Actuary and the Actuary's Use of the Work of the Auditor in Connection with the Preparation and Audit of a Financial Report | July 2002                     |
| AUS 526       | Auditing Fair Value Measurements and Disclosures   | September 2002                |
| AUS 602       | Using the Work of Another Auditor  | July 2002                     |
| AUS 604       | Considering Work of Internal Auditing  | October 1995                  |
| AUS 606       | Using the Work of an Expert  | July 2002                     |
| AUS 702       | The Audit Report on a General Purpose Financial Report   | March 2002                    |
| AUS 704       | Comparatives   | July 2002                     |
| AUS 706       | Subsequent Events  | October 1995                  |
| ASU 708       | Going Concerns   | July 2002                     |
| AUS 710       | Comparatives   | May 1999                      |
| AUS 802       | Communication with Management on Matters Arising from an Audit   | May 2002                      |
| AUS 902       | Review of Financial Reports  | July 2002                     |

## Auditing Standards — other

The following Auditing Standards (AUSs) issued by the former Auditing and Assurance Standards Board (AuASB) of the Australian Accounting Research Foundation were not part of the Auditing Standards given interim legal endorsement under the *Corporations Act 2001*.

The formal status of these Auditing Standards is to be determined by the AUASB in July 2007.

| Number  | Title  | Issued<br>(Reissued) |
|---------|--|----------------------|
| AUS 102 | Foreword to Australian Auditing and Assurance Standards and Guidance Statements        | January 2002         |
| AUS 106 | Explanatory Framework for Standards on Audit and Audit Related Services                | November 2001        |
| AUS 108 | Framework for Assurance Engagements  | June 2004            |
| AUS 110 | Assurance Engagements other than Audits or Reviews of Historical Financial Information | June 2004            |
| AUS 804 | The Audit of Prospective Financial Information   | July 2002            |
| AUS 806 | Performance Auditing   | July 2002            |
| AUS 808 | Planning Performance Audits  | October 1995         |
| AUS 810 | Special Purpose Reports on the Effectiveness of Control Procedures                     | July 2002            |
| AUS 904 | Engagements to Perform Agreed-upon Procedures  | July 2002            |

## Auditing and Assurance Guidance Statements

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

| Number               | Title  | Issued<br>(Reissued) |
|----------------------|--|----------------------|
| Addendum to AGS 1064 | Audit Implications of Prudential reporting Requirements for General Insurers                               | October 2006         |
| AGS 1070             | Special Considerations in the Audit of Risk Management Requirements for Registrable Entities and Licensees | July 2006            |
| AGS 1038             | Access to Audit Working Papers   | (February 2006)      |
| AGS 1046             | Responding to Questions at an Annual General Meeting   | (October 2005)       |
| AGS 1068             | Audit Requirements for Australian Financial Services Licensees under the <i>Corporations Act 2001</i>      | October 2004         |

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

**Auditing and Assurance Guidance Statements (continued)**

| <b>Number</b> | <b>Title</b>  | <b>Issued<br/>(Re-issued)</b> |
|---------------|---|-------------------------------|
| AGS 1002      | Bank Confirmation Requests  | October 1995                  |
| AGS 1004      | Transitional Arrangements on Changes in Audit Appointments under the <i>Corporations Act 2001</i>                     | July 2002                     |
| AGS 1006      | Expression of an Opinion on Internal Control  | October 1995                  |
| AGS 1008      | Audit Implications of Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs)             | July 2002                     |
| AGS 1014      | Privity Letter Requests   | July 2002                     |
| AGS 1016      | Audit and Review Reports on Half-Year Financial Reports of Disclosing Entities Under the <i>Corporations Act 2001</i> | October 2003                  |
| AGS 1024      | <i>Life Insurance Act 1995</i> — Audit Obligations  | December 2002                 |
| AGS 1026      | Superannuation Funds — Auditor Reports on Externally Managed Assets   | February 1999                 |
| AGS 1028      | Uncertainty   | July 1997                     |
| AGS 1030      | Auditing Derivative Financial Instruments   | July 2002                     |
| AGS 1032      | The Audit Implications of Accounting for Investments in Associates  | July 2002                     |
| AGS 1036      | The Consideration of Environmental Matters in the Audit of a Financial Report   | July 2002                     |
| AGS 1040      | Franchising Code of Conduct   | November 2002                 |
| AGS 1042      | Reporting on Control Procedures at Outsourcing Entities   | July 2002                     |
| AGS 1044      | Audit Reports on Information Provided Other than in a Financial Report (May 1999)                                     | May 1999                      |
| AGS 1048      | The Special Considerations in the Audit of Small Entities (March 2004)  | March 2004                    |
| AGS 1050      | Audit Issues Relating to the Electronic Presentation of Financial Reports   | July 2002                     |
| AGS 1052      | Special Considerations in the Audit of Compliance Plans of Managed Investment Schemes                                 | July 2002                     |
| AGS 1054      | Auditing Revenue of Charitable Entities   | July 2002                     |
| AGS 1056      | Electronic Commerce — Effect on the Audit of a Financial Report   | May 2002                      |
| AGS 1058      | Auditing Mortgage Investment Schemes  | July 2002                     |
| AGS 1062      | Reporting in Connection with Proposed Fundraisings  | August 2002                   |
| AGS 1064      | Audit Implications of Prudential Reporting Requirements for General Insurers  | March 2003                    |
| AGS 1066      | Reporting by Auditors on Compliance with International Financial Reporting Standards                                  | July 2003                     |

## Guidance Note

This Guidance Note was issued by the Auditing and Assurance Standards Board.

| Title   | Issued      |
|---|-------------|
| Auditor's Report on AASB 124 Remuneration Disclosures contained in the Annual Directors' Report | August 2006 |

This Guidance Note was issued by the former Auditing and Assurance Standards Board (AuASB) of the Australian Accounting Research Foundation and will continue to provide guidance until such time as it is reviewed by the AUASB.

| Title   | Issued    |
|---|-----------|
| Improving Communication between Auditors and Shareholders | July 2003 |

## Audit and Assurance Guides

This supplement to Audit Guide No. 4 was issued by the Auditing and Assurance Standards Board.

| Title   | Issued       |
|---|--------------|
| 2005 Supplement to Audit Guide No.4 The Audit of Superannuation Funds | October 2005 |

This Audit and Assurance Guide was issued by the former Auditing and Assurance Standards Board (AuASB) of the Australian Accounting Research Foundation and continues to provide guidance until such time as it is withdrawn.

| Number            | Title                             | Issued  |
|-------------------|-----------------------------------|---|
| Audit Guide No. 4 | The Audit of Superannuation Funds | 2004 edition<br>current as at<br>15 June 2004 |

## CONTACT DETAILS

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Initial queries relating to the Financial Reporting Council's Annual Report may be directed to the Secretary, Financial Reporting Council:

|            |   |
|------------|---|
| Location:  | Secretary<br>Financial Reporting Council<br>c/- The Treasury<br>Langton Crescent<br>PARKES ACT 2600 |
| Telephone: | 02 6263 3144  |
| Facsimile: | 02 6263 2770  |
| Email:     | <a href="mailto:frcsecretary@treasury.gov.au">frcsecretary@treasury.gov.au</a>                      |
| Website:   | <a href="http://www.frc.gov.au">http://www.frc.gov.au</a>   |