

**Financial Reporting Council**

**Australian Accounting Standards Board**

**Auditing and Assurance Standards Board**

**Annual Reports  
2007-08**

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ISBN 978-0-642-74478-4

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8 October 2008

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

Dear Minister

I have pleasure in presenting the annual reports of the Financial Reporting Council (FRC), the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB) for the year ended 30 June 2008.

The report by the FRC on its auditor independence functions for 2007-08 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 applied to both the AASB and the AUASB for 2007-08.

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 'J. Lucy', written in a cursive style.

Jeffrey Lucy AM  
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	Australian Auditing Standard
ASAE	Australian 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	Australian Standards on Review Engagements
ASRS	Australian 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>
CALDB	Companies Auditors and Liquidators Disciplinary Board
CDS	Commonwealth Disability Strategy
CLERP	Corporate Law Economic Reform Program
CLERP 9 Act	<i>Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004</i>
EFRAG	European Financial Reporting Advisory Group

## Abbreviations (continued)

FMA Act	<i>Financial Management and Accountability Act 1997</i>
FRC	Financial Reporting Council
FRLI	Federal Register of Legislative Instruments
FRSB	Financial Reporting Standards Board – New Zealand
FSF	Financial Stability Forum
GAAP	Generally Accepted Accounting Principles
GFS	Government Finance Statistics
GGs	General Government Sector
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 15 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. The AUASB focuses on the development and making of Australian Auditing Standards (ASAs).

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. The FRC also monitors 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 FRC are to determine the broad strategic direction of the AASB and the 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* (ASIC Act) – to facilitate the Australian economy by reducing the cost of capital, enabling Australian entities to compete effectively overseas; the need to have 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

The key highlights for 2007-08 included:

1. oversight of the work by the AUASB in relation to ASAs that will be further revised and reissued based on the new *Clarity* format versions of the International Standards on Auditing (ISAs);
2. work undertaken by the AASB on accounting issues for the public sector, superannuation entities and in relation to the application of the International Financial Reporting Standards (IFRS) for small and medium enterprises (SMEs) in Australia;
3. the consideration of recommendations made to the FRC by consultants in 2006 and 2007 in relation to auditor independence;
4. the first phase of a review of Australia's IFRS implementation experience in conjunction with G100;
5. the introduction of a revised governance structure for the AASB and AUASB;
6. continuation of the Trans-Tasman harmonisation of accounting standards between the AASB (Australian) and the Financial Reporting Standards Board (New Zealand);
7. performance assessments of AASB and AUASB members and appointments to the respective bodies;

## Overview

8. organisation and co-hosting of the Ken Spencer Memorial Lecture;
9. dialogue with key international stakeholders involved with similar oversight roles; and
10. national stakeholder meetings on a range of issues pertaining to accounting and auditing standards, ethics, and auditor independence.

## ACCOUNTING STANDARD SETTING

The AASB held 10 meetings in 2007-08 for a total of 18 meeting days, at which it addressed significant standard setting and administrative issues.

During 2007-08, the AASB issued 15 accounting standards and 4 interpretations. Apart from the adoption of new and revised IFRSs and interpretations issued by the International Accounting Standards Board (IASB), the AASB issued several Australian Accounting Standards arising from its review of existing requirements relating to not-for-profit entities in the public sector, and continued work on the generally accepted accounting principles (GAAP)/government finance statistics (GFS) Harmonisation project, completing work on whole of government and the general government sector (GGS) aspects and initiating work on aspects relating to entities within the GGS.

At an international level, the AASB is continuing its work on the application of the IASB's proposed SMEs standard in Australia and its implications for differential reporting. The AASB maintained its active involvement in IASB projects on accounting for extractive activities and insurance. The AASB also continued its close liaison with the work of the New Zealand Financial Reporting Standards Board (FRSB) including holding a joint meeting in Sydney in October 2007.

## AUDITING STANDARD SETTING

The AUASB held 7 meetings in 2007-08 for a total of 11 sitting days, at which it addressed a range of matters on its 2007-08 work program, dealing with the development of Australian Auditing and Assurance Standards and guidance, including consideration of significant local and international developments affecting pronouncements of the AUASB.

In October 2007, the AUASB announced a major project to revise and reissue the ASAs in a *Clarity* format, on the same basis as the equivalent ISAs. The project needs to be undertaken to maintain conformity between the ASAs with the ISAs so as to ensure that ASAs continue to be aligned to international standards, thus enabling ongoing user confidence in Australian audited financial reports. The *Clarity* redrafting project is scheduled for completion by October 2009. The AUASB's present intention is that the revised ASAs will be operative for reporting periods commencing on or after 1 January 2010.

The AUASB has continued to maintain a strong working relationship with the International Auditing and Assurance Standards Board (IAASB) through regular representation at the IAASB meetings, and providing technical support for the revision of particular ISAs under the IAASB's own *Clarity* project, which is due for completion by the end of 2008.

## **AUDITOR INDEPENDENCE FUNCTION**

During 2007-08, the FRC continued to perform the auditor independence functions in a manner broadly similar to the way in which the functions were performed in 2005-06 and 2006-07. In 2007-08, the FRC's work addressed each of the core issues that comprise these functions: systems and processes of audit firms, quality review programs and disciplinary procedures of the professional accounting bodies; the teaching of ethics by, or on behalf of, those bodies; and compliance by companies with audit-related disclosure requirements.

The FRC also examined the reports and recommendations made by consultants engaged in 2006 and 2007. These reports examined issues associated with disciplinary procedures of the professional accounting bodies, the teaching of professional and business ethics by the professional accounting bodies, the application of professional and business ethics by accounting firms, and the quality review programs of the professional accounting bodies. As part of the FRC's 2007-08 work program, the FRC reviewed these reports collectively, and sought to consolidate the Council's action plans and progress to the recommendations contained therein.

## **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 2007-08, the FRC:

- continued consultation with key private sector representatives and government agencies (see Appendix I);
- liaised closely with international standard setting stakeholders;
- issued five bulletins about decisions taken at and between meetings;
- participated in the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG) 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

## Overview

- in conjunction with the AASB and AUASB, maintained liaison with Australians who are members of relevant international bodies, including: the IASB (Mr Warren McGregor), the IASB Standards Advisory Council (Ms Judith Downes), IASB working groups (Ms Leanne Leong, Mr Tony Coleman and Mr Richard Richards), the International Financial Reporting Interpretation Committee (Ms Ruth Picker), the International Federation of Accountants (Ms Joycelyn Morton), the International Public Sector Accounting Standards Board (Mr Peter Batten), the International Accounting Education Standards Board (Ms Kim Langfield Smith), the IAASB (Mr Ian McPhee and Ms Caithlin McCabe) and the International Ethics Standards Board for Accountants (Ms Alice McCleary).

In 2007-08, the AASB:

- used its website [www.aasb.gov.au](http://www.aasb.gov.au) to provide information about the meetings, activities and work program of the Board;
- issued an *action alert* immediately after each Board meeting;
- 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.

In 2007-08, 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 and auditing standards and accounting and auditing standards that apply in major international financial centres;
- further the development of a single set of accounting and auditing standards for world-wide use with appropriate regard to international developments;



- promote the adoption of international best practice accounting and auditing standards in the Australian accounting and auditing standard setting process if doing so would be in the best interests of both the private and public sectors in the Australian economy; and
- monitor international developments in auditor independence.

In 2007-08, the FRC continued to monitor the adoption of international accounting and auditing standards both in Australia and overseas, as well as international developments in auditor independence-related issues.

FRC members were provided with regular updates on key developments in international standard setting and audit independence in various jurisdictions in Europe, North America and Asia-Oceania. During the latter part of the year, the FRC Secretariat commenced the provision of monthly email updates to FRC members to ensure that they are abreast of the latest developments.

## **ACCOUNTABILITY**

AASB Chairman Professor David Boymal and Technical Director Angus Thomson appeared before the Senate Economics Committee on 5 June 2008. In addition, the FRC, AASB and AUASB Chairmen each met with Senator the Hon Nick Sherry, Minister for Superannuation and Corporate Law during the year.



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



# FINANCIAL REPORTING COUNCIL

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## CHAIRMAN'S REPORT

The past year has seen the continued evolution of the role of the FRC as it fulfils the mandate bestowed by the *Australian Securities and Investments Commission Act 2001* (ASIC Act). In terms of its major overall responsibilities, the FRC continued its work on auditor independence matters, monitored the AUASB's progress in moving towards the adoption of the *Clarity* format versions of the International Standards on Auditing (ISAs), and provided guidance to the AASB on its approach to public sector accounting issues and emissions trading.

As the new Chairman of the FRC, I would first like to take this opportunity to recognise the outstanding contribution and efforts of my predecessor, Mr Charles Macek. Mr Macek was the Chairman of the FRC from June 2003 until December 2007. He was responsible for overseeing the implementation of IFRS in January 2005 and, more recently, the revised suite of auditing standards as legal instruments. His commitment and enthusiasm have been invaluable to the continued growth and success of the FRC's public profile, both in Australia and internationally. As a result of Mr Macek's efforts the Council has now established itself as a presence with the authority to commentate on, and participate in, global discussions and developments.

The key highlights for 2007-08 included:

1. oversight of the work by the AUASB in relation to the Australian Auditing Standards (ASAs) that will be further revised and reissued based on the new *Clarity* format versions of the International Standards on Auditing (ISAs);
2. oversight of work undertaken by the AASB on accounting issues for the public sector, superannuation entities and in relation to the application of the IFRS standard for SMEs in Australia;
3. the addressing of recommendations made to the FRC by consultants in relation to audit independence over the last few years;
4. the first phase of a review of Australia's IFRS implementation experience; and
5. the introduction of a revised governance structure for the AASB and AUASB.

## **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**

Key priorities for the AASB in 2007-08 included progressing: the development of a new superannuation fund accounting standard; the application of the IASB's proposed small and medium size entities standard in Australia; international recognition of the need for an emissions trading standard in time for the introduction of an Australian emissions trading system and extension of the GAAP and GFS reporting systems to whole of government.

The FRC continued to advise the AASB on its work on the harmonisation of GAAP and the Australian Bureau of Statistics Government Finance Statistics (GFS) to ensure that it continued to comply with the FRC's broad strategic directions. Phase 1 of this project (covering the general government sector and whole of government reporting) was completed by the AASB in October 2007 with the issuance of a revised standard, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

During the year, the Council reaffirmed its strategic direction to the AASB to complete phase 2 of the project (covering harmonisation of entities within the General Government Sector) by February 2010.

Now that nearly three years has lapsed since the Australian equivalents of IFRS were first adopted, the FRC, in conjunction with the Group of 100, have commenced a review of Australia's IFRS implementation experience. The first phase of the review took place in June 2008. The purpose of this phase was to identify any issues arising from Australia's experience in adopting IFRS as well as areas where IFRS is working well and has contributed to Australia's competitiveness. The second phase of the review involved presenting outcomes to the Chairman of the IASB, Sir David Tweedie in August 2008. The review will be finalised in 2008-09.

At an international level, I note that while the IASB is currently developing an international standard on emissions trading, the IASB's processes are such that a standard may not be available in time to meet the scheduled introduction of emissions trading in Australia. Accordingly, the FRC and AASB are continuing to monitor these issues.

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 Nominations Committee discussed the results with Professor David Boymal, the AASB Chair, allowing him to provide feedback to individual Board members.

The FRC appointed Mr Mark Jenkin and Mr Robert Williams as new AASB members; and reappointed Mr Bruce Porter and Mr Frank Palmer to the AASB. I would like to thank retiring AASB members Mr Brett Kaufmann and Mr Des Pearson for their commitment and contribution during their tenure as AASB members.

### **Auditing standards setting**

In 2007-08 a major focus for the AUASB was the development of drafting rules and principles to revise the ASAs into *Clarity* format versions of the ISAs. Significant work was also undertaken on Self Managed Superannuation Funds, Performance Audits and Compliance and Review Engagements. The *Clarity* redrafting project is scheduled for completion by October 2009. The AUASB's present intention is that the revised ASAs will be operative for reporting periods commencing on or after 1 January 2010.

The *Clarity* project is aimed at improving standards and promoting global support for ISA's. The FRC and AUASB believe that the revision of ASAs into revised ISA format will maintain the rigour and quality of Australian auditing standards going forward.

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 Nominations Committee discussed these results with Ms Merran Kelsall, the AUASB Chairman.

The FRC appointed Ms Valerie Clifford and Mr John Gavens as new AUASB members, and reappointed Professor Christine Jubb and Mr Jon Tyers as AUASB members. I would like to thank retiring AUASB members Mr Kevin Neville and Mr Kim Smith for their expertise and contribution during their tenure as AUASB members.

### **Auditor independence**

In May and September 2007, the Council received reports from consultants engaged to examine issues arising from the work of three consultants engaged in 2005-06. The earlier consultants' reports examined issues associated with quality review programs and disciplinary procedures of the professional accounting bodies and the teaching of professional and business ethics.

The FRC considered all recommendations from previous consultancies during 2007-08. A detailed discussion of how the FRC has agreed to address these recommendations will be incorporated into the 2007-08 Audit Independence Report.

## Financial Reporting Council

During the year, the Council revised its MOU with ASIC to clarify the respective roles of the FRC and ASIC in respect of audit quality and to better reflect ASIC's role in fielding and investigating suspected breaches of the law relating to audit independence, and reporting these to the FRC. The revised MOU reflects greater coordination, cooperation and consultation between ASIC and the FRC in the area of audit independence. The Council also commenced discussions with APRA on the possibility of revising the FRC-APRA MOU.

The Council presented its report on the performance of its auditor independence functions in 2006-07 to the Treasurer in December. The report concluded that the independence framework was operating effectively and that there were no systemic issues with the framework.

The Audit Independence Committee provided significant assistance to the Council in the performance of the independence function.

### **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 2007-08 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 2007-08 the Finance Committee assisted the FRC by overseeing the business plans and budgets of the AASB and AUASB, undertaking preparatory work to assist the AASB and the AUASB transition to the revised governance arrangements embodied in the *Governance Review Implementation Act (AASB and AUASB) 2008*, assisted in the preparation of the FRC's and the Boards' 2006-07 annual report, and advised the Council on payments made to the International Accounting Standards Committee Foundation (IASCF). In addition, the Finance Committee successfully organised the Ken Spencer Memorial Lecture, which was held in Sydney on 28 May 2008.

During the year the Nominations Committee undertook various selection exercises for the appointment of members to the AASB and AUASB. 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**

Through its ongoing stakeholder liaison, the FRC maintained a strong presence internationally and domestically and continued to foster strong relationships with stakeholders.

During October 2007, the FRC Secretary and my predecessor Mr Charles Macek 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. Key issues raised during these meetings included convergence of international accounting standards, the proposed International Financial Reporting Standard for small and medium entities (SMEs) and accounting for emissions trading. These meetings took place in the United Kingdom and Europe and contributed to the FRC's understanding of key international developments in financial reporting.

In March 2008, in conjunction with the FRC Secretary, I undertook a series of meetings in Washington, London and Brussels. Meetings included officials at the European Commission, the European Financial Reporting Advisory Group (EFRAG), the Financial Stability Forum (FSF), the UK Financial Services Authority and Financial Reporting Council, the US Securities Exchange Commission and the Public Company Accounting Oversight Board (PCAOB). The meetings canvassed a range of issues relating to accounting and auditing standards, emissions trading, the audit profession and auditor independence and mutual recognition.

As a trustee of the IASC Foundation, I report regularly to the FRC on developments at the Foundation. Ms Judith Downes, who is a member of the Standards Advisory Council (SAC) of the IASB also reports regularly to the FRC on SAC meetings while Mr Warren McGregor, an Australian member of the IASB provides regular input on key IASB developments.

The relationship between the Council and its New Zealand equivalent, the Accounting Standards Review Board (ASRB) was maintained during the year, with Mr Warwick Hunt, the previous FRC Chairman and I attending the meetings of both the ASRB and FRC. Mr Hunt, and subsequently Mr Geoff Miller from the Australian Treasury, also provided reports to the FRC on the work of the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG) in their capacity as TTAASAG Chairs.

On the domestic front, the FRC also continued to raise its profile. In performing its auditor independence functions, the FRC met with and gathered information from a broad range of stakeholders including the professional accounting bodies and relevant regulatory bodies (collectively referred to as the MOU bodies), selected accounting

## Financial Reporting Council

firms, the Companies Auditors and Liquidators Disciplinary Board, the Accounting Professional and Ethical Standards Board and the Audit Quality Review Board.

In addition to those stakeholders I met with specifically to discuss audit independence matters, I also met with a range of other stakeholders including the Minister for Superannuation and Corporate Law, the Group of 100, the Australian Institute of Company Directors, the Australian Bankers Association, the Investment and Financial Services Association, the Financial Services Institute of Australasia, the Standard Business Reporting Management Group and the Australian Shareholders Association. In May 2008 I spoke at the Australian Institute of Company Directors annual conference.

### **Ken Spencer Memorial Lecture**

A further highlight for the FRC was the 2008 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 and the National Institute of Accountants, co-hosted the 2008 Ken Spencer Memorial Lecture, which was held on 28 May 2008 at KPMG's Sydney offices.

The guest speaker of the Lecture was Professor Stephen A Zeff, from Rice University, Houston Texas. The topic of his lecture was 'IFRS Developments in the USA and EU, and Some Implications for Australia'. The topic was well received 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 2007-08. 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 Catherine Walter (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 2007-08 were Ms Elizabeth Alexander, Mr Richard Humphrey and Mr David Jackson. I would like to sincerely thank them for their expertise and their commitment to the FRC during their tenure.

### **Assistance to the Council**

I would like to thank 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.

Thanks are also due to the FRC Secretary, Ms Suzanne Howarth and the Secretariat, for enabling the work of the Council and its Committees to be carried out in a timely and effective manner.

### **Outlook for 2008-09**

Following on from the financial market turmoil in 2007-08, I expect that 2008-09 will continue to provide many challenges on both the domestic and international fronts.

The 'credit crisis' highlighted a number of issues in relation to the disclosures for off-balance sheet entities and fair value accounting, particularly in valuing financial instruments in periods of stress. The FRC has now commenced consideration of possible next steps to address some of these issues.

Recent developments also suggest that it may be beneficial to refresh awareness of ethical standards. The setting, teaching and enforcement of ethical standards as they relate to auditor independence is another area that the Council proposes to focus on in 2008-09.

Other key issues for the Council in the coming year will likely include guidance in relation to emissions trading, public sector accounting issues and progressing the adoption of revised ISAs. In respect of public sector accounting, the FRC has commenced preparations to conduct a workshop early in 2008-09. The focus of the workshop will be on resolving issues that have arisen in relation to the application of the revised standard for whole of government and general government sector financial reporting.

The year ahead will also be demanding for the AASB and the AUASB as they transition to a revised 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 an advisory role. These changes came into effect from 1 July 2008.

On the international front, one of the main challenges will be for Australia to maintain its significant global influence in standard setting as more countries adopt IFRS. Australia currently exerts a disproportionate influence given 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. As the IASC Foundation reviews its constitution and considers proposals to establish a Monitoring Group to enhance public accountability of the Foundation, it will be critical that Australia be

Financial Reporting Council

adequately represented to ensure that our views and concerns continue to be fed into the development of International Accounting Standards.

A handwritten signature in black ink, appearing to read 'J. Lucy'.

Jeffrey Lucy AM  
Chairman of the Financial Reporting Council  
8 October 2008

## 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 *Corporate Law Economic Reform Program (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 was responsible in 2007-08 include:

- appointing the members of the AASB and AUASB (other than the Chairs, who are appointed by the Minister);
- 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;
- monitoring 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

## Financial Reporting Council

- 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 from 1 July 2008. 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 changes to the structural and governance arrangements were enacted by Parliament in June 2008 and commenced on 1 July 2008.

### **Membership and meetings**

Under section 235A of the ASIC Act, the members of the FRC are appointed by the Minister and hold office on terms and conditions determined by the Minister. 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 2007-08, and the stakeholders who nominated them, is in Appendix A.

## **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 2007-08, the Committee provided oversight of the FRC's performance assessment.

In 2007-08, the Chairman of the Nominations Committee was Mr Klaus Zimmermann. The other members of the Nominations Committee were the FRC Chairman, Mr Charles Macek (to 10 December 2007) and Mr Jeffrey Lucy AM (from 11 December 2007), Mr Don Challen, Ms Jan West AM, Ms Kathryn Campbell, Mr Mark Coughlin and Mr Lee White. The Nominations Committee formally met three times during the year. In addition, the Committee met in October 2007 and again in November 2007 to conduct interviews for appointments to the AASB and AUASB.

The FRC appointed Mr Mark Jenkin and Mr Robert Williams as new AASB members; and reappointed Mr Bruce Porter and Mr Frank Palmer to the AASB. Mr Brett Kaufmann and Mr Des Pearson retired from the AASB during 2007-08.

The FRC appointed Ms Valerie Clifford and Mr John Gavens as AUASB members; and reappointed Professor Christine Jubb and Mr Jon Tyers. Mr Kevin Neville and Ms Kim Smith retired from the AUASB during 2007-08.

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

The FRC's responsibilities in 2007-08 included reviewing and approving the AASB's and AUASB's priorities, business plan, budget and staffing arrangements.

During 2007-08, the FRC Finance Committee, met as the AASB Audit Committee and the AUASB Audit Committee and undertook detailed reviewing of the budgets, business plans and work programs of the two Boards. Further information on the work program for the AASB is contained in Appendix E. Further information on the work program 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 (to 10 December 2007) and Mr Jeffrey Lucy AM (from 11 December 2007) 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 2007-08, 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. Mr Bartlett's contract expired at the end of 2007.

## **Finances**

Total Australian Government funding provided to the FRC through Treasury (including funding of \$1 million per annum for the Financial Reporting Panel) was \$5.8 million in 2007-08.

The States and Territories provided \$0.5 million in 2007-08 and have committed to funding at the same level through to 2009-10.

In 2007-08, the professional accounting bodies provided contributions totalling \$1.25 million. CPA Australia and The Institute of Chartered Accountants in Australia (ICAA) contributed \$475,000 each while the National Institute of Accountants contributed \$300,000. The professional bodies have advised that their combined funding commitment would fall to \$1.0 million in 2008-09. The rationale given for this reduction in funding is that the professional bodies themselves require increased

## Financial Reporting Council

resources to address obligations stemming from their membership of International Federation of Accountants (IFAC), including enhanced requirements in respect of quality control and disciplinary areas. In addition the professional accounting bodies are funding the 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 2007-08 the FRC approved payments to the IASCF totalling \$1 million (\$800,000 from FRC and \$200,000 from AASB). 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 2007-08 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 2008-09, a total of \$1,808,257 of the FRC's own expenditure was paid by Treasury out of this appropriation. This consisted of:

- \$800,000 of IASCF contributions in 2008;
- \$594,724 in staffing costs;
- \$64,753 on consultants;
- \$92,502 on the Chairman's salary (including superannuation);
- \$24,717 in sitting fees for FRC members (other than the Chairman), including sitting fees for attendance at committee meetings;
- \$177,750 on travel; and
- \$53,811 on overheads.

The 2007-08 appropriation from the Australian Government was also used to supplement the funding of the AASB and AUASB (as noted in the 2007-08 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 2007-08.

## Contacting the Financial Reporting Council

Post:	The Secretary Financial Reporting Council c/- The Treasury Langton Crescent 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 an Australian Government Agency established under the ASIC Act 2001. Until 30 June 2008 the AASB was an independent statutory authority coming under the *Commonwealth Authorities and Companies Act 1997* (CAC Act). However, from 1 July 2008, as a consequence of amendments to the ASIC Act, the AASB has been restructured as an arm of Government, now coming under the *Financial Management and Accountability Act 1997* (FMA Act). The independence of the AASB, as the setter of Accounting Standards in Australia has not been affected by this restructure.

Under the ASIC 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 2001*;
- to formulate accounting standards for other purposes;
- to participate in or 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.

Since 2005 the AASB has adopted the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) in their entirety for companies reporting under our Australian Corporations Law and also as the 'core' standards, with some modification, for the private and public not-for-profit sectors.

### Objectives of the AASB

The vision of the AASB is to maintain and enhance its reputation as a global centre of excellence, delivering a distinctive contribution to the development of high-quality financial reporting standards.

## Australian Accounting Standards Board

The mission of the AASB is to:

- (a) develop and maintain high quality financial reporting standards for all sectors of the Australian economy;
- (b) contribute thought 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.

The major objectives of the AASB for the 2007-08 year, and how we fulfilled these objectives, are described as follows.

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

Whilst this appears to be an administrative function, under the existing legislative arrangements, the AASB must convert each IASB standard, standard amendment and interpretation into Australian law in accordance with legislative drafting protocols and in accordance with the Federal Register of Legislative Instruments requirements.

The number of changes to IFRSs remains substantial, and in order to permit companies to early-adopt these changes and be IFRS compliant, it is necessary for the AASB to make the changes soon after the IASB has made them. The AASB has successfully kept pace with the many changes to IFRSs during 2007-08 in a manner that ensures that the effect of the Australian standards is identical to the original IFRSs in all respects. This is despite the fact that Australian legislative drafting protocols differ from the manner in which IASB makes the changes.

In addition, each time the IASB has issued an exposure draft or invitation to comment, the AASB has published an equivalent document on its website, with an Australian Preface. The most relevant of these documents have also been issued in printed form.

The Board, in conjunction with other stakeholders, is currently investigating ways in which the issuance of Australian versions of IASB documents might be simplified in order to consume less resources.

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

The AASB's policy of 'transaction neutrality' means that like transactions and events are dealt with in a like manner between the for-profit sector and the not-for-profit sector and between the private sector or the public sector, unless there is sound reason to be different in particular circumstances.

To implement this policy, the AASB uses the IASB standards as the starting point, and then determines whether some varied treatment is appropriate for the not-for-profit private sector and the public sector, either in the form of additional Australian paragraphs in our versions of IFRSs or in the form of separate standards.



During the year, the AASB applied this approach to all of the IFRS amendments and specifically asked its constituents to comment on the consequences of such changes for the other sectors.

Consistent with this policy of transaction neutrality, during 2007-08, the AASB replaced Accounting Standards AAS 27 *Financial Reporting by Local Governments*, AAS 29 *Financial Reporting by Government Departments* and AAS 31 *Financial Reporting by Governments* with appropriate Australian paragraphs in a number of our versions of the IFRSs and created or amended other standards for public sector situations. At the same time, this project brought many public sector requirements up to date with the overall Australian move to IFRSs.

In addition, the AASB (in conjunction with the New Zealand Financial Reporting Standards Board (FRSB)) has given consideration to a common set of criteria that would warrant changes to the IFRSs as they apply in not-for-profit circumstances. This same approach to using IFRSs as the starting point, and having a consistent basis for departures, is also being utilised by the International Public Sector Accounting Standards Board (IPSASB).

As part of the 'transaction neutrality' policy, during the year the AASB has investigated the appropriateness of the use of the term 'not-for-profit entity' and the definition of that term. It has retained the term and its existing definition but has agreed that further guidance on the use of the term is needed.

### **3. Contribute to the development of International Financial Reporting Standards**

In accordance with the enabling legislation of the AASB our constituency expects Australia not to be simply a taker of international standards but to also contribute to the development of those standards. This applies equally to the standards set by the IASB and the IPSASB.

This was achieved in a number of ways:

- We continue to participate in a number of IASB and IPSASB research projects. We undertook research work on accounting for intangible assets as input to an IASB agenda proposal, but the IASB decided not to include accounting for intangible assets onto its active agenda at the present time due to other priorities. In order for our work to be most effective we are considering publishing our findings, and a group of National Standard Setters are considering whether to continue on with our work. We continued to lead a research team on extractive activities accounting and the IASB is expected to publish the findings as a discussion paper by the end of 2008. Furthermore, we concluded the reporting entity section of the IPSASB project on a public sector conceptual framework, and will continue to work with IPSASB on other sections of this project.

## Australian Accounting Standards Board

- We responded to all significant IASB and IPSASB exposure drafts and invitations to comment in the name of the AASB or the AASB staff. There have been 11 such responses in 2007-08.
- We provided technical support to Australian representatives and sub-committee members at various IASB and IPSASB meetings. During the year we briefed Australian members of the IASB's International Financial Reporting Interpretations Committee, the IASB's Standards Advisory Council and the IASB's Insurance Project Working Party before each meeting. An AASB staff member attended each IPSASB meeting as technical support to the Australian IPSASB member and AASB staff have briefed that member prior to each IPSASB meeting.
- We provided staff to work on selected IASB and IPSASB project teams, in particular the IASB insurance contracts project, the combined IASB/US revenue recognition project and the IPSASB conceptual framework project.
- We closely monitor progress on selected IASB and IPSASB projects to alert our Australian constituency about forthcoming significant issues and to indicate Australian viewpoints to IASB and IPSASB early in the process.
- We maintained a close working relationship with equivalent organisations in other parts of the world, including Canada, New Zealand, United Kingdom and United States. In this regard the Chairman and senior staff attended the annual IASB meeting of World Standard Setters in London, the half-yearly meeting of National Standard Setters in London and Melbourne, and the IASB's Singapore Conference. In March 2008 the National Standard Setters meeting was successfully hosted by the AASB in Melbourne. Furthermore, we have a reciprocal arrangement with New Zealand whereby the AASB Chairman is a member of the New Zealand FRSB and the FRSB Chair is a member of the AASB. The AASB and FRSB met jointly in October 2007 and again in July 2008.
- In addition, Australia, Canada, New Zealand and United Kingdom continue to jointly sponsor ongoing research into the potential implications of the proposed IASB changes to the Conceptual Framework upon public sector and not-for-profit entity accounting.

#### **4. Address domestic priorities to drive improvements in Australian financial reporting**

During 2007-08 the domestic priorities have included:

##### **(a) Superannuation fund accounting**

With the amount of Australian savings invested in superannuation, there is a need for revision to Accounting Standard AAS 25 *Financial Reporting by Superannuation Plans* and improved financial reporting by superannuation entities. During the year work

has continued in preparation for the issuance of an exposure draft later in 2008. In September 2007 a consultation paper was issued discussing the need for consolidation of subsidiaries of superannuation entities, which provided useful feedback. All of the issues have been discussed with representatives of the industry and the subject matter has been progressed at many Board meetings during the year.

**(b) Not-for-profit private and public sector entities**

The AASB's charter extends to not-for-profit private sector entities and to public sector entities. With our transaction-neutral approach (described in section 2 above), consideration of these sectors will generally be found in the additional Australian paragraphs included in our versions of IFRSs. However, in certain circumstances, separate standards are written explicitly for these sectors.

During the year, AASB 1049, which previously had harmonised generally accepted accounting principles and government finance statistics for the general government sector of the Federal, State and Territory governments, was amended so that it similarly harmonised the accounting for whole of government reporting. It was pleasing to note that the 2008-09 federal budget was prepared using AASB 1049 principles as a basis. Work has now commenced to consider similar harmonisation principles for government departments and other entities within the general government sector.

In December 2007 the AASB issued a discussion paper to determine if work previously undertaken by the New Zealand FRSB might be helpful to clarify the definition and description of a not-for-profit entity. Constituents expressed mixed views about such suggestions but emphasised that further AASB guidance is necessary.

As a result of the transfer of the contents of AASs 27, 29 and 31 to our versions of IFRSs, the AASB introduced three new public sector standards; AASB 1050 *Administered Items*, AASB 1051 *Land Under Roads* and AASB 1052 *Disaggregated Disclosures*.

In conjunction with the New Zealand FRSB, work is continuing on improving accounting for non-exchange revenue including government grants. This is the most often criticised section of our suite of standards. The IPSASB has recently introduced a standard on this subject and we are determining how we might leverage off this IPSASB work.

The AASB's attention will continue to focus on not-for-profit and public sector needs in the forthcoming year.

**(c) Differential reporting for SMEs**

During the year the AASB continued to discuss differential reporting for the for-profit and the not-for-profit sectors and reached a number of tentative conclusions which now await the finalisation of the IASB's new standard. The proposals need most

careful consideration because, if adopted, they would represent a substantial change in financial reporting in Australia, particularly for privately owned enterprises and not-for-profit entities in the private sector.

**(d) Emissions trading**

Ideally, appropriate accounting standards will be in place in time for the introduction of emissions trading in Australia, if we are to avoid the diversity of accounting treatments that is currently found in Europe. We urged the IASB to put this topic onto its agenda and it is pleasing to see that the IASB has responded.

An international solution is preferable to a local solution, as the IASB is not constrained by the existing IFRS requirements. However, notwithstanding this constraint, the AASB is continuing to monitor the situation in case local guidance is needed by the 2010 introduction date.

**(e) Service concessions**

In December 2007 the AASB issued a local agenda decision on grantor accounting for service concessions as an interim measure. This enables many public sector grantors to continue with their existing accounting for the time-being. The AASB will reconsider its decision when an international standard on grantor accounting is produced by IPSASB.

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

We continue to make all IASB implementation guidance, bases for conclusions and authoritative interpretations available to Australian constituents on the AASB website, in order to promote globally consistent application and interpretation of standards.

In order to resolve interpretation difficulties, in the first instance we refer issues that come to our attention to the interpretative arm of the IASB for resolution. However the number of Australian interpretation references has been declining as Australian constituents become more acquainted with the application of IFRSs. Similarly, local interpretations by the AASB have also been declining, although two local interpretation matters were resolved during the year and a third is nearing completion.

In the interest of promoting globally consistent application of standards, the AASB has commenced discussions relating to the appropriateness of applying some of the newer IPSASB standards in Australia. In addition we have discussed the circumstances in which IFRSs should be varied for use by the public sector in Australia and whether the circumstances for variation currently being used by IPSASB are appropriate for our use.

**6. Communicate effectively to engage with constituents**

Our communication with constituents continues to improve.

We meet with our representative Consultative Group at least once each year, and recent meetings have been very successful. In addition, the conduct of roundtables on selected topics have proved to be a productive means of obtaining feedback for the development of new standards. During 2007-08 roundtable discussions were held on superannuation fund accounting and the definition of a not-for-profit entity, in Melbourne, Sydney and Canberra.

The AASB members met with industry representatives and groups in conjunction with its own board meetings. Over the 2007-08 year such meetings were held with representatives of small and medium enterprises, the charities segment of the not-for-profit sector and with the Financial Reporting Council (FRC).

The AASB Chairman, Board members and senior staff make themselves available to present at professional conferences on relevant accounting standards topics. In 2007-08 there have been approximately 35 such presentations.

The main medium of communication with constituents is the AASB website. However, the site contained so much information that it had become rather difficult to navigate. A major project for 2007-08 has been the development of a new AASB website containing additional material, improved search facilities and easier navigation. The new website was launched in July 2008.

Added to the website is a new search facility that enables constituents to identify which compilation of any standard mandatorily applies to a given reporting period, simply by inputting the dates of the particular reporting period. This facility should make the use of the standards easier in view of the numerous changes that have been made to the standards in recent times and the complexity of the application dates.

We re-introduced *Transparency* as a quarterly e-newsletter that advises constituents of the many AASB activities that occur outside of board meetings, and highlights the human side of the AASB and its staff. *Transparency* complements *Action Alert* which reports on the outcomes of each Board meeting normally within 24 hours of the meeting.

During the year 16 AASB media releases were distributed resulting in positive media coverage of the activities and decision-making of the AASB.

## **7. Develop standard setting expertise**

A function of the AASB is to develop personnel with experience in standard setting so that Australia can continue to play a major role in the development of international standards.

Our successful internship program for new graduates ensures that AASB is providing a steady stream of young people with standard setting skills for the wider accounting community. Additionally, during 2007-08, one staff member returned from a secondment with a State Auditor-General's Office and another was placed on

secondment with a Big Four accounting firm. We are also currently in discussions with the IASB to place one of our senior staff with the IASB for an extended period.

## **8. Restructure as a FMA Act entity**

As noted in my introduction, on 1 July 2008 the AASB became an entity covered by the FMA Act rather than the CAC Act. Whilst this does not affect the standard setting functions of the AASB, it substantially changes its financial accountability and its relationship with the FRC. The restructure has been achieved by the establishment of a new entity, the Office of the AASB, which is responsible for employing the technical and administrative staff, receiving and expending funds, and providing technical and other services to the standard setting board (the AASB). The Office of the AASB is headed by a Chief Executive Officer (who is also the Chairman of the AASB) who is directly responsible to the Minister. The FRC can continue to issue strategic direction to the AASB, but in other respects its role becomes advisory rather than supervisory.

During the year considerable administrative effort has gone into the planning of this structural change.

## **Work program and business plan**

The status of the 2007-08 prior year work program and the AASB's priorities and work program for 2008-09 are reported in Appendix E to this report.

The 2008-09 AASB business plan is available on the AASB website in the section labelled 'AASB Board'.

## **Board changes**

During the year Messrs Brett Kaufmann and Des Pearson retired from the Board and they were replaced by Messrs Mark Jenkin, Robert Williams. Mr Bruce Porter our Deputy Chairman and Frank Palmer were reappointed for further terms.

## **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 goes to the AASB technical staff headed by our Technical Director Angus Thomson and Deputy Technical Director Robert Keys and to the AASB administrative staff headed by our Finance and Administration Director, Ms Litsa Pillios.

Finally, thanks go to our constituents who respond to exposure drafts, invitations to comment and discussion papers and who make time freely available to participate in consultative groups, project panels, and roundtables.

As this is my final report at the expiration of my contract, it has been a privilege to serve as Chairman of the AASB for the past five years in a time of such dramatic change to Australian financial reporting, and I wish the AASB well for the future.

A handwritten signature in black ink that reads "David Boymal," with a comma at the end. The signature is written in a cursive style.

David Boymal  
Chairman, Australian Accounting Standards Board  
8 October 2008

## AUSTRALIAN ACCOUNTING STANDARDS BOARD DIRECTORS' REPORT OF OPERATIONS

### Technical activities of the Australian Accounting Standards Board during 2007-08

#### 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 Ministers were the Treasurer, the Hon Peter Costello MP and the Hon Nick Sherry, Minister for Superannuation and Corporate Law. The Chairman is appointed by the Minister 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 Minister 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 2007-08 are listed in Appendix B. The Board held 10 meetings for a total of 18 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 2007-2008, the Board issued or reissued the following standards and other documents:

<b>Standards</b>	
AASB 3	<i>Business Combinations (revised)</i> (March 2008)
AASB 101	<i>Presentation of Financial Statements (revised)</i> (September 2007)
AASB 127	<i>Consolidated and Separate Financial Statements (revised)</i> (March 2008)
AASB 1048	<i>Interpretation and Application of Standards (revised)</i> (September 2007)
AASB 1049	<i>Whole of Government and General Government Sector Financial Reporting</i> (October 2007)
AASB 1004	<i>Contributions (revised)</i> (December 2007)
AASB 1050	<i>Administered Items</i> (December 2007)
AASB 1051	<i>Land Under Roads</i> (December 2007)
AASB 1052	<i>Disaggregated Disclosures</i> (December 2007)



<b>Standards (continued)</b>	
AASB 2007-8	<i>Amendments to Australian Accounting Standards arising from AASB 101 (September 2007)</i>
AASB 2007-9	<i>Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 (December 2007)</i>
AASB 2008-1	<i>Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations (February 2008)</i>
AASB 2008-2	<i>Amendments to Australian Accounting Standards — Puttable Financial Instruments and Obligations arising on Liquidation (March 2008)</i>
AASB 2008-3	<i>Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (March 2008)</i>
AASB 2008-4	<i>Amendments to Australian Accounting Standard — Key Management Personnel Disclosures by Disclosing Entities (June 2008)</i>
<b>Exposure drafts</b>	
ED 157	<i>Joint Arrangements (October 2007)</i>
ED 158	<i>Proposed Amendments to AASB 139 Financial Instruments: Recognition and Measurement — Exposures Qualifying for Hedge Accounting (March 2007)</i>
ED 159	<i>Proposed Improvements to Australian Accounting Standards (March 2007)</i>
ED 160	<i>Proposed Amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (December 2007)</i>
ED 161	<i>Proposed Amendments to AASB 2 Share-based Payment and AASB Interpretation 11 AASB 2 — Group and Treasury Share Transactions — Group Cash-settled Share-based Payment Transactions (February 2008)</i>
ED 162	<i>Proposed Amendments to Key Management Personnel Disclosures by Disclosing Entities (April 2008)</i>
ED 163	<i>Proposed Amendments to AASB 1049 for Consistency with AASB 101 (June 2008)</i>
ED 164	<i>An improved Conceptual Framework: The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information (June 2008)</i>
<b>Invitations to comment</b>	
ITC 14	<i>Proposed Definition and Guidance for Not-for-Profit Entities (December 2007)</i>
ITC 15	<i>Request for Comment on IPSASB Exposure Draft ED 34 Social Benefits: Disclosure of Cash Transfers to Individuals or Households and IPSASB consultation paper Social Benefits: Issues in Recognition and Measurement (April 2008)</i>
ITC 16	<i>Request for Comment on IPSASB consultation paper Accounting and Financial Reporting for Service Concession Arrangements (April 2008)</i>
ITC 17	<i>Request for Comment on IASB discussion paper Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity (June 2008)</i>

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<b>Interpretations</b>	
1003	<i>Australian Petroleum Rent Resource Tax</i> (November 2007)
1038	<i>Contributions by Owners Made to Wholly-Owned Public Sector Entities (Revised)</i> (December 2007)
13	<i>Customer Loyalty Programmes</i> (August 2007)
14	<i>AASB 119 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> (August 2007)

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## **Interpretations**

The AASB has direct responsibility for developing and approving interpretations. The AASB's objective is to maintain 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 and issues such as those relating to the Australian petroleum rent resource tax and the superannuation contributions tax. 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 and information releases relating to its activities; and
- maintaining a website, [www.aasb.gov.au](http://www.aasb.gov.au).

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

## **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 is set out in policy statement PS 2 *The AASB Consultative Group* as revised and reissued in June 2001. The Consultative Group met in May 2008. 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 and insurance contracts.

### **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 2007-08 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, accounting for insurance contracts, accounting by superannuation plans and differential reporting. The AASB also held roundtables seeking constituent input on the IASB's IFRSs for SMEs project and the definition of a not-for-profit entity.

### **Use of website**

The AASB maintains a website, [www.aasb.gov.au](http://www.aasb.gov.au) to provide information about the AASB, its activities and work program, 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, copies of key AASB Board papers and minutes of meetings on its website. The AASB also uses the website to seek comments on exposure drafts and invitations to comment, to facilitate urgent action on projects.

During the year the AASB initiated a project to update and streamline its website to enhance communications with constituents and to provide easier navigation. The new website became operational at the beginning of July 2008.

### **Seminars**

Members of the AASB and its staff are available to present papers on matters relating to the AASB's work program at seminars, congresses and conferences held throughout Australia. The Chairman also made presentations at international conferences during the year.

### **Accountability**

The AASB Chairman, Professor David Boymal, and Technical Director, Angus Thomson, appeared before the Senate Economics Committee on 5 June 2008. The Chairman reports periodically to FRC meetings on the AASB's activities.

### **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 \$6,866 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 2007-08 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 policy statements, accounting standards and accounting interpretations, are available for purchase from the AASB in printed form and can be downloaded free of charge from 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:

- a newsletter *Transparency* to inform constituents of broader activities of the AASB;
- 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 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, 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 2007-08.

## **COMMONWEALTH FRAUD CONTROL GUIDELINES**

The AASB has in place a Fraud Control Policy. The AASB acknowledges the responsibility for fraud control and for implementing a structured, ongoing fraud control plan. The AASB complied with the requirements of the Commonwealth Fraud Control Policy and Guidelines for the year ended 30 June 2008.

## **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.



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





# AUDITING AND ASSURANCE STANDARDS BOARD

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## CHAIRMAN'S REPORT



### Introduction

The Auditing and Assurance Standards Board (AUASB) is an Australian Government Agency established under the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Until 30 June 2008 the AUASB was an independent statutory authority coming under the *Commonwealth Authorities and Companies Act 1997* (CAC Act). However, from 1 July 2008, as a consequence of amendments to the ASIC Act, the AUASB has been restructured as an entity under the *Financial Management and Accountability Act 1997* (FMA Act). The independence of the AUASB, as the setter of Auditing and Assurance Standards in Australia has not been affected by this restructure.

Under section 227B of the 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.

### 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 auditing standards, (which are legally enforceable for audits or reviews of financial reports required under the *Corporations Act 2001*), other auditing and assurance pronouncements and related

## Auditing and Assurance Standards Board

guidance. The AUASB's role also extends to liaison with other standards-setters and participating in standard-setting initiatives to develop a single set of auditing standards for world wide use. Such involvement seeks to contribute ultimately to the quality of AUASB pronouncements.

### **Board appointments and changes during 2007-08**

The AUASB comprises an independent part-time Chairman (appointed by the Minister of Superannuation and Corporate Law) 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.

Changes in membership of AUASB during the year were:

- Ms Merran Kelsall was re-appointed as Chairman of the AUASB following expiration of her previous term on 10 August 2007.
- Mr John Tyers (Deputy Chairman) and Prof Christine Jubb were re-appointed as members of the AUASB following expiration of their previous terms.
- Mr Kim Smith and Mr Kevin Neville retired as members of the AUASB on completion of their terms on 31 December 2007.
- Ms Valerie Clifford and Mr John Gavens were appointed as members of the AUASB from 1 January 2008.

See Appendix C for full details of AUASB members and their terms of appointment.

### **Making legally enforceable auditing standards**

The current set of 35 legally enforceable Australian Auditing Standards (ASAs) applicable for reporting periods commencing on or after 1 July 2006 were issued by the AUASB on 28 April 2006. The AUASB's work in relation to these standards since that date, consisted of monitoring the impact of implementation, conducting ongoing communication and consultation with stakeholders and issuing amending standards.

Consistent with its strategic direction, the AUASB has, wherever possible, used the International Standards on Auditing (ISAs) as a base for its ASAs, and in doing so, seeks to maintain conformity of its standards with those of the International Auditing and Assurance Standards Board (IAASB). The 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 major focus of the IAASB over the last two years has been a project to revise and redraft the ISAs in

*Clarity* format. The IAASB has announced that the project is on track and will be applicable for reporting periods commencing on or after 15 December 2009.

In October 2007 the AUASB announced that the ASAs would be further revised, redrafted and reissued in a *Clarity* format, on the same basis as the equivalent ISAs that would be operative after 2009. The *Clarity* redrafting project is scheduled for completion by October 2009. The AUASB's present intention is that the revised ASAs will be operative for reporting periods commencing on or after 1 January 2010.

Drafting rules and conventions have been established to ensure that the revised ASAs will continue to conform with the ISAs, whilst ensuring that enforceability under the *Australian Corporations Act 2001* regulations is maintained.

The planning for this major project involved meetings with numerous constituents to gain valuable feedback on the benefits of the ASAs in *Clarity* format, and to determine the best timing of the release and operative date of the redrafted standards. Other national standard setters (NSS) are also being monitored as to their policies on the adoption of *Clarity* format ISAs.

The *Foreword to AUASB Pronouncements* that defines the structure and policies for development of AUASB pronouncements, the levels of authority to be attached to different pronouncements and drafting guidelines is also being revised as this project progresses. In addition the *Preamble to AUASB Standards* will also be revised and reissued.

Our work to date and our involvement with the IAASB *Clarity* project indicates that this project should result in high quality and robust standards that will enhance confidence in Australian audited financial reports.

## **Formulating other auditing and assurance standards**

The AUASB's revision of other auditing and assurance 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.

Other standards are being progressively reviewed and reissued as Standards on Assurance Engagements (ASAEs), Standards on Review Engagements (ASREs) or Standards on Related Services (ASRSs).

In June 2008 a new assurance standard, ASAE 3100 *Compliance Engagements* was released. Another assurance standard ASAE 3500 *Performance Engagements* was approved for release in July 2008.

A project to revise ASRE 2410 *Review of an Interim Financial Report by the Independent Auditor of the Entity*, and issue two new standards on review engagements was also

## Auditing and Assurance Standards Board

well underway and are planned for release in late August 2008. These proposed standards address the following issues:

- A new standard – ASRE 2400, for use by an assurance practitioner who is not the auditor of the entity.
- A new standard – ASRE 2405, for reviews of historical financial information that is not in the form of a financial report.
- Amendment of ASRE 2410 so that the standard is to be applied by the auditor of the entity in a review of a financial report for any period.

## Formulating guidance statements

The AUASB has continued to prioritise the review and reissue of guidance statements based on amendments to regulations and accounting standards, changes to related ASAs, legal and international developments and changes in best practice.

During the year the AUASB released eight guidance statements:

- *GS 001 Concise Financial Reports;*
- *GS 002 Special Considerations in the Audit of Risk Management Requirements for Registrable Superannuation Entities and Licensees;*
- *GS 003 Audit and Review Requirements for Australian Financial Services Licensees Under the Corporations Act 2001;*
- *GS 004 Audit Implications of Prudential Reporting Requirements for General Insurers;*
- *GS 005 Using the Work of an Actuary;*
- *GS 006 Electronic Publication of the Auditor's Report;*
- *GS 007 Audit Implications of the Use of Service Organisations for Investment Management Services; and*
- *GS 008 The Auditor's Report on a Remuneration Report Pursuant to Section 300A of the Corporations Act 2001.*

The status of the 2007-08 AUASB work program is reported in Appendix F. The AUASB's standards setting priorities for 2008-09 have been approved by the FRC and are also summarised in Appendix F.

## **Relationship with the International Auditing and Assurance Standards Board and other National Standards Setters**

Participation in and input into the work of the IAASB are integral to the ability of the AUASB to continue as an effective national standards setter, and are considered crucial to it maintaining and further developing the current body of Australian Auditing and Assurance Standards and related guidance. 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 Executive Director, Mr Richard Mifsud, serving as Mr McPhee's IAASB Technical Advisor throughout the past year.

For the past three years the IAASB has pursued a major exercise of revising its ISAs, through the 'Clarity of IAASB Standards' project. This project will have major implications for the work of the AUASB in reviewing its Auditing Standards in relation to ongoing conformity with the revised ISAs.

Mr Ian McPhee, 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 support for this taskforce. The IAASB has approved ISA 250 and is presently finalising ISA 210.

The AUASB actively engages with and monitors the activities of other National Standards Setters (NSS), most notably through participation in the IAASB-National Standards Setters forum which met in March 2008 (attended by the Chairman and Mr Richard Mifsud Executive Director), and the Trans-Tasman Accounting and Auditing Standards Advisory Group, which meets on a quarterly basis (attended by the Chairman).

## **Communication with stakeholders**

Improvement in communication and engagement with stakeholders is an ongoing goal of the AUASB.

The AUASB Chairman and senior staff members have conducted numerous speaking engagements during the year, focusing on the implications of the auditing standards for the profession and the current and future direction of the AUASB. In 2007-08 there have been 22 such presentations.

A consultative meeting was held with key constituents this year, and recent meetings have been very successful in gaining valuable input on the AUASB's initiatives. The consultative meeting for 2007-08 was held in Melbourne on 4 December 2007 and another is scheduled for October 2008.

## Auditing and Assurance Standards Board

We have introduced *Independence* as a quarterly e-newsletter that advises constituents of the many AUASB activities that occur outside Board meetings. *Independence* complements *Meeting Highlights*, which reports on the outcomes of each Board meeting.

A significant component of our communication with constituents is the AUASB website. A major project for 2007-08 has been the development of a new AUASB website containing additional material, improved search facilities and easier navigation. The new website will be launched in August 2008.

During the year a number of media releases were distributed, resulting in positive media coverage of the AUASB and its activities.

## Facilities, technical support and resources

The AUASB offices are located at Level 7, 600 Bourke St, Melbourne.

The AUASB is supported by the technical and secretarial assistance that is provided by the Executive Director and the staff of the AUASB Technical Group. 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 firms and other organisations, who provided input on several projects 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), 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 (to 10 December 2007) and Mr Jeffrey Lucy AM (from 11 December 2007), for their oversight and support of the AUASB's ongoing operations.

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

I would also like to express my appreciation to Richard Mifsud (Executive Director) and to the staff of the AUASB Technical Group, which comprised Johanna Foyster, Claire Grayston, Nina Lewis, Alan Marrone, Marina Michaelides, Howard Pratt, Christine Purtell and Margaret Salter for their work in supporting the AUASB. Thanks are also extended to Litsa Pillios and the administrative staff of the AASB for additional administrative support services provided to the AUASB over the past year.

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

### **Restructure as a Financial Management Act entity**

As outlined in my introduction, on 1 July 2008 the AUASB became an entity under the Financial Management Act. Whilst this does not affect the standard setting functions of the AUASB, it changes the financial accountability and its relationship with the FRC. The restructure has been achieved by the establishment of a new entity, the Office of the AUASB, which is responsible for employing the technical and administrative staff and providing technical and other services to the AUASB. The Office of the AUASB is headed by the Chairman of the AUASB, who is directly responsible to the Minister. The FRC can continue to issue strategic directions to the AUASB, although in other respects its role becomes advisory rather than supervisory.

### **Work program for 2008-09**

The *ASA Clarity* redrafting project is well underway and will dominate the AUASB's work program throughout the coming year, together with revision of selected guidance statements, which provide industry and situation specialist guidance to support the ASAs.

Other major projects in progress include the Assurance Standard (ASAE) on Performance Engagements, and Standards on Review Engagements (ASREs). These standards will be completed and issued in July and August 2008. A project to issue a Guidance Statement on Audits of Self Managed Superannuation Funds is also well underway and the proposed guidance statement will be issued by September 2008.

The AUASB will also continue to:

- Liaise and work with the Department of Climate Change regarding assurance on sustainability matters relating to National Greenhouse and Energy Reporting System Reports audit requirements.
- Participate in the Australian Government's Standard Business Reporting Program (including Extensible Business Reporting Language (XBRL) reporting), and consider the development for guidance on audit requirements.

Monitoring and timely response to emerging issues will be ongoing and a high priority during 2008-09.

Auditing and Assurance Standards Board

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 that are relevant to stakeholders' needs.



Merran H Kelsall  
Chairman, Auditing and Assurance Standards Board  
8 October 2008



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

### **Technical activities of the Auditing and Assurance Standards Board during 2007-08**

#### **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 for the period covered resided with Treasurer, the Hon Peter Costello MP and the Hon Nick Sherry, Minister for Superannuation and Corporate Law 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 2007-08 are listed at Appendix C. During the year, the AUASB held 7 meetings for a total of 11 meeting days. Attendance of members at these meetings is set out at Appendix D.

#### **Auditing and Assurance Standards Board standards**

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

Over the past two years the AUASB has monitored the impact of implementation of these standards, and has issued amending standards required due to regulatory and legal changes.

In October 2007, the AUASB announced that the Australian Auditing Standards would be further revised and reissued in a *Clarity* format, on the same basis as the equivalent ISAs.

The AUASB has undertaken a comprehensive project to ensure that the revised Australian standards will continue to conform with the ISAs, whilst ensuring that enforceability under Australian regulations is maintained.

The proposed revised standards will be progressively released for comment as exposure drafts with a 30 day comment period. The project is expected to be completed by October 2009, and it is presently intended that the standards will be operative for reporting periods commencing on or after 1 January 2010.

## Auditing and Assurance Standards Board

The AUASB's work during 2007-08 involved:

- The review and reissue of auditing standards and guidance statements required due to regulatory and legal changes, as well as international and best practice developments.
- Major projects completed or in progress during the year included:
  - The issue of Auditing Standards on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and ASAE 3100 Compliance Engagements.
  - The issue of guidance statements on Concise Financial Reports, the use of Service Organisations for Investment Management Services, Prudential Reporting Requirements for General Insurers, Using the Work of an Actuary and the Auditor's Report on a Remuneration Report.
  - Development of a project plan to revise and reissue the suite of legally enforceable ASAs in a *Clarity* format, on the same basis as the equivalent ISAs. In addition to the development of drafting policies, and operational strategy, the planning stage included meetings with numerous key constituents concerning the timing of the release and operative date of the revised standards.

The project is well underway and the first four exposure drafts were released for comment in July 2008.
  - Other projects to develop pronouncements in respect of Review Engagements, Performance Engagements, Self Managed Superannuation Funds and industry specific guidance are also well underway.
- Liaison and working with the Department of Climate Change on assurance reports on *National Greenhouse and Energy Reporting Act 2007*.
- Undertaking the revision ISA 210 *Terms of Engagements* and ISA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* in *Clarity* format on behalf of the IAASB.

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

<b>Legally enforceable AUASB Auditing Standards</b>	
ASAE 3000	<i>Assurance Engagements other than Audits or Reviews of Historical Financial Information (July 2007)</i>
ASAE 3100	<i>Compliance Engagements (June 2008)</i>

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

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<b>Guidance statements</b>	
GS 001	Concise Financial Reports (July 2007)
GS 002	Special Considerations in the Audit of Risk Management Requirements for Registrable Superannuation Entities and Licensees (July 2007)
GS 003	Audit and Review Requirements for Australian Financial Services Licensees under the <i>Corporations Act 2001</i> (October 2007)
GS 004	Audit Implications of Prudential Reporting Requirements for General Insurers (October 2007)
GS 005	Using the Work of an Actuary (October 2007)
GS 006	Electronic Publication of the Auditor's Report (December 2007)
GS 007	Audit Implications of the Use of Service Organisations for Investment Management Services (March 2008)
GS 008	The Auditor's Report on a Remuneration Report Pursuant to Section 300A of the <i>Corporations Act 2001</i> (June 2008)

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

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<b>Other pronouncements</b>
Explanatory Guide to Review Engagements (April 2008)

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## **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 Executive Director, Mr Richard Mifsud, as his Technical Advisor. Five meetings of the IAASB were held during the 2007-08 year.

## **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).

## Auditing and Assurance Standards Board

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. The AUASB held a consultative meeting with key constituents on 4 December 2007.

### **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 program 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.

A complete re-design of the website with enhancements to improve search facilities and ease of use is well underway, and release is anticipated in late August 2008.

### **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 \$3,558.

### **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, which is part of the Department of Finance and

Deregulation, is required to formally approve all draft RISs before they are sent to the relevant decision-makers.

During 2007-08 the AUASB prepared a RIS to address the effects of the options that were available to the AUASB in issuing Auditing Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued on 9 July 2007. This 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.

No legally enforceable auditing standards were made during the year.

## **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 set out 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 IAASB.

## **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;

#### Auditing and Assurance Standards Board

- 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 set out below.

#### **COMMONWEALTH FRAUD CONTROL GUIDELINES**

The AUASB has in place a Fraud Control Plan and fraud control mechanisms, which are appropriate to the needs of the AUASB. The AUASB complied with the requirements of the Commonwealth Fraud Control Guidelines for the year ended 30 June 2008.

#### **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, program 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. 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 Executive Director  
Auditing and Assurance Standards Board  
PO Box 204  
Collins Street West  
MELBOURNE VIC 8007

Telephone: 03 8080 7400  
Facsimile: 03 8080 7450  
Document exchange: DX 30897  
Email: [enquiries@auasb.gov.au](mailto:enquiries@auasb.gov.au)





## **Part 5: Financial reports**



## AUSTRALIAN ACCOUNTING STANDARDS BOARD

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## INDEPENDENT AUDITOR'S REPORT

To the Minister for Superannuation and Corporate Law

### Scope

We have audited the accompanying financial statements of the Australian Accounting Standards Board (the Board) for the year ended 30 June 2008, which comprise: a Statement by Directors and Chief Executive; Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including Australian Accounting Standards (which include the 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 the 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.

PO Box A456 SYDNEY SOUTH NSW 1235  
Level 6 130 Elizabeth Street SYDNEY NSW 2000  
Phone (02) 9367 7100 Fax (02) 9367 7102

## Financial reports

In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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 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 the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including Australian Accounting Standards; 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 2008 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



P Hinchey  
Senior Director  
Delegate of the Auditor-General

Sydney  
28 August 2008

## 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 2008 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.



Jeffrey Lucy  
Chairman — FRC  
28 August 2008



Bruce Brook  
Director  
28 August 2008



David Boymal  
Chairman — AASB  
28 August 2008

**Australian Accounting Standards Board  
Income statement**

For the period ended 30 June 2008

	Notes	2008 \$	2007 \$
<b>INCOME</b>			
<b>Revenue</b>			
Revenue from Government	3A	2,934,000	2,770,000
Sale of goods and rendering of services	3B	88,213	104,367
Interest	3C	268,656	138,475
Rental income	3D	43,590	35,023
Other revenue	3E	1,979,055	1,427,821
<b>Total revenue</b>		<b>5,313,514</b>	<b>4,475,686</b>
<b>Gains</b>			
Sale of assets	3F	-	1,141
<b>Total gains</b>		<b>-</b>	<b>1,141</b>
<b>Total income</b>		<b>5,313,514</b>	<b>4,476,827</b>
<b>EXPENSES</b>			
Employee benefits	4A	3,125,763	2,723,774
Suppliers	4B	1,299,818	1,261,058
Contribution	4C	200,000	200,000
Depreciation and amortisation	4D	145,354	139,179
Finance costs	4E	5,208	4,938
<b>Total expenses</b>		<b>4,776,143</b>	<b>4,328,949</b>
<b>Surplus</b>		<b>537,371</b>	<b>147,878</b>

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



**Australian Accounting Standards Board**  
**Balance sheet**  
as at 30 June 2008

	Notes	2008	2007
		\$	\$
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	5A	3,691,295	3,173,831
Trade and other receivables	5B	99,942	57,981
<b>Total financial assets</b>		<b>3,791,237</b>	<b>3,231,812</b>
<b>Non-financial assets</b>			
Infrastructure, plant and equipment	6A,C	687,644	744,315
Intangibles	6B,C	18,867	5,524
Inventories	6D	2,682	2,661
Other non-financial assets	6E	87,605	100,085
<b>Total non-financial assets</b>		<b>796,798</b>	<b>852,585</b>
<b>Total assets</b>		<b>4,588,035</b>	<b>4,084,397</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	65,452	140,580
Other payables	7B	574,019	664,317
<b>Total payables</b>		<b>639,471</b>	<b>804,897</b>
<b>Provisions</b>			
Employee provisions	8A	1,309,597	588,111
Other provisions	8B	100,558	95,350
<b>Total provisions</b>		<b>1,410,155</b>	<b>683,461</b>
<b>Total liabilities</b>		<b>2,049,625</b>	<b>1,488,358</b>
<b>Net assets</b>		<b>2,538,410</b>	<b>2,596,039</b>
<b>EQUITY</b>			
Retained surplus (accumulated deficit)		2,538,410	2,596,039
<b>Total equity</b>		<b>2,538,410</b>	<b>2,596,039</b>
<b>Current assets</b>		<b>3,809,194</b>	<b>3,253,187</b>
<b>Non-current assets</b>		<b>778,841</b>	<b>831,210</b>
<b>Current liabilities</b>		<b>1,433,519</b>	<b>818,989</b>
<b>Non-current liabilities</b>		<b>616,106</b>	<b>669,369</b>

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

**Australian Accounting Standards Board**  
**Statement of changes in equity**  
for the period ended 30 June 2008

	Retained earnings		Total equity	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Opening balance</b>				
Balance carried forward from previous period	<b>2,596,039</b>	2,233,160	<b>2,596,039</b>	2,233,160
<b>Income and expenses</b>				
Income and expenses recognised directly in equity				
Actuarial gains/(losses)	<b>(595,000)</b>	215,000	<b>(595,000)</b>	215,000
Surplus for the period	<b>537,371</b>	147,879	<b>537,371</b>	147,879
<b>Total income and expenses</b>	<b>(57,629)</b>	362,879	<b>(57,629)</b>	362,879
<b>Closing balance at 30 June 2008</b>	<b>2,538,410</b>	2,596,039	<b>2,538,410</b>	2,596,039

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

**Australian Accounting Standards Board**  
**Cash flow statement**  
for the period ended 30 June 2008

	Notes	2008	2007
		\$	\$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Revenues from Commonwealth Government		2,885,000	3,057,500
Receipts from publication and subscriptions		133,114	89,279
Interest		277,861	129,269
Net GST received		155,603	249,280
Other cash received		2,065,591	1,530,551
<b>Total cash received</b>		<b>5,517,170</b>	<b>5,055,879</b>
<b>Cash used</b>			
Employees		3,016,734	2,640,954
Suppliers		1,591,531	1,201,661
Net GST paid		98,457	293,623
Other cash used		200,000	200,000
<b>Total cash used</b>		<b>4,906,722</b>	<b>4,336,238</b>
<b>Net cash flows from operating activities</b>	9	<b>610,448</b>	<b>719,641</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment		-	22,144
<b>Total cash received</b>		<b>-</b>	<b>22,144</b>
<b>Cash used</b>			
Purchase of property, plant and equipment		92,985	599,927
<b>Total cash used</b>		<b>92,985</b>	<b>599,927</b>
<b>Net cash flows (used by) investing activities</b>		<b>(92,985)</b>	<b>(577,783)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Other cash received		-	710,127
<b>Total cash received</b>		<b>-</b>	<b>710,127</b>
<b>Cash used</b>			
<b>Total cash used</b>		<b>-</b>	<b>-</b>
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>710,127</b>
<b>Net increase in cash held</b>		<b>517,463</b>	<b>851,985</b>
Cash and cash equivalents at the beginning			
of the reporting period		3,173,831	2,321,846
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<b>3,691,295</b>	<b>3,173,831</b>

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

**Australian Accounting Standards Board**  
**Schedule of commitments**  
as at 30 June 2008

	2008	2007
	\$	\$
<b>BY TYPE</b>		
<b>Commitments receivable</b>		
Sublease rental income <sup>1</sup>	420,329	463,674
GST recoverable on commitments	372,920	459,782
<b>Total commitments receivable</b>	<b>793,249</b>	<b>923,456</b>
<b>Commitments payable</b>		
Operating leases <sup>2</sup>	4,102,120	4,547,558
Other commitments	42,033	46,368
<b>Total commitments payable</b>	<b>4,144,153</b>	<b>4,593,926</b>
<b>Net commitments by type</b>	<b>3,350,904</b>	<b>3,670,470</b>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
One year or less	87,064	88,174
From one to five years	378,585	386,722
Over five years	327,600	448,560
<b>Total commitments receivable</b>	<b>793,249</b>	<b>923,456</b>
<b>Operating lease commitments payable</b>		
One year or less	461,833	445,438
From one to five years	1,974,506	1,937,677
Over five years	1,665,781	2,164,443
<b>Total operating lease commitments payable</b>	<b>4,102,120</b>	<b>4,547,558</b>
<b>Other Commitments payable</b>		
One year or less	4,508	4,335
From one to five years	19,908	19,143
Over five years	17,617	22,890
<b>Total other commitments payable</b>	<b>42,033</b>	<b>46,368</b>
<b>Net commitments by maturity</b>	<b>3,350,904</b>	<b>3,670,470</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.

**Australian Accounting Standards Board**  
**Schedule of contingencies**  
as at 30 June 2008

There are no known contingencies as at 30 June 2008.

(Nil contingencies as at 30 June 2007).

The above statement 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 Objectives of AASB**

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 State Treasuries, 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 FMOs) for reporting periods ending on or after 01 July 2007; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

The financial report is presented in Australian dollars.

Unless an alternative treatment is specifically required by an Accounting Standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity 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, 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

### Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. The following new standards are applicable to the current reporting period.

### Financial instrument disclosure

AASB 7 Financial Instrument: Disclosures is effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general AASB 7 requires greater disclosure than that previously required. Associated with the introduction of AASB 7, a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]. These changes have no financial impact but will affect the disclosure presented in future financial reports.

The following new standards (including reissued standards), amendments to standards, erratum or interpretations for the current financial year have no material financial impact on the AASB:

- AASB 101 Presentations of Financial Statements (reissued October 2006);
- AASB 1048 Presentations and Application of Standards (reissued September 2007);
- 2007-04 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and Erratum: Proportionate Consolidation;
- 2007-05 Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102];
- 2007-07 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128];
- AASB interpretation 10 Interim Financial Reporting and Impairment;

## Financial reports

- AASB Interpretation 11 AASB2 – Group and Treasury Share Transactions and 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11;
- AASB Interpretation 1003 Australian Petroleum Resource Rent Tax.

## Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards board but are effective for future reporting periods. It is estimated that adopting these pronouncements when effective will have no material financial impact on future reporting periods:

- AASB 3 Business Combinations;
- AASB 8 Operating Segments and 2007-3 Amendments to Australian Accounting standards arising from AASB 8;
- AASB 101 Presentation of Financial Statements (reissued September 2007) and 2007-08 Amendments to Australian Accounting Standards arising from AASB 101;
- AASB 123 Borrowing costs and 2007-06 Amendments to Australian Accounting Standards arising from AASB 123;
- AASB 127 Consolidated and Separate Financial Statements and 2008-03 Amendments to Australian Accounting Standards from AASB 3 and ASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 and 139 and Interpretations 9 & 107];
- AASB 1004 contributions;
- AASB 1050 Administered Items and 2007-9 Amendments to Australian Accounting standards arising from the Review of AASB 27, 29 and 31;
- AASB 1051 Land under Roads;
- AASB 1052 Disaggregated Disclosures;
- 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2];
- 2008-2 Amendments to Australian Accounting Standards – Puttable financial Instruments and Obligations arising on Liquidation [AASB7, AASB 101, AASB 132, AASB 139 & Interpretations 2];



- AASB Interpretation 1 Changes in Existing Decommissioning, Restoring and Similar Liabilities;
- AASB Interpretation 4 Determining whether an Arrangement contains a Lease;
- AASB Interpretation 12 Service Concession Arrangements and 2007-2 Amendments to Australian Accounting Standards arising from Interpretation 12;
- AASB Interpretation 13 Customer Loyalty Programmes;
- AASB Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction;
- AASB Interpretation 129 Service Concession Arrangements; Disclosures;
- AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

#### Other

The following standards and interpretations have been issued but are not applicable to the operations of the AASB:

- AASB 1049 Financial Reporting of General Government Sectors by Governments;
- AASB 1049 Financial Reporting of General Government Sectors by Governments 2008-4 Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities [AASB 124].

#### 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.

## Financial reports

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

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

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

## 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 entitlement 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 the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2008. 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 2008 amounted to \$2,826,000 (2007: \$2,586,000) compared to the fair value of attributable assets of \$2,326,000 (2007: \$2,692,000), giving a deficiency of \$500,000 (2007: surplus \$106,000). A provision for this deficiency has been recognised at 30 June 2008 (refer Notes 4A and 8A).

In accordance with the choice available under paragraphs 93A and 93B of AASB 119 'employee benefits' actuarial gains and losses are charged direct to the statement of changes in equity.

Refer to Note 8A (i) for a reconciliation of the superannuation liability as at 30 June 2008.

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

## 1.8 Financial assets

The AASB's financial assets comprise 'loans and receivables'.

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

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

### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

### Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

*Financial assets held at amortised cost* – If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the income statement.

## Financial reports

### **1.9 Financial liabilities**

Financial liabilities comprise 'supplier and other payables'.

The AASB's financial liabilities are recognised and derecognised upon 'trade date'.

#### **Supplier and other payables**

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

### **1.10 Contingent liabilities and contingent assets**

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

### **1.11 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.

### **1.12 Property, plant and equipment**

#### **Asset recognition threshold**

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

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

## Revaluations

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

	<b>2008</b>	<b>2007</b>
Leasehold improvements	<b>Depreciated replacement cost</b>	Depreciated replacement cost
Plant and equipment	<b>Market selling price</b>	Market selling price

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

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

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

## Depreciation

Depreciable property 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.

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:

	<b>2008</b>	<b>2007</b>
Leasehold improvements	<b>Lease term — 10 years</b>	Lease term — 10 years
Plant and equipment	<b>3 to 10 years</b>	3 to 10 years

## Impairment

All assets were assessed for impairment at 30 June 2008. 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.

## Financial reports

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.

### 1.13 Intangibles

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

Software and licences are amortised on a straight line basis over their anticipated useful life. The useful life of AASB's software and licences is 3-5 years (2006-07: 3-5 years).

### 1.14 Inventories

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

### 1.15 Taxation/competitive neutrality

The AASB 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.

### 1.16 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.

### 1.17 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.

### **1.18 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**

There have been no subsequent events that would cause amendment to the Financial Statements.

As a result of an amendment to the ASIC Act, the AASB was restructured on 1 July 2008 so as to come under the FMA Act instead of the CAC Act.

On 1 July 2008 the assets and liabilities of the AASB became assets and liabilities held by the Office of the AASB on behalf of the Commonwealth.

One consequence of the restructure is that as from 1 July 2008 the AASB no longer had Directors, with responsibility for financial management of the organisation falling to a Chief Executive Officer. However, the previous Directors remain responsible for the preparation of the 30 June 2008 financial statements.

**Note 3: Income**

	2008	2007
	\$	\$
<b>Revenue</b>		
<b>Note 3A: Revenue from Government</b>		
Other:		
ASIC funding	1,635,000	1,620,000
Appropriation funds from FRC	1,299,000	1,150,000
<b>Total revenue from Government</b>	<b>2,934,000</b>	<b>2,770,000</b>
<b>Note 3B: Sale of goods and rendering of services</b>		
Provision of goods — related entities	2,850	3,663
Provision of goods — external parties	85,363	100,704
<b>Total sale of goods and rendering of services</b>	<b>88,213</b>	<b>104,367</b>
<b>Note 3C: Interest</b>		
Deposits	268,656	138,475
<b>Total interest</b>	<b>268,656</b>	<b>138,475</b>
<b>Note 3D: Rental income</b>		
Operating lease:		
Other	43,590	35,023
<b>Total rental income</b>	<b>43,590</b>	<b>35,023</b>
<b>Note 3E: Other revenue</b>		
Contributions from States and Territories	500,000	500,000
Contributions from CPA Australia	133,000	245,000
Contributions from the Institute of Chartered Accountants in Australia	133,000	245,000
Contributions from National Institute of Accountants	84,000	110,000
Contributions from Australian Stock Exchange	100,000	100,000
Contributions from Companies Unclaimed Monies Account	819,705	75,000
<b>Total contributions</b>	<b>1,769,705</b>	<b>1,275,000</b>
Recoup of costs from AUASB	155,747	133,583
Recoup of salaries from secondment	53,603	19,238
<b>Total other revenue</b>	<b>1,979,055</b>	<b>1,427,821</b>
<b>Gains</b>		
<b>Note 3F: Sale of assets</b>		
Infrastructure, plant and equipment		
Proceeds from sale	-	1,141
<b>Net gain from sale of assets</b>	<b>-</b>	<b>1,141</b>



**Note 4: Expenses**

	2008	2007
	\$	\$
<b>Note 4A: Employee benefits</b>		
Wages and salaries	2,721,768	2,395,622
Superannuation:		
Superannuation	283,266	257,362
Leave and other entitlements	120,729	70,790
<b>Total employee benefits</b>	<b>3,125,763</b>	<b>2,723,774</b>
<b>Note 4B: Suppliers</b>		
Provision of goods — related entities	-	339
Provision of goods — external parties	148,916	86,494
Rendering of services — related entities	49,238	86,801
Rendering of services — external parties	789,870	745,462
Operating lease rentals:		
Minimum lease payments	302,993	331,382
Workers compensation premiums	8,801	10,580
<b>Total supplier expenses</b>	<b>1,299,818</b>	<b>1,261,058</b>
<b>Note 4C: Contributions</b>		
Other:		
Contribution to IASC Foundation	200,000	200,000
<b>Total contributions</b>	<b>200,000</b>	<b>200,000</b>
<b>Note 4D: Depreciation and amortisation</b>		
Depreciation:		
Infrastructure, plant and equipment	129,091	122,453
<b>Total depreciation</b>	<b>129,091</b>	<b>122,453</b>
Amortisation:		
Intangibles:		
Computer software	7,222	7,685
Make good asset	9,041	9,041
<b>Total amortisation</b>	<b>16,263</b>	<b>16,726</b>
<b>Total depreciation and amortisation</b>	<b>145,354</b>	<b>139,179</b>
<b>Note 4E: Finance costs</b>		
Unwinding of discount	5,208	4,938
<b>Total finance costs</b>	<b>5,208</b>	<b>4,938</b>

**Note 5: Financial assets**

	2008	2007
	\$	\$
<b>Note 5A: Cash and cash equivalents</b>		
Cash on hand or on deposit	3,691,295	673,831
Term deposit	-	2,500,000
<b>Total cash and cash equivalents</b>	<b>3,691,295</b>	<b>3,173,831</b>
<b>Note 5B: Trade and other receivables</b>		
GST receivable from the Australian Taxation Office	38,228	15,152
Other:		
Interest	-	9,205
Other receivables	61,715	33,624
<b>Total other receivables</b>	<b>61,715</b>	<b>42,829</b>
<b>Total trade and other receivables (net)</b>	<b>99,943</b>	<b>57,981</b>
Receivables are represented by:		
Current	99,943	57,981
Non-current	-	-
<b>Total trade and other receivables (net)</b>	<b>99,943</b>	<b>57,981</b>
Receivables are aged as follows:		
Less than 30 days	99,943	57,981
<b>Total receivables (gross)</b>	<b>99,943</b>	<b>57,981</b>

**Note 6: Non-financial assets**

	2008	2007
	\$	\$
<b>Note 6A: Infrastructure, plant and equipment</b>		
Infrastructure, plant and equipment:		
— gross carrying value (at fair value)	1,060,113	987,693
— accumulated depreciation	(372,469)	(243,378)
<b>Total infrastructure, plant and equipment (non-current)</b>	<b>687,644</b>	<b>744,315</b>
No indicators of impairment were found for infrastructure, plant and equipment.		
<b>Note 6B: Intangibles</b>		
Computer software at cost:		
Other computer software	41,461	20,896
<b>Total computer software</b>	<b>41,461</b>	<b>20,896</b>
Accumulated amortisation	(22,594)	(15,372)
<b>Total intangibles (non-current)</b>	<b>18,867</b>	<b>5,524</b>
No indicators of impairment were found for intangible assets.		

**Note 6C: Analysis of property, plant and equipment**

Table A — Reconciliation of the opening and closing balances of infrastructure, plant and equipment and intangibles (2007-08).

	<b>Other infrastructure, plant and equipment</b>	<b>Computer software purchased</b>
	<b>\$</b>	<b>\$</b>
<b>As at 1 July 2007</b>		
Gross book value	987,693	20,896
Accumulated depreciation/amortisation and impairment	(243,378)	(15,372)
<b>Net book value 1 July 2007</b>	<b>744,315</b>	<b>5,524</b>
Additions:		
By purchase	72,420	20,565
Depreciation/amortisation expense	(129,091)	(7,222)
<b>Net book value 30 June 2008</b>	<b>687,644</b>	<b>18,867</b>
<b>Net book value as of 30 June 2008 represented by:</b>		
Gross book value	1,060,113	41,461
Accumulated depreciation/amortisation and impairment	(372,469)	(22,594)
	<b>687,644</b>	<b>18,867</b>

Table B — Reconciliation of the opening and closing balances of infrastructure, plant and equipment and intangibles (2006-07).

	<b>Other infrastructure, plant and equipment</b>	<b>Computer software purchased</b>
	<b>\$</b>	<b>\$</b>
<b>As at 1 July 2006</b>		
Gross book value	456,615	30,419
Accumulated depreciation/amortisation and impairment	(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	(122,175)	(7,685)
Disposals:		
Other disposals	(22,144)	
<b>Net book value 30 June 2007</b>	<b>744,593</b>	<b>5,524</b>
<b>Net book value as of 30 June 2007 represented by:</b>		
Gross book value	987,693	20,896
Accumulated depreciation/amortisation and impairment	(243,378)	(15,372)
	<b>744,315</b>	<b>5,524</b>

## Financial reports

	2008	2007
	\$	\$
<b>Note 6D: Inventories</b>		
Inventories held for sale		
Finished goods	2,682	2,661
<b>Total inventories (current)</b>	<b>2,682</b>	<b>2,661</b>
<b>Note 6E: Other non-financial assets</b>		
Prepayments	15,275	18,714
Restoration of leasehold improvements	90,412	90,412
Accumulated amortisation	(18,082)	(9,041)
<b>Total other non-financial assets</b>	<b>87,605</b>	<b>100,085</b>
Other non-financial assets are represented by:		
Current	15,275	18,714
Non-current	72,330	81,371
<b>Total other non-financial assets</b>	<b>87,605</b>	<b>100,085</b>

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

## Note 7: Payables

	2008	2007
	\$	\$
<b>Note 7A: Suppliers</b>		
Trade creditors	65,452	140,580
<b>Total supplier payables</b>	<b>65,452</b>	<b>140,580</b>
Supplier payables are represented by:		
Current	65,452	140,580
<b>Total supplier payables</b>	<b>65,452</b>	<b>140,580</b>
Settlement is usually made net 30 days		
<b>Note 7B: Other payables</b>		
Lease incentive	574,019	645,032
Other	-	19,285
<b>Total other payables</b>	<b>574,019</b>	<b>664,317</b>
Other payables are represented by:		
Current	71,013	90,298
Non-current	503,006	574,019
<b>Total other payables</b>	<b>574,019</b>	<b>664,317</b>

**Note 8: Provisions**

	2008	2007
	\$	\$
<b>Note 8A: Employee provisions</b>		
Salaries and wages	1,794	15,692
Annual leave	358,749	298,479
Long service leave	396,304	335,845
Superannuation [Note 8A (i)]	500,000	(106,000)
Withholding tax	52,750	44,095
<b>Total employee provisions</b>	<b>1,309,597</b>	<b>588,111</b>
Employee provisions are represented by:		
Current	1,309,597	588,111
<b>Total employee provisions</b>	<b>1,309,597</b>	<b>588,111</b>
<b>Note 8A (i): Superannuation provisions</b>		
Net superannuation liability (asset) at start of year	(106,000)	102,000
Expense recognised in income statement	96,000	106,000
Amount directly recognised in statement of changes in equity	595,000	(215,000)
Employer contributions	(85,000)	(99,000)
<b>Net superannuation liability (asset) at end of year</b>	<b>500,000</b>	<b>(106,000)</b>
<b>Note 8B: Other provisions</b>		
Restoration obligations	100,558	95,350
<b>Total other provisions</b>	<b>100,558</b>	<b>95,350</b>
Other provisions are represented by:		
Non-current	100,558	95,350
<b>Total other provisions</b>	<b>100,558</b>	<b>95,350</b>
	<b>Provision for restoration</b>	<b>Provision for restoration</b>
	<b>\$</b>	<b>\$</b>
<b>Carrying amount 1 July 2007</b>	<b>95,350</b>	<b>90,412</b>
Unwinding of discount or change in discount rate	5,208	4,938
<b>Closing balance 2008</b>	<b>100,558</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 of this obligation.

**Note 9: Cash flow reconciliation**

	2008	2007
	\$	\$
<b>Reconciliation of cash and cash equivalents as per balance sheet to cash flow statement</b>		
Report cash and cash equivalents as per:		
Cash flow statement	3,691,295	3,173,831
Balance sheet	3,691,295	3,173,831
Difference	-	-
<b>Reconciliation of operating result to net cash from operating activities:</b>		
Operating result	537,371	147,879
Other movement in retained surplus — superannuation actuarial gains & losses	(595,000)	215,000
Depreciation /amortisation	145,354	139,179
Amortisation of lease	(71,013)	(65,095)
Unwinding of discount	5,208	4,938
(Increase)/decrease in net receivables	(39,753)	295,654
(Increase)/decrease in inventories	(21)	334
(Increase)/decrease in prepayments	3,439	102,986
(Increase)/decrease in superannuation provision	606,000	(208,000)
Increase/(decrease) in employee provisions — (non superannuation)	106,831	87,280
Increase/(decrease) in supplier payables	(77,338)	25,399
Decrease/(increase) in subscriptions in advance	(18,535)	(25,314)
Increase/(decrease) in other payables	(750)	750
Increase/(decrease) in tax liabilities	8,655	(1,349)
<b>Net cash from/(used by) operating activities</b>	<b>610,448</b>	<b>719,641</b>

**Note 10: Directors remuneration**

	2008	2007
The number of directors of the authority included in these figures are shown below in the relevant remuneration bands:		
\$Nil — \$14,999	17	19
\$75,000 — \$100,000	2	1
\$225,000 — \$239,999	-	-
<b>Total number of directors of the authority</b>	<b>19</b>	<b>20</b>
<b>Total remuneration received or due and receivable by directors of the authority</b>	<b>124,756</b>	<b>131,497</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 AASB and AUASB, however their remuneration, and all the FRC related expenses are met by the Department of Treasury.  
# Eight (8) of the members in the nil — \$14,999 range received no remuneration.

**Note 11: Executive remuneration**

	2008	2007
The number of senior executives who received or were due to receive total remuneration of \$130,000 or more:		
\$60,000 to \$79,999	-	1
\$80,000 to \$94,999	-	1
\$145,000 to \$159,999	1	-
\$280,000 to \$294,999	-	1
\$295,000 to \$309,999	1	-
\$310,000 to \$324,999	1	-
\$330,000 to \$344,999	-	1
<b>Total</b>	<b>3</b>	<b>4</b>
The aggregate amount of total remuneration of senior executives shown above.	<b>772,839</b>	787,524
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above.	-	28,360

**Note 12: Remuneration of auditors**

	2008	2007
	\$	\$
Remuneration to the Australian National Audit Office (ANAO) for auditing the financial statements for the reporting period		
The fair value of the services provided was:	<b>18,000</b>	20,000
	<b>18,000</b>	20,000

No other services were provided by the ANAO.

**Note 13: Financial instruments**

	2008	2007
	\$	\$
<b>13A Categories of financial instruments</b>		
<b>Financial assets</b>		
Held-to-maturity financial assets		
Cash and cash equivalents	<b>3,691,295</b>	3,173,831
Trade receivables	<b>12,715</b>	35,748
	<b>3,704,010</b>	3,209,579
<b>Carrying amount of financial assets</b>	<b>3,704,010</b>	3,209,579
<b>Financial liabilities</b>		
At amortised cost		
Trade creditors	<b>65,452</b>	140,580
	<b>65,452</b>	140,580
<b>Carrying amount of financial liabilities</b>	<b>65,452</b>	140,580

## Financial reports

### **13B Fair value of financial instruments**

#### Financial assets

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

#### Financial liabilities

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

### **13C Credit risk**

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

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

### **13D Liquidity risk**

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

### **13E Market risk**

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



## **AUDITING AND ASSURANCE STANDARDS BOARD**

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## INDEPENDENT AUDITOR'S REPORT

To the Minister for Superannuation and Corporate Law

### Scope

We have audited the accompanying financial statements of the Auditing and Assurance Standards Board (the Board) for the year ended 30 June 2008, which comprise: a Statement by Directors and Chief Executive; Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including Australian Accounting Standards (which include the 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 the 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.

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## Financial reports

In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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 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 the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including Australian Accounting Standards; 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 2008 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



P Hinchey  
Senior Director  
Delegate of the Auditor-General

Sydney  
28 August 2008

## **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 2008 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.



Jeffrey Lucy  
Chairman — FRC  
28 August 2008



Bruce Brook  
Director  
28 August 2008



Merran Kelsall  
Chairman — AUASB  
28 August 2008

**Auditing and Assurance Standards Board**  
**Income statement**  
for the period ended 30 June 2008

	Notes	2008	2007
		\$	\$
<b>INCOME</b>			
<b>Revenue</b>			
Revenue from Government	3A	1,379,000	1,300,000
Interest	3B	40,602	26,652
Rental income	3C	26,378	21,194
Other revenue	3D	900,000	900,000
<b>Total revenue</b>		<b>2,345,980</b>	<b>2,247,846</b>
<b>Gains</b>			
Sale of assets	3E	-	45
<b>Total gains</b>		<b>-</b>	<b>45</b>
<b>Total income</b>		<b>2,345,980</b>	<b>2,247,891</b>
<b>EXPENSES</b>			
Employee benefits	4A	1,425,652	1,280,127
Suppliers	4B	775,335	811,783
Depreciation and amortisation	4C	58,944	53,383
Finance costs	4D	3,152	2,988
Write-down and impairment of assets	4E	-	4,459
<b>Total expenses</b>		<b>2,263,083</b>	<b>2,152,740</b>
<b>Surplus</b>		<b>82,897</b>	<b>95,151</b>

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

**Auditing and Assurance Standards Board**  
**Balance sheet**  
as at 30 June 2008

	Notes	2008	2007
		\$	\$
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	5A	579,105	506,742
Trade and other receivables	5B	285,479	306,615
<b>Total financial assets</b>		<b>864,583</b>	813,357
<b>Non-financial assets</b>			
Infrastructure, plant and equipment	6A,C	308,997	355,835
Intangibles	6B,C	10,047	7,829
Other non-financial assets	6D	48,697	56,388
<b>Total non-financial assets</b>		<b>367,741</b>	420,052
<b>Total assets</b>		<b>1,232,325</b>	1,233,409
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	26,928	87,351
Other payables	7B	347,360	390,332
<b>Total payables</b>		<b>374,289</b>	477,683
<b>Provisions</b>			
Employee provisions	8A	270,645	172,383
Other provisions	8B	60,851	57,699
<b>Total provisions</b>		<b>331,496</b>	230,082
<b>Total liabilities</b>		<b>705,784</b>	707,765
<b>Net assets</b>		<b>526,541</b>	525,644
<b>EQUITY</b>			
Retained surplus (accumulated deficit)		526,541	525,644
<b>Total equity</b>		<b>526,541</b>	525,644
<b>Current assets</b>		<b>869,512</b>	820,505
<b>Non-current assets</b>		<b>362,813</b>	412,904
<b>Current liabilities</b>		<b>336,245</b>	302,706
<b>Non-current liabilities</b>		<b>369,539</b>	405,059

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

**Auditing and Assurance Standards Board**  
**Statement of changes in equity**  
for the period ended 30 June 2008

	<b>Retained earnings</b>		<b>Total equity</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Opening balance</b>				
Balance carried forward from previous period	<b>525,644</b>	425,493	<b>525,644</b>	425,493
<b>Income and expenses</b>				
Income and expenses recognised directly in equity				
Actuarial gains/(losses)	<b>(82,000)</b>	5,000	<b>(82,000)</b>	5,000
Surplus for the period	<b>82,897</b>	95,151	<b>82,897</b>	95,151
<b>Total income and expenses</b>	<b>897</b>	100,151	<b>897</b>	100,151
<b>Closing balance at 30 June 2008</b>	<b>526,541</b>	525,644	<b>526,541</b>	525,644

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



**Auditing and Assurance Standards Board**  
**Cash flow statement**  
for the period ended 30 June 2008

	Notes	2008	2007
		\$	\$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Revenues from Commonwealth Government		1,400,000	1,000,000
Interest		40,602	26,652
Net GST received		92,623	120,905
Other cash received		1,035,856	1,013,363
<b>Total cash received</b>		<b>2,569,081</b>	<b>2,160,920</b>
<b>Cash used</b>			
Employees		1,407,918	1,274,392
Suppliers		978,994	998,968
Net GST paid		100,953	95,200
<b>Total cash used</b>		<b>2,487,865</b>	<b>2,368,560</b>
<b>Net cash flows from operating activities</b>	9	<b>81,216</b>	<b>(207,640)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of property, plant and equipment		8,852	358,351
<b>Total cash used</b>		<b>8,852</b>	<b>358,351</b>
<b>Net cash flows (used by) investing activities</b>		<b>(8,852)</b>	<b>(358,351)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Other cash received		-	429,723
<b>Total cash received</b>		<b>-</b>	<b>429,723</b>
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>429,723</b>
<b>Net increase or (decrease) in cash held</b>		<b>72,364</b>	<b>(136,267)</b>
Cash and cash equivalents at the beginning of the reporting period		506,742	643,009
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<b>579,105</b>	<b>506,742</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 2008

	2008	2007
	\$	\$
<b>BY TYPE</b>		
<b>Commitments receivable</b>		
Sublease rental income <sup>1</sup>	254,356	280,586
GST recoverable on commitments	218,649	270,054
<b>Total commitments receivable</b>	<b>473,005</b>	550,640
<b>Commitments payable</b>		
Operating leases <sup>2</sup>	2,405,134	2,661,949
Other commitments	25,436	28,058
<b>Total commitments payable</b>	<b>2,430,570</b>	2,690,007
<b>Net commitments by type</b>	<b>1,957,565</b>	2,139,367
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
One year or less	50,729	52,200
From one to five years	224,033	227,000
Over five years	198,243	271,440
<b>Total commitments receivable</b>	<b>473,005</b>	550,640
<b>Operating lease commitments payable</b>		
One year or less	257,944	257,694
From one to five years	1,139,165	1,094,472
Over five years	1,008,025	1,309,783
<b>Total operating lease commitments payable</b>	<b>2,405,134</b>	2,661,949
<b>Other commitments</b>		
One year or less	2,728	2,319
From one to five years	12,047	8,819
Over five years	10,660	16,920
<b>Total other commitments</b>	<b>25,436</b>	28,058
<b>Net commitments by maturity</b>	<b>1,957,565</b>	2,139,367

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.

**Auditing and Assurance Standards Board**  
**Schedule of contingencies**  
as at 30 June 2008

There are no known contingencies as at 30 June 2008.

(Nil contingencies as at 30 June 2007).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 1: Summary of significant accounting policies

#### 1.1 Objectives of AUASB

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 FMOs) for reporting periods ending on or after 01 July 2007; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

The financial report is presented in Australian dollars.

Unless an alternative treatment is specifically required by an Accounting Standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity 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, 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

### Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. The following new standards are applicable to the current reporting period.

### Financial instrument disclosure

AASB 7 Financial Instrument: Disclosures is effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general AASB 7 requires greater disclosure than that previously required. Associated with the introduction of AASB 7, a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]. These changes have no financial impact but will affect the disclosure presented in future financial reports.

The following new standards (including reissued standards), amendments to standards, erratum or interpretations for the current financial year have no material financial impact on the AUASB:

- AASB 101 Presentations of Financial Statements (reissued October 2006);
- AASB 1048 Presentations and Application of Standards (reissued September 2007);
- 2007-04 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and Erratum: Proportionate Consolidation;
- 2007-05 Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102];
- 2007-07 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128];
- AASB interpretation 10 Interim Financial Reporting and Impairment;

## Financial reports

- AASB Interpretation 11 AASB2 – Group and Treasury Share Transactions and 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11;
- AASB Interpretation 1003 Australian Petroleum Resource Rent Tax.

## Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards board but are effective for future reporting periods. It is estimated that adopting these pronouncements when effective will have no material financial impact on future reporting periods:

- AASB 3 Business Combinations;
- AASB 8 Operating Segments and 2007-3 Amendments to Australian Accounting standards arising from AASB 8;
- AASB 101 Presentation of Financial Statements (reissued September 2007) and 2007-08 Amendments to Australian Accounting Standards arising from AASB 101;
- AASB 123 Borrowing costs and 2007-06 Amendments to Australian Accounting Standards arising from AASB 123;
- AASB 127 Consolidated and Separate Financial Statements and 2008-03 Amendments to Australian Accounting Standards from AASB 3 and ASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 and 139 & Interpretations 9 and 107];
- AASB 1004 contributions;
- AASB 1050 Administered Items and 2007-9 Amendments to Australian Accounting standards arising from the Review of AASB 27, 29 and 31;
- AASB 1051 Land under Roads;
- AASB 1052 Disaggregated Disclosures;
- 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2];
- 2008-2 Amendments to Australian Accounting Standards – Puttable financial Instruments and Obligations arising on Liquidation [AASB7, AASB 101, AASB 132, AASB 139 & Interpretations 2];

- AASB Interpretation 1 Changes in Existing Decommissioning, Restoring and Similar Liabilities;
- AASB Interpretation 4 Determining whether an Arrangement contains a Lease;
- AASB Interpretation 12 Service Concession Arrangements and 2007-2 Amendments to Australian Accounting Standards arising from Interpretation 12;
- AASB Interpretation 13 Customer Loyalty Programmes;
- AASB Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction;
- AASB Interpretation 129 Service Concession Arrangements; Disclosures;
- AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

#### Other

The following standards and interpretations have been issued but are not applicable to the operations of the AUASB:

- AASB 1049 Financial Reporting of General Government Sectors by Governments;
- AASB 1049 Financial Reporting of General Government Sectors by Governments 2008-4 Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities [AASB 124].

#### 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.

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

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

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

## 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 entitlement 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 the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2008. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

## Superannuation

The AUASB sponsors 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 2008 amounted to \$407,000 (2007: \$367,000) compared to the fair value of attributable assets of \$315,000 (2007: \$341,000), giving a deficiency of \$92,000 (2007: deficiency \$26,000). A provision for this deficiency has been recognised at 30 June 2008 (refer Notes 4A and 8A).

In accordance with the choice available under paragraphs 93A and 93B of AASB 119 'employee benefits' actuarial gains and losses are charged direct to the statement of changes in equity.

Refer to Note 8A (i) for a reconciliation of the superannuation liability as at 30 June 2008.



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

## 1.8 Financial assets

The AUASB's financial assets comprise 'loans and receivables'.

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

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

### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

### Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

*Financial assets held at amortised cost* – If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the income statement.

## Financial reports

### **1.9 Financial liabilities**

Financial liabilities comprise 'supplier and other payables'.

The AUASB's financial liabilities are recognised and derecognised upon 'trade date'.

#### **Supplier and other payables**

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

### **1.10 Contingent liabilities and contingent assets**

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

### **1.11 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.

### **1.12 Property, plant and equipment**

#### **Asset recognition threshold**

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

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

## Revaluations

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

	<b>2008</b>	<b>2007</b>
Leasehold improvements	<b>Depreciated replacement cost</b>	Depreciated replacement cost
Plant and equipment	<b>Market selling price</b>	Market selling price

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

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

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

## Depreciation

Depreciable property 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.

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

	<b>2008</b>	<b>2007</b>
Leasehold improvements	<b>Lease term — 10 years</b>	Lease term — 10 years
Plant and equipment	<b>3 to 10 years</b>	3 to 10 years

## Impairment

All assets were assessed for impairment at 30 June 2008. 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.

## Financial reports

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.

### 1.13 Intangibles

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

Software and licences are amortised on a straight line basis over their anticipated useful life. The useful life of AUASB's software and licences is 3-5 years (2006-07: 3-5 years).

### 1.14 Inventories

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

### 1.15 Taxation/competitive neutrality

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.

### 1.16 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.

### 1.17 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.

### **1.18 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**

There have been no subsequent events that would cause amendment to the Financial Statements.

As a result of an amendment to the ASIC Act, the AUASB was restructured on 1 July 2008 so as to come under the FMA Act instead of the CAC Act.

On 1 July 2008 the assets and liabilities of the AUASB became assets and liabilities held by the Office of the AUASB on behalf of the Commonwealth.

One consequence of the restructure is that as from 1 July 2008 the AUASB no longer had Directors, with responsibility for financial management of the organisation falling to a Chief Executive Officer. However, the previous Directors remain responsible for the preparation of the 30 June 2008 financial statements.

**Note 3: Income**

	2008	2007
	\$	\$
<b>Revenue</b>		
<b>Note 3A: Revenue from Government</b>		
Other:		
Appropriation funds from FRC	1,379,000	1,300,000
<b>Total revenue from Government</b>	<b>1,379,000</b>	<b>1,300,000</b>
<b>Note 3B: Interest</b>		
Deposits	40,602	26,652
<b>Total interest</b>	<b>40,602</b>	<b>26,652</b>
<b>Note 3C: Rental income</b>		
Operating lease:		
Other	26,378	21,194
<b>Total rental income</b>	<b>26,378</b>	<b>21,194</b>
<b>Note 3D: Other revenue</b>		
Contributions from CPA Australia	342,000	362,500
Contributions from Institute of Chartered Accountants in Australia	342,000	362,500
Contributions from National Institute of Accountants	216,000	175,000
<b>Total other revenue</b>	<b>900,000</b>	<b>900,000</b>
<b>Gains</b>		
<b>Note 3E: Sale of assets</b>		
Infrastructure, plant and equipment		
Proceeds from sale	-	45
<b>Net gain from sale of assets</b>	<b>-</b>	<b>45</b>

**Note 4: Expenses**

	2008	2007
	\$	\$
<b>Note 4A: Employee benefits</b>		
Wages and salaries	1,265,923	1,152,618
Superannuation	108,630	109,034
Leave and other entitlements	31,156	18,475
Separation and redundancies	19,943	-
<b>Total employee benefits</b>	<b>1,425,652</b>	<b>1,280,127</b>
<b>Note 4B: Suppliers</b>		
Provision of goods — related entities	-	953
Provision of goods — external parties	40,236	48,865
Rendering of services — related entities	199,978	201,410
Rendering of services — external parties	362,225	354,141
Operating lease rentals:		
Minimum lease payments	168,278	200,458
Workers compensation premiums	4,618	5,956
<b>Total supplier expenses</b>	<b>775,335</b>	<b>811,783</b>
<b>Note 4C: Depreciation and amortisation</b>		
Depreciation:		
Infrastructure, plant and equipment	47,683	43,312
<b>Total depreciation</b>	<b>47,683</b>	<b>43,312</b>
Amortisation:		
Intangibles:		
Computer software	5,790	4,600
Make good asset	5,471	5,471
<b>Total amortisation</b>	<b>11,261</b>	<b>10,071</b>
<b>Total depreciation and amortisation</b>	<b>58,944</b>	<b>53,383</b>
<b>Note 4D: Finance costs</b>		
Unwinding of discount	3,152	2,988
<b>Total finance costs</b>	<b>3,152</b>	<b>2,988</b>
<b>Note 4E: Write-down and impairment of assets</b>		
Asset write-downs from impairment of property, plant and equipment	-	4,459
<b>Total write-down and impairment of assets</b>	<b>-</b>	<b>4,459</b>

**Note 5: Financial assets**

	2008	2007
	\$	\$
<b>Note 5A: Cash and cash equivalents</b>		
Cash on hand or on deposit	579,105	506,742
<b>Total cash and cash equivalents</b>	<b>579,105</b>	<b>506,742</b>
<b>Note 5B: Trade and other receivables</b>		
GST receivable from the Australian Taxation Office	2,408	3,199
Revenue from Government	279,000	300,000
Other:		
Other receivables	4,070	3,416
<b>Total other receivables</b>	<b>4,070</b>	<b>3,416</b>
<b>Total trade and other receivables (net)</b>	<b>285,478</b>	<b>306,615</b>
Receivables are represented by:		
Current	285,478	306,615
<b>Total trade and other receivables (net)</b>	<b>285,478</b>	<b>306,615</b>
Receivables are aged as follows:		
Not overdue	-	-
Overdue by:		
Less than 30 days	283,532	306,615
30 to 60 days	1,946	-
<b>Total receivables (gross)</b>	<b>285,478</b>	<b>306,615</b>

**Note 6: Non-financial assets**

	2008	2007
	\$	\$
<b>Note 6A: Infrastructure, plant and equipment</b>		
Infrastructure, plant and equipment:		
— gross carrying value (at fair value)	417,564	416,719
— accumulated depreciation	(108,567)	(60,884)
<b>Total infrastructure, plant and equipment (non-current)</b>	<b>308,997</b>	<b>355,835</b>
No indicators of impairment were found for infrastructure, plant and equipment.		
<b>Note 6B: Intangibles</b>		
Computer software at cost:		
Other computer software	21,809	13,801
Accumulated amortisation	(11,762)	(5,972)
<b>Total intangibles (non-current)</b>	<b>10,047</b>	<b>7,829</b>

No indicators of impairment were found for intangible assets.



**Note 6C: Analysis of property, plant and equipment**

Table A — Reconciliation of the opening and closing balances of infrastructure, plant and equipment and intangibles (2007-08)

	<b>Other infrastructure, plant and equipment</b>	<b>Computer software purchased</b>
	<b>\$</b>	<b>\$</b>
<b>As at 1 July 2007</b>		
Gross book value	416,719	13,801
Accumulated depreciation/amortisation and impairment	(60,884)	(5,972)
<b>Net book value 1 July 2007</b>	<b>355,835</b>	<b>7,829</b>
Additions:		
By purchase	845	8,008
Depreciation/amortisation expense	(47,683)	(5,790)
<b>Net book value 30 June 2008</b>	<b>308,997</b>	<b>10,047</b>
<b>Net book value as of 30 June 2008 represented by:</b>		
Gross book value	417,564	21,809
Accumulated depreciation/amortisation and impairment	(108,567)	(11,762)
	<b>308,997</b>	<b>10,047</b>

Table B — Reconciliation of the opening and closing balances of infrastructure, plant and equipment and intangibles (2006-07)

	<b>Other infrastructure, plant and equipment</b>	<b>Computer software purchased</b>
	<b>\$</b>	<b>\$</b>
<b>As at 1 July 2006</b>		
Gross book value	62,829	13,801
Accumulated depreciation/amortisation and impairment	(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>Net book value 30 June 2007</b>	<b>355,835</b>	<b>7,829</b>
<b>Net book value as of 30 June 2007 represented by:</b>		
Gross book value	416,719	13,801
Accumulated depreciation/amortisation and impairment	(60,884)	(5,972)
	355,835	7,829

## Financial reports

	2008	2007
	\$	\$
<b>Note 6D: Other non-financial assets</b>		
Prepayments	4,928	7,148
Restoration of leasehold improvements	54,711	54,711
Accumulated amortisation	(10,942)	(5,471)
<b>Total other non-financial assets</b>	<b>48,697</b>	<b>56,388</b>
Other non-financial assets are represented by:		
Current	4,928	7,148
Non-current	43,769	49,240
<b>Total other non-financial assets</b>	<b>48,697</b>	<b>56,388</b>

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

## Note 7: Payables

	2008	2007
	\$	\$
<b>Note 7A: Suppliers</b>		
Trade creditors	26,928	87,351
<b>Total supplier payables</b>	<b>26,928</b>	<b>87,351</b>
Supplier payables are represented by:		
Current	26,928	87,351
<b>Total supplier payables</b>	<b>26,928</b>	<b>87,351</b>
Settlement is usually made net 30 days		
<b>Note 7B: Other payables</b>		
Lease incentive	347,360	390,332
<b>Total other payables</b>	<b>347,360</b>	<b>390,332</b>
Other payables are represented by:		
Current	42,972	42,972
Non-current	304,388	347,360
<b>Total other payables</b>	<b>347,360</b>	<b>390,332</b>

**Note 8: Provisions**

	2008	2007
	\$	\$
<b>Note 8A: Employee provisions</b>		
Salaries and wages	359	-
Annual leave	94,918	79,382
Long service leave	55,040	39,420
Superannuation [Notes 8A (i)]	92,000	26,000
Withholding tax	28,328	27,581
<b>Total employee provisions</b>	<b>270,645</b>	<b>172,383</b>
Employee provisions are represented by:		
Current	270,645	172,383
<b>Total employee provisions</b>	<b>270,645</b>	<b>172,383</b>
<b>Note 8A (i): Superannuation provisions</b>		
Net superannuation liability (asset) at start of year	26,000	45,000
Expense recognised in income statement	31,000	27,000
Amount directly recognised in statement of changes in equity	82,000	(5,000)
Employer contributions	(47,000)	(41,000)
<b>Net superannuation liability (asset) at end of year</b>	<b>92,000</b>	<b>26,000</b>
<b>Note 8B: Other provisions</b>		
Restoration obligations	60,851	57,699
<b>Total other provisions</b>	<b>60,851</b>	<b>57,699</b>
Other provisions are represented by:		
Non-current	60,851	57,699
<b>Total other provisions</b>	<b>60,851</b>	<b>57,699</b>
	<b>Provision for restoration</b>	<b>Provision for restoration</b>
	<b>\$</b>	<b>\$</b>
<b>Carrying amount 1 July 2007</b>	<b>57,699</b>	<b>54,711</b>
Unwinding of discount or change in discount rate	3,152	2,988
<b>Closing balance 2008</b>	<b>60,851</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 of this obligation.

**Note 9: Cash flow reconciliation**

	2008	2007
	\$	\$
<b>Reconciliation of cash and cash equivalents as per balance sheet to cash flow statement</b>		
Report cash and cash equivalents as per:		
Cash flow statement	579,105	506,742
Balance sheet	579,105	506,742
Difference	-	-
<b>Reconciliation of operating result to net cash from operating activities:</b>		
Operating result	82,897	95,151
Other movement in retained surplus — superannuation actuarial gains and losses	(82,000)	5,000
Depreciation/amortisation	58,944	53,383
Net write down of non-financial assets	-	4,459
Unwinding of discount	3,152	2,988
(Increase)/decrease in net receivables	28,778	(295,513)
(Increase)/decrease in prepayments	2,219	927
Increase/(decrease) in employee provisions — (non superannuation)	31,515	10,578
(Increase)/decrease in superannuation provision	66,000	(19,000)
Increase/(decrease) in supplier payables	(68,064)	(26,709)
Increase/(decrease) in other payables	(42,972)	(39,391)
Increase/(decrease) in tax liabilities	747	487
<b>Net cash from/(used by) operating activities</b>	<b>81,216</b>	<b>(207,640)</b>

**Note 10: Directors remuneration**

	2008	2007
The number of directors of the authority included in these figures are shown below in the relevant remuneration bands:		
\$Nil — \$14,999	17	19
\$75,000 — \$100,000	2	1
\$225,000 — \$239,999	-	-
<b>Total number of directors of the authority</b>	<b>19</b>	<b>20</b>
<b>Total remuneration received or due and receivable by directors of the authority</b>	<b>124,756</b>	<b>131,497</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 AASB and AUASB, however their remuneration, and all the FRC related expenses are met by the Department of Treasury.  
# Eight (8) of the members in the nil — \$14,999 range received no remuneration.

**Note 11: Executive remuneration**

	2008	2007
The number of senior executives who received or were due to receive total remuneration of \$130,000 or more:		
\$70,000 to \$84,999	-	1
\$130,000 to \$144,999	1	-
\$250,000 to \$264,999	-	1
\$280,000 to \$294,999	1	-
<b>Total</b>	<b>2</b>	<b>2</b>
The aggregate amount of total remuneration of senior executives shown above.	<b>416,696</b>	339,888

**Note 12: Remuneration of auditors**

	2008	2007
	\$	\$
Remuneration to the Australian National Audit Office (ANAO) for auditing the financial statements for the reporting period		
The fair value of the services provided was:	<b>17,000</b>	18,000
	<b>17,000</b>	18,000

No other services were provided by the ANAO.

**Note 13: Financial instruments**

	2008	2007
	\$	\$
<b>13A Categories of financial instruments</b>		
<b>Financial assets</b>		
Held-to-maturity financial assets		
Cash and cash equivalents	<b>579,105</b>	506,742
Trade receivables	<b>4,070</b>	3,417
	<b>583,176</b>	510,158
<b>Carrying amount of financial assets</b>	<b>583,176</b>	510,158
<b>Financial liabilities</b>		
At amortised cost		
Trade creditors	<b>26,928</b>	87,351
	<b>26,928</b>	87,351
<b>Carrying amount of financial liabilities</b>	<b>26,928</b>	87,351

## Financial reports

### **13B Fair value of financial instruments**

#### Financial assets

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

#### Financial liabilities

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

### **13C Credit risk**

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

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

### **13D Liquidity risk**

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

### **13E Market risk**

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

## APPENDICES

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## APPENDIX A

### MEMBERS OF THE FINANCIAL REPORTING COUNCIL 1 JULY 2007 TO 30 JUNE 2008

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

#### Chairman

Jeffrey Lucy AM	Nominated by the Australian Government Appointed from 11 December 2007 to 10 December 2010
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
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#### 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 Deregulation, 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, 22 September 2006 to 6 March 2008, and again from 29 July 2008 to 29 July 2011
Michael Coleman	Partner, KPMG, Sydney Nominated by the Australian Institute of Company Directors Appointed from 22 September 2006 to 31 October 2009
Mark Coughlin	Partner, PricewaterhouseCoopers Nominated by CPA Australia Appointed from 22 September 2006 to 31 October 2009

## Appendix A: Members of the Financial Reporting Council

### Members (continued)

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 9 July 2007
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. Reappointed from 9 February 2008 to 8 May 2008 and 29 July 2008 to 3 September 2008
David Jackson	Member, Australian Shareholders' Association, Sydney Nominated by the Australian Shareholders' Association Reappointed from 22 September 2006 to 19 March 2008
Eric Mayne	Chief Supervision Officer, Australian Securities Exchange, Sydney Nominated by the Australian Securities Exchange Appointed from 6 March 2006 to 26 February 2009
Jim Murphy	Executive Director, Markets Group, the Treasury, Canberra Nominated by the Australian Government Reappointed from 7 March 2006 to 6 March 2009
John Stanhope	Chief Financial Officer and Group Managing Director, Finance and Administration, Telstra Corporation Limited, Melbourne Nominated by the Group of 100 Inc Appointed from 6 March 2006 to 26 February 2009
Catherine Walter AM	Company Director and Solicitor, Melbourne Chair of the Business Regulation Advisory Group Nominated by the Australian Government Reappointed from 7 March 2006 to 6 March 2009
Jan West AM	Partner, Deloitte Touche Tohmatsu, Melbourne Nominated by The Institute of Chartered Accountants in Australia Appointed from 7 March 2005 to 6 March 2008 Reappointed from 29 July 2008 to 29 July 2011
Lee White	Chief Accountant, Australian Securities and Investments Commission (ASIC), Sydney Nominated by ASIC Appointed from 6 March 2006 to 26 February 2009
Klaus Zimmermann	Chief Executive Officer, Eldercare Incorporated, Adelaide Nominated by the National Institute of Accountants Reappointed from 7 March 2006 to 6 March 2009

## APPENDIX B

### MEMBERS OF THE AUSTRALIAN ACCOUNTING STANDARDS BOARD 1 JULY 2007 TO 30 JUNE 2008

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Members of the Australian Accounting Standards Board (AASB) in 2007-08 are shown below:

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

David Boymal                      Chairman AASB  
Appointed from 5 November 2003 to 4 November 2008

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

Glenn Appleyard	Economic Consultant, Hobart Reappointed from 1 January 2006 to 31 December 2008
Sue Highland	Director, Financial Management Branch, Queensland Treasury, Brisbane Appointed from 15 February 2007 to 31 December 2009
Mark Jenkin	First Assistant Secretary, Financial Management and Reporting, Department of Defence, Canberra Appointed from 1 January 2008 to 31 December 2010
Brett Kaufmann	Assistant Secretary, Australian Government Financial Reporting, Department of Finance and Administration, Canberra Reappointed from 15 February 2007 to 31 December 2008 Retired 15 November 2007
Jan McCahey	Partner, PricewaterhouseCoopers, Melbourne Appointed from 1 January 2006 to 31 December 2008
John O'Grady	Partner, Ernst & Young, Melbourne Appointed from 1 January 2006 to 31 December 2008
Frank Palmer	Director, Corporate Reporting Group, Macquarie Bank, Sydney Reappointed from 7 June 2008 to 31 December 2010
Colin Parker	Director, GAAP Consulting Services, Melbourne Appointed from 15 February 2006 to 14 February 2009
Kris Peach	Partner, KPMG, Melbourne Reappointed from 15 February 2007 to 31 December 2009

## Appendix B: Members of the Australian Accounting Standards Board

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

Des Pearson	Auditor-General Victoria, Melbourne Appointed from 7 June 2005 to 6 June 2008 Retired 6 June 2008
Joanna Perry	Chairman, FRSB (New Zealand) Reappointed from 1 January 2007 to 31 December 2009
Bruce Porter (appointed Deputy Chairman 14 February 2007)	Partner, Deloitte Touche Tohmatsu, Melbourne Reappointed from 1 January 2008 to 31 December 2010
Brett Rix	Manager, Group Accounting — Policy and Governance, BHP Billiton, Melbourne Appointed 4 July 2006 to 3 July 2009
Robert Williams	Principal Advisor, NSW Treasury, Sydney Appointed 7 June 2008 to 31 December 2010

### Observers

Peter Batten	Australian representative on the IPSASB
Judith Downes	SAC member
Warren McGregor	IASB member

## APPENDIX C

### MEMBERS OF THE AUDITING AND ASSURANCE STANDARDS BOARD 1 JULY 2007 TO 30 JUNE 2008

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Members of the Auditing and Assurance Standards Board (AUASB) in 2007-08 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)**

Jon Tyers                              Deputy Chairman AUASB  
Head of Internal Audit  
ING Australia Holdings, Sydney  
Deputy Chairman, AUASB from 1 January 2006  
Appointed 1 January 2005 until 31 December 2007  
Reappointed 1 January 2008 until 31 December 2010

Dianne Azoor Hughes              Partner — Technical Standards  
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

Valerie Clifford                      Partner  
PricewaterhouseCoopers Australia, Melbourne  
Appointed 1 January 2008 until 31 December 2010

John Gavens                          Divisional Leader — Audit and Assurance  
WHK Horwath, Melbourne  
Appointed 1 January 2008 until 31 December 2010

Chris Hall                              Partner-In-Charge  
Department of Professional Practice  
KPMG, Sydney  
Appointed from 1 January 2006 until 31 December 2008

Appendix C: Members of the Auditing and Assurance Standards Board

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

Elizabeth Johnstone	Partner Blake Dawson, Sydney Appointed from 1 January 2006 until 31 December 2008
Christine Jubb	Professor of Accounting Deakin Business School, Deakin University, Malvern, Victoria Appointed 1 January 2005 until 31 December 2007 Reappointed 1 January 2008 until 31 December 2010
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
Clive Mottershead	Partner Deloitte Touche Tohmatsu, Melbourne Appointed 12 August 2004 until 30 June 2005 Reappointed from 1 July 2005 until 30 June 2007 Reappointed from 1 July 2007 until 31 December 2009
Kevin Neville	Managing Partner Moore Stephens, Melbourne Appointed from 12 August 2004 until 31 December 2004 Reappointed from 1 January 2005 until 31 December 2007 Retired 31 December 2007
Greg Pound	Consultant, Melbourne Appointed from 1 January 2006 until 31 December 2008
David Simmonds	Partner Ernst & Young, Sydney Appointed from 1 January 2006 until 31 December 2008
Kim Smith	Partner PricewaterhouseCoopers Australia, Sydney Appointed from 1 January 2005 until 31 December 2007 Retired 31 December 2007

## APPENDIX D

### ATTENDANCE AT MEETINGS

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#### Financial Reporting Council

The FRC met five times during 2007-08. Members' attendance is shown in the table:

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

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\* Jeffrey Lucy attended one meeting as an observer.

\*\* Don Challen and Jan West AM attended two meetings as observers.

\*\*\* Warwick Hunt attended one meeting as an observer.

## Appendix D: Attendance at meetings

### FRC Nominations Committee

The FRC Nominations Committee held three formal meetings in 2007-08, 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
K Zimmermann (Chairman)	3	3	0
K Campbell	3	2	1
D Challen	3	3	0
M Coughlin	3	3	0
J West AM	3	3	0
L White	1	0	1
J Lucy AM	1	0	1
C Macek	2	1	1

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

The Finance Committee and the two Audit Committees held six combined meetings during 2007-08. Members' attendance is shown in the table below:

Members	Number of meetings		
	Eligible to attend	Attended	Apologies
B Brook (Chairman)	6	6	0
M Coleman	6	5	1
J Stanhope	6	4	2
J Lucy AM	3	3	0
D Jackson	4	3	1
C Macek	3	2	1



### Audit Independence Committee

The Audit Independence Committee formally met five times during 2007-08. Members' attendance is shown in the table below:

Members	Number of meetings		
	Eligible to attend	Attended	Apologies
C Walter AM (Chairman)	5	5	0
E Alexander AM	3	3	0
J Gethin-Jones	5	3	2
D Jackson	4	3	1
J Murphy	2	2	0
J Lucy AM	2	1	1
C Macek	3	3	0

### Australian Accounting Standards Board

The AASB met 10 times during 2007-2008 for a total of 18 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	18	18	-
G Appleyard	18	14	4
S Highland	18	16	2
M Jenkin	8	8	-
B Kaufmann	8	6	2
J McCahey	18	12	6
J O'Grady	18	13	5
F Palmer*	18	14	4*
C Parker	18	17	1
K Peach	18	17	1
D Pearson	16	12	4
J Perry	18	14	4
B Porter	18	17	1
B Rix	18	17	1
R Williams	2	2	-

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

Appendix D: Attendance at meetings

## Auditing and Assurance Standards Board

The AUASB met 7 times during 2007-08 for a total of 11 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 (Chairman)	11	11	0
J Tyers (Deputy Chairman)	11	10	1
D Azoor Hughes	11	11	0
M Blake	11	11	0
V Clifford*	5	5	0
J Gavens*	5	5	0
C Hall	11	9	2
E Johnstone	11	10	1
C Jubb	11	11	0
I McPhee	11	9	2
C Mottershead	11	9	2
K Neville**	6	6	0
G Pound	11	10	1
D Simmonds	11	9	2
K Smith**	6	6	0

\* Ms Clifford and Mr Gavens commenced 1 January 2008.

\*\* Mr Neville and Mr Smith retired 31 December 2007.

## APPENDIX E

### AUSTRALIAN ACCOUNTING STANDARDS BOARD WORK PROGRAM

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#### Progress made on 2007-08 work program

The AASB's progress on its 2007-08 work program is set out below:

#### Domestic not-for-profit and public sector projects

Project	Status	Outcomes to 30 June 2008
GAAP/GFS harmonisation — whole of government, including the GGS, PNFC and PFC sectors	AASB 1049	In October 2007, the AASB issued a revised AASB 1049 to apply the GGS GAAP/GFS harmonisation principles to whole of governments. The standard also requires disclosure of GAAP/GFS harmonisation information for each sector.  In June 2008, the AASB issued ED 163 <i>Proposed Amendments to AASB 1049 for Consistency with AASB 101</i> , for comment by 1 August 2008.  The work the AASB has done to date completes phase 1 of the FRC strategic direction.
GAAP/GFS harmonisation — entities within the GGS	—	This project is phase 2 (the final phase) of the FRC's strategic direction.  The AASB commenced its consideration of the consequences of the GGS and whole of government work on entities within the GGS.  This is now a major project of the AASB.  [The AASB decided (and the FRC concurred) that GAAP/GFS harmonisation principles should not be imposed on local governments, universities and GBEs.]
Short-term review of requirements relating to the public sector, including whole of government, government departments & local governments	AAS 27, AAS 29 and AAS 31 are now superseded	The AASB completed its short-term review of AASs 27, 29 and 31 by relocating, where necessary, the requirements from those standards, substantively unamended (with some exceptions), into topic-based standards. This resulted in the issue of three new topic-based standards, a revised standard, an amending standard and a revised Interpretation in December 2007.
Gaps in GAAP for public sector not-for-profit entities	Various standards	The AASB continued to monitor 'gaps in GAAP' that were put to it during the year by constituents. For example, the AASB considered an issue specific to defence inventory during the year and decided that it was unnecessary and inappropriate to amend AASB 102 <i>Inventories</i> in response to the issue.

Appendix E: Australian Accounting Standards Board work program

**Domestic not-for-profit and public sector projects (continued)**

<b>Project</b>	<b>IASB status</b>	<b>Outcomes to 30 June 2008</b>
Control of an entity (long-term) possibly incorporating administered items	AASB 127 & AASB 1050	No progress was made during the year. The AASB concluded that this issue cannot be tackled in isolation because there is a wide range of cross-cutting issues relating to reporting entity and the definition of control, and in light of the IPSASB work on a conceptual framework. The project appears in the 'non-active projects (subject to resources)' section of the 2008-09 work program.
Public sector not-for-profit related party disclosures	—	Staff commenced researching the issues and preparing a project plan.
Disaggregated information	AASB 1052 & AASB 1049	AASB 1052 was issued as a consequence of the AASB's short-term review of AASs 27 & 29, and AASB 1049 includes related requirements in a GAAP/GFS harmonisation context. No progress was made during the year on the fundamental review of the requirements. The fundamental review project appears in the 'non-active projects (subject to resources)' section of the 2008-09 work program.
Consolidation of for-profit entities into not-for-profit entities	Staff article on website	No progress was made during the year. The staff article on the issue was last updated in November 2005. The project, which will initially involve updating the staff article, appears in the 'agenda decisions to be made' section of the 2008-09 work program.
Measurement of contributions by owners	—	No progress was made during the year. The project appears in the 'non-active projects (subject to resources)' section of the 2008-09 work program.
Budget reporting	AASB 1049	This project was progressed in relation to GGS and whole of government reporting requirements specified in AASB 1049 in the context of GAAP/GFS harmonisation. An extension of the project appears in the 'non-active projects (subject to resources)' section of the 2008-09 work program.
Performance indicators	—	No progress was made during the year. The project appears in the 'non-active projects (subject to resources)' section of the 2008-09 work program.
Not-for-profit entity definition	Definition used in existing AASB standards ITC 14	The AASB issued ITC 14 on the terminology, definition and guidance relating to not-for-profit entities in December 2007, and subsequently conducted three roundtables (Melbourne, Sydney and Canberra). After considering the mixed responses to ITC 14, the AASB decided to retain the status quo for now, and reconsider the definition and guidance as part of a policy-level project focusing on the development of criteria for modifying IFRSs in respect of not-for-profit entities.

## Appendix E: Australian Accounting Standards Board work program

### Other domestic projects

Project	Status	Outcomes to 30 June 2007
Superannuation plans	AAS 25 (1993)	<p>The AASB considered the main issues that would be addressed in a replacement standard for AAS 25 <i>Financial Reporting by Superannuation Plans</i>, which included consultation with industry participants, and is currently preparing an exposure draft.</p> <p>This is now a major project of the AASB.</p>
Differential reporting/SMEs, including reporting entity & GPFR/SPFR	SAC 1 & SAC 2 ITC 12	<p>The IASB issued an exposure draft of a proposed IFRS for small and medium-sized entities in March 2007. The AASB issued ITC 12 incorporating the IASB's ED with a preface outlining possible ways in which an SMEs standard might be applied in Australia.</p> <p>The AASB's preface includes proposals for relying on the notion of 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 &amp; SAC 2.</p> <p>The AASB conducted two roundtables (in Melbourne and Sydney in August 2007) and began redeliberating its proposals for a revised differential reporting regime in the light of comments received on its ITC 12. The AASB made some tentative decisions on the proposals and is expected to continue its redeliberations throughout 2008.</p> <p>The project continues to be a major project of the AASB.</p>
Emission rights	—	<p>The AASB staff closely monitored developments in relation to an Australian scheme and considered some of the potential accounting implications.</p> <p>The AASB urged the IASB to put the topic on its agenda as an urgent issue. The AASB monitored the IASB's project on the topic, which is in its very early stages.</p> <p>The project has the potential to become a major project of the AASB.</p>
Compilations	Various compiled standards	<p>Due to the ongoing amendment of existing standards, AASB staff prepared and published compiled versions of standards in order to facilitate their use and application.</p> <p>More than 20 compilations were published in 2007-08.</p>

Appendix E: Australian Accounting Standards Board work program

**Projects related to IASB adoption — substantive involvement**

Project	IASB status	Outcomes to 30 June 2008
Extractive activities phase II	Research project	<p>The AASB continued leading a team of National Standard Setters (Canada, Norway &amp; South Africa) in developing draft recommendations for consideration by the IASB.</p> <p>The project team presented papers dealing with a range of accounting issues to IASB meetings in March and June 2008, with the objective of obtaining input to a discussion paper that is planned to be published at the end of 2008.</p>
Intangible assets	Research project — agenda proposal	<p>In accordance with the IASB/FASB MoU, AASB staff prepared a project proposal for consideration by the IASB, and presented it to that Board in December 2007. The IASB decided to not add the project to its active agenda at this time due to other priorities.</p> <p>With the aim of publishing the outcome of the research they undertook on 'the initial accounting for internally generated intangible assets' in developing the project proposal, AASB staff presented a draft paper to the National Standard Setters (NSS) meeting in March 2008. Work continued on refining the draft paper in response to NSS member comments.</p> <p>Furthermore, NSS commenced its consideration of whether to continue the work commenced by Australia, with AASB staff participating as a project team member rather than project leader, reflecting the limited resources available to the AASB.</p>
Insurance contracts phase II	Active project — DP	<p>The AASB reviewed the IASB's discussion paper <i>Preliminary Views on Insurance Contracts</i> and commented to the IASB in October 2007.</p> <p>AASB staff provided assistance to the IASB's project manager on insurance contracts in progressing the collation of comments on the discussion paper.</p>
Revenue recognition	Convergence <sup>1</sup> project	Monitored progress of the IASB and FASB.
Conceptual framework	Convergence project — ED & DP	<p>In May 2008, the IASB issued an exposure draft on an improved conceptual framework for financial reporting: <i>The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information</i> and a discussion paper <i>Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity</i>. The AASB invited comments from Australian constituents on these IASB documents through ED 164 and ITC 17 respectively.</p> <p>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 matters being considered by the IASB in its conceptual framework project if they were to be applied to not-for-profit and public sector entities.</p>

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

Appendix E: Australian Accounting Standards Board work program

**Projects related to IASB adoption — non substantive involvement**

<b>Project</b>	<b>IASB status</b>	<b>Outcomes to 30 June 2008</b>
Fair value measurement guidance	Convergence project — DP	Monitored IASB's limited progress during the year — an IASB ED is expected in first half 2009.
Business combinations phase II	Revised IFRS 3 and IAS 27	The AASB issued a revised AASB 3 and AASB 127 in March 2008 that incorporate the corresponding IASB standards.
Non-financial liabilities	Active project — DP	Monitored IASB's progress — a revised standard is not expected until 2010.
Consolidations	Active project (joint with FASB)	Monitored IASB's progress — an IASB ED is expected in quarter 4 2008.
Performance reporting stage A	Revised IAS 1	The AASB issued an amended AASB 101 in November 2007 that incorporates the corresponding revised IAS 1.
Performance reporting stage B	Convergence project	Monitored IASB's limited progress during the year — an IASB DP is expected in quarter 3 2008.
Financial instruments — fundamental review	Research project — DP	Monitored IASB's progress. The IASB published a DP <i>Financial Instruments with Characteristics of Equity</i> in February 2008 [for comment by 5 September 2008] and a DP <i>Reducing Complexity in Reporting Financial Instruments</i> in March 2008 [for comment by 19 September 2008]. The AASB posted both DPs on its website requesting earlier comments to use as input to its own deliberations in developing a response to IASB.
Leases	Convergence project	Monitored IASB's limited progress during the year — an IASB DP is expected in quarter 4 2008.
Puttable instruments	Revised IAS 32	The AASB issued a standard amending AASB 132 (among other standards) in March 2008 that incorporates the corresponding revised IAS 32.
Joint ventures	Convergence project — ED	The AASB responded to IASB ED 9 <i>Joint Arrangements</i> in January 2008.
Income tax	Convergence project	Monitored IASB's limited progress during the year — an IASB ED is expected in quarter 4 2008.
Post-employment benefits	Active project	Monitored IASB's limited progress during the year.
Earnings per share	Convergence project	Monitored IASB's progress — an exposure draft is expected in quarter 3 2008.
Cost of an investment in a subsidiary, jointly controlled entity or associate	Finalised project	Monitored IASB's progress — issued AASB ED 160, which incorporated the IASB proposals, in December 2007. IASB issued a standard in May 2008. As of June 2008, the Australian standard that will incorporate the IASB standard was being finalised for issue in July 2008.
Annual improvements project	Active project	Monitored IASB's progress — issued AASB ED 159, which incorporated the IASB proposals, in October 2007. IASB issued a standard in May 2008. As of June 2008, the Australian standards that will incorporate the IASB standard were being finalised for issue in July 2008. IASB is expected to issue an exposure draft on 2008 improvements in quarter 3 2008.

## Appendix E: Australian Accounting Standards Board work program

### IPSASB convergence projects

Project	IPSASB status	Outcomes to 30 June 2008
Conceptual framework — public sector perspectives	Active project	AASB staff finalised a paper on reporting entity for use by the IPSASB, made a presentation on the topic to the IPSASB, and provided comments to the IPSASB on papers dealing with other aspects of the project.
Service concessions	Active project — consultation paper	AASB staff commented on various drafts during the development of the IPSASB's consultation paper (March 2008). The AASB issued ITC 16 in April 2008 to request comments from constituents on the IPSASB's proposals.
Social benefits	Active project — various consultation documents	The AASB issued ITC 15, seeking comments on various IPSASB consultation documents, in April 2008. The AASB also commenced consideration of its response to the relevant IPSASB consultation documents.
Heritage assets	Inactive — consultation paper	AASB staff continued to monitor the IPSASB project. No substantive activity occurred during the year. The project is expected to be reactivated in first half 2009. The AASB amended AASB 116 as part of its short-term review of AASs 27, 29 and 31, including providing Australian implementation guidance.
Conceptual framework — public sector perspectives	Active project	AASB staff finalised a paper on reporting entity for use by the IPSASB, made a presentation on the topic to the IPSASB, and provided comments to the IPSASB on papers dealing with other aspects of the project.

### Other international projects

Project	Status	Outcomes to 30 June 2008
Non-exchange revenue	Active project (with NZ)	This topic is being addressed jointly with the FRSB. The AASB discussed various drafts of a comprehensive issues paper before deciding to consider developing an exposure draft based on the IPSASB's standard on the topic, IPSAS 23. This topic is the subject of a major 'domestic' joint project between the AASB and the FRSB.
New Zealand convergence and criteria for modifying IFRSs in respect of not-for-profit entities	As a consequence of the work undertaken in Australia and NZ in 2006-07, the two sets of standards have been converged to a 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. The AASB and FRSB have modified some IFRSs in their application to not-for-profit entities, without having developed a formal joint policy on the matter. The AASB progressed a project in consultation with the FRSB on developing a formal policy, which is expected to be published later in 2008. The policy is expected to evolve.
Conceptual framework — not-for-profit entity perspectives (shadowing IASB/FASB project — see above)	Monitoring	AASB staff participated in the NSS/IPSASB working group monitoring the IASB/FASB project from a not-for-profit/public sector perspective.



## Appendix E: Australian Accounting Standards Board work program

### Interpretations

Project	Status	Outcomes to 30 June 2008
Petroleum resource rent tax	Interpretation 1003	The AASB issued Interpretation 1003 <i>Australian Petroleum Resource Rent Tax</i> in November 2007.
Employer accounting for taxes in superannuation liabilities	Panel	The topic scope was refined to only include superannuation contributions tax. An Interpretations Advisory Panel on the topic met on a number of occasions. Its recommendations are expected to be presented to the AASB shortly.
Service concessions	Interpretation 12 agenda decision	An Interpretations Advisory Panel made recommendations to the AASB concerning the relevance of Interpretation 12 to public sector grantors in service concession arrangements. The AASB decided to begin addressing the topic by inviting comments from constituents on an IPSASB consultation paper (see ITC 16, April 2008) — see also above under IPSASB convergence projects.

## Work program 2008-09

The format of the AASB 2008-09 work program differs from the format of the AASB 2007-08 work program. This change has been made to better distinguish between active and non-active projects.

The 2008-09 AASB work program includes:

Table 1: Active projects

Table 2: Non-active projects

Table 3: Agenda decisions to be made


The documents and actions noted are not a complete reflection of the matters the AASB will consider regarding each project. The timing and outcomes shown in the following tables are estimates that are subject to change.

The AASB will be involved with all the IASB and IPSASB projects in various capacities – only those of particular relevance to the AASB are included in Table 1: Active projects.

Projects may move from having substantive AASB involvement to having non-substantive involvement and vice versa depending on developments within those projects.

### Project priorities

H high

 highlights high priority topics for which resources are not available

M medium

L low

### **Glossary of abbreviations**

Std	standard
ED	exposure draft
ITC	invitation to comment
CP	consultation paper
DP	discussion paper
PS	policy statement
IP	issues paper
(r)	revised
na	not available (because completion date is not disclosed by IASB or IPSASB)
IASB	International Accounting Standards Board
FASB	Financial Accounting Standards Board (USA)
IPSASB	International Public Sector Accounting Standards Board
NSS	National Standard Setters
WSS	World Standard Setters
SAC	Standards Advisory Council
Subc	subcommittee
WG	working group
#	A best estimate of the completion date of a standard or a revised standard, unless otherwise indicated

**Table 1: Active projects**

Project	Priority	Status	Q3 2008	Q4 2008	Q1 2009	Q2 2009 plus	Estimated completion date#
<b>Domestic not-for-profit and public sector</b>							
1 GAAP/GFS harmonisation — WoG/GGS (consequences of AASB 101)	H	AASB 1049	ED	Std(r)			Dec 2008
2 GAAP/GFS harmonisation — entities within the GGS	H	AASB 1049		ED		Std or Std(r)	Feb 2010
3 Impairment of statutory receivables (gaps in GAAP no. 21)	M	AASB 139	Consult				NA
4 Borrowing costs	H	AASB 123	Consult				NA
5 Suitability of AASB 3 for combinations among NFPs	H	AASB 3	Consult			Std(r)	June 2009
6 Related party disclosures	H			IP		ED	Dec 2009
7 NFP definition and guidance	M	ITC 14 Roundtables	Consult NZ FRSB	ED		Guidance	Jun 2009
<b>Other domestic</b>							
8 Superannuation plans	H	AAS 25 CP	ED			Std(r)	Mar 2009
9 Differential reporting/SMEs (including reporting entity and GPFR/SPFR)	H	SAC 1 & SAC 2 ITC 12	IPs	ED		Stds(r) SACs(r)	Dec 2009
10 Emissions trading scheme	H		Timetable to be established				NA
11 Review of AASB policy statements	M	PS1-PS4	Draft PSs(r)			PSs(r)	Mar 2009
12 Compilations	H	Amending Stds	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing

**Table 1: Active projects (continued)**

Project	Priority	Status	Q3 2008	Q4 2008	Q1 2009	Q2 2009 plus	Estimated completion date#
<b>IASB — substantive involvement</b>							
13 Extractive activities phase II (AASB-led research project)	H	AASB 6	Present to IASB	DP			Dec 2008 (DP)
14 Insurance phase II (including participation in IASB project team)	H	AASB 4 AASB 1023(r) AASB 1038(r) ITC 13	IP			ED	NA
15 Revenue recognition (including participation in IASB project team)	M	AASB 118 ITC (IASB DP) Q2					NA
16 Conceptual framework — objective and qualitative characteristics	M	Framework ITC 10 ED Q2					NA
17 Conceptual framework — elements and recognition	M	Framework				ITC (IASB DP)	NA
18 Conceptual framework — measurement	M	Framework			ITC (IASB DP)		NA
19 Conceptual framework — reporting entity	M	Framework ITC (IASB DP) Q2					NA
20 Actively monitor IFRS implementation	H	Relevant standards					

**Table 1: Active projects (continued)**

Project	Priority	Status	Q3 2008	Q4 2008	Q1 2009	Q2 2009 plus	Estimated completion date#
<b>IPSASB convergence</b>							
21 Conceptual framework — public sector perspectives	H	Part of IPSASB Subc Member of NSS monitoring group	IP IPSASB CP (phase 1)	IP	IP	IP	NA
22 Service concessions	H	Interp 12 Part of IPSASB Subc ITC (including IPSASB CP) Q2	Comment to IPSASB			ED	NA
23 Social benefit obligations (including sustainability)	H	AASB 137 ITC (including IPSASB ED on disclosure and CP) Q2	Comment to IPSASB	Monitor IPSASB		Consider IPSAS	NA

**Table 1: Active projects (continued)**

Project	Priority	Status	Q3 2008	Q4 2008	Q1 2009	Q2 2009 plus	Estimated completion date#	
<b>Other international</b>								
24		Income from non-exchange transactions with NZ (including multi-year policy grants and voluntary services)	H	AASB 1004 AASB 120 AASB 118	Draft ED		ED	Jun 2009
25		NFP criteria/NZ convergence	M	Both jurisdictions converging with IASB GAAP		NFP criteria	IPs (not-for-profit paragraphs)	June 2010
26		Conceptual framework — NFP entity perspectives (shadowing IASB/FASB project — see above)	M	Part of NSS/IPSASB WG IP issued				NA
27		Intangible assets (DP 'initial accounting for internally generated intangible assets' for review by NSS)	M	AASB 138 AASB 3 NSS project team		Staff DP	Participate in any NSS work	Dec 2008 (DP)
<b>Interpretations</b>								
28		Employer accounting for taxes in superannuation liabilities	H	AASB 119 Panel meetings	Consider panel recommendation			
29		Managed investment schemes (related party disclosures)	H	AASB 124 Referred to IFRIC Report to Treasury	Monitor Treasury progress			

**Table 2: Non-active projects (subject to resources)**

Project	Priority	Status	Q3 2008	Q4 2008	Q1 2009	Q2 2009 plus	Estimated completion date
<b>Domestic not-for-profit and public sector</b>							
1		Control of an entity (including gaps in GAAP no. 10)	H	AASB 127			DP
2		Administered items	H	AASB 1050			DP
3		Disaggregated information	M	AASB 1052			IP
4		Measurement of contributions by owners	L				IP
5		Budget reporting beyond GGS and WoG (gaps in GAAP no. 26)	M	AASB 1049			IP and ED
6		Performance indicators (including gaps in GAAP no. 32 non-financial performance indicators, and consider NZ approach to statement of service performance)	H				IP
7		Review of interpretation 1038 contributions by owners made to wholly-owned public sector entities	L	Interpretation 1038			Interpretation (r)
8		Compliance with parliamentary appropriations and other externally-imposed requirements	L	AASB 1004			ED
9		Summary financial reports and MD&A	L	NZ FRSB 39			IP
10		Other gaps in GAAP for public sector NFP entities		Various Stds IP			Consult key constituents IPs on selected topics



**Table 2: Non-active projects (subject to resources) (continued)**

Project	Priority	Status	Q3 2008	Q4 2008	Q1 2009	Q2 2009 plus	Estimated completion date
<b>IASB — non-substantive involvement</b>							
11 Cost of an investment	L	ED 160	Std(r)				
12 Fair value measurement guidance	L	IASB DP				ED	
13 Non-financial liabilities	L	AASB 137 ED 140				AASB 137(r) AASB 119(r)	
14 Consolidations	L	AASB 127	ITC (IASB DP)			ED	
15 Performance reporting stage B	L	AASB 101 Advising IASB WG member ITC (IASB DP)				ED	
16 Financial Instruments — fundamental review	L	AASB 139 Advising IASB WG member ITC (IASB DP)					
17 Liabilities and equity	L	AASB 132 ITC (IASB DP)					
18 Leases	L	AASB 117				ITC (IASB DP)	
19 Financial instruments: Portions hedging	L	ED 158		AASB 139(r)			
20 Joint arrangements	L	AASB 131 ED 157		AASB 131(r)			
21 Income tax	L	AASB 112	ED			AASB 112(r)	
22 Post-employment benefits	L	AASB 119	ITC (IASB DP)			ED	
23 EPS: Treasury stock method	L	AASB 133	ED			AASB 133(r)	
24 Related party disclosures	L	AASB 124		AASB 124(r)			

**Table 2: Non-active projects (subject to resources) (continued)**

Project	Priority	Status	Q3 2008	Q4 2008	Q1 2009	Q2 2009 plus	Estimated completion date
<b>IASB — non-substantive involvement (continued)</b>							
25 Improvements	L	ED 159 Amending Std Q2		ED			
26 Emissions trading schemes	L		Timetable to be established				
27 Common control	L	AASB 127	Timetable to be established				
<b>IPSASB convergence</b>							
28 Heritage assets	L	AASB 116 IPSASB CP	Monitor IPSASB	Monitor IPSASB	Monitor IPSASB	IP	

**Table 3: Agenda decisions to be made**

Project	Priority yet to be determined	Status	Q3 2008	Q4 2008	Q1 2009	Q2 2009 plus	Estimated completion date
<b>Domestic not-for-profit and public sector</b>							
1	Financial reporting by charities (note link to item 6 in Table 2. The project proposal will include consideration of whether the project should focus on disclosure issues given that recognition and measurement issues will be addressed in other projects.)	AASB Standards					
2	Consolidation of for-profit entities into NFP groups	Staff article					
3	Identifying cash generating units	AASB 136					
4	Intangible assets established by governments (for example spectrum rights)	AASB 138					
5	Current cost accounting for infrastructure assets	AASB 116					
6	Complexity of financial instruments disclosures	AASB 139					
7	GAAP/GFS interim reporting	AASB 134					
8	Disclosures relating to dividend imputation credits	AASB 101					
9	Currency (notes and coins) on issue						
<b>Other domestic</b>							
10	Prospective information (ex post and ex ante reporting, including prospectuses under Corporations Act)						
11	XBRL (staff led project assisting with the update of taxonomy)						
12	Disclosures framework						



## APPENDIX F

### AUDITING AND ASSURANCE STANDARDS BOARD WORK PROGRAM

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#### STATUS OF AUDITING AND ASSURANCE STANDARDS BOARD'S 2007-08 WORK PROGRAM

##### Highest priority projects

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Project	Project description	Output to 30 June 2008
Make new and revise auditing standards as legislative instruments	Redrafting and revising Australian Auditing Standards (ASAs) using International Standards on Auditing (ISAs) as a base	The ASA <i>Clarity</i> Redrafting Project was announced in October 2007 and has progressed as follows Project plan and drafting rules have been established Numerous meetings have been attended with a broad cross section of constituents to best determine the timing of release and implementation Redrafting is in progress and is on track for implementation effective from 1 January 2010
	Other auditing standards	Review engagements — revision of ASRE 2410 is in progress and will be released in July 2008
Review and reissue other auditing standards (not issued as legislative instruments) and guidance statements	Revision and reissue of standards on assurance engagements	AUS 110 was revised and reissued 9 July 2007 as ASAE 3000 assurance engagements other than audits or reviews of historical financial information, operative for reporting periods commencing on or after 1 July 2007 ASAE 3100 compliance engagements was released in June 2008 operative for engagements commencing on or after 1 October 2008 ASAE 3500 performance engagements (revision of AUS 806 performance auditing and AUS 808 planning performance audits will be released in July 2008

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Appendix F: Auditing and Assurance Standards Board work program

**Highest priority projects (continued)**

<b>Project</b>	<b>Project description</b>	<b>Output to 30 June 2008</b>
Review and reissue other auditing standards (not issued as legislative instruments) and guidance statements (continued)	Reviewing and reissuing other auditing standards and guidance statements	Guidance statements were issued on the following The use of service organisations for investment management services Using the work of an actuary Electronic publication of the auditor's report
	Developing and issuing new auditing standards or guidance statements (liaising with working parties and experts where appropriate)	Guidance statements were issued on the following concise financial reports
Other ad hoc projects	Participating in and responding to developments or changes initiated by regulators such as ASIC APRA APESB	Revision and reissue of guidance statements in response to changes in APRA and ASIC regulations Special considerations in the audit of risk management requirements for registrable superannuation entities and licensees Audit implications of prudential reporting requirements for general insurers Audit requirements for Australian financial services licensees under the Corporations Act Interim guidance on reporting for authorised deposit takers Auditor's report on a remuneration report pursuant to section 300A of the Corporations Act Assisting and providing technical advice to regulators and other standards setters Department of Climate Change, on audit requirements under the Greenhouse and Energy Reporting Act Projects are in progress to issue guidance statements on Self managed superannuation funds Investor directed portfolio services Audit implications of GAAP/GFS Accounting standard AASB 1049

Appendix F: Auditing and Assurance Standards Board work program

**Highest priority projects (continued)**

<b>Project</b>	<b>Project description</b>	<b>Output to 30 June 2008</b>
International: IAASB projects	Monitoring the activities of the IAASB including the progress of the IAASB clarity project	AUASB and IAASB Board member and Executive Director attended IAASB meetings and reported to AUASB at each Board meeting
	Contributing directly to IAASB projects by taking a leadership role in redrafting ISAs in the <i>Clarity</i> format	The technical group was responsible for the redrafting of ISA 210 and ISA 250 in clarity format
	Providing comment on IAASB outputs (such as exposure drafts)	Formal submission made on all IAASB exposure drafts. Comments provided on IAASB meeting papers and task force papers
	Attendance at IAASB meetings	Representation at all IAASB meetings
	Staff briefings to the AUASB on IAASB meeting papers	Staff briefings either written or verbal provided to AUASB Board on key IAASB issues
Monitor 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 Executive Director 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
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 A complete revamp of the AUASB website with improved search facilities is scheduled for release in July 2008
	Liaising with regulators, constituents and media groups	Attendance at meetings with stakeholders; other liaison specific to issue of legally enforceable standards Presentations at numerous conferences held by the major accounting bodies
Monitor auditing research undertaken in Australia and internationally	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 2008-09 work program**

The AUASB's work program for 2008-09 is aligned to its broad corporate strategies, which are to:

- Develop auditing and assurance standards and guidance of the highest quality that are:
  - underpinned by public interest;
  - relevant to users;
  - reliable;
  - internationally convergent;
  - sector neutral;
  - concise and in plain English;
  - drafted to provide clear obligations to the auditor; and
  - developed on a timely basis.
- Identify emerging auditing and assurance issues of public interest and address these, as appropriate, on a timely basis.
- Contribute to the development of international auditing and assurance standards that will result in a single set of robust and high quality standards for world-wide use.
- Promote awareness and understanding of the AUASB role and work program, auditor responsibilities and the role of auditing and assurance services.
- Improve processes and policies relating to communication with stakeholders.

The main focus of the 2008-09 work program is to:

### **Develop and issue legally enforceable auditing standards**

The AUASB plans to develop a set of 42 revised and redrafted legally enforceable auditing standards based on the *Clarity* ISAs, subject to revision:

- for Australian legal and regulatory requirements;



- to a form suitable as a legal instrument; and
- allowing for any additional public interest considerations.

The set of redrafted standards will be operative for reporting periods commencing on or after 1 January 2010.

### **Revise existing and develop and issue other 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 engagements(ASAE):**

- 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 Engagements: (Revision of AUS 806 Performance Auditing and AUS 808 Planning Performance Audits)
- Revision of AUS 804 The Audit of Prospective Financial Information

##### **Review engagements (ASRE):**

- Revision of ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity
- Issue of ASRE 2400 Review of Financial Reports Performed by an Assurance Practitioner Who is Not the Auditor of the Entity
- Issue of ASRE 2405 Review of Other Historical Financial Information Other than a Financial Report

##### **Related services (ASRS):**

- Revision of AUS 904 Engagements to Perform Agreed-upon Procedures
- 

### **Revise existing and develop and issue new guidance statements**

The AUASB plans to undertake the following projects to formulate new or revised auditing and assurance guidance pronouncements. 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.

- APRA regulated areas requiring additional audit guidance;
- ASIC regulated areas requiring additional audit guidance;
- assurance on sustainability matters including the national greenhouse and energy reporting system reports (including Emissions Trading);
- public sector audit issues, including GAAP/GFS reporting;
- SME auditing and assurance issues;

#### Appendix F: Auditing and Assurance Standards Board work program

- assurance on prospective financial information; and
- other significant industry specific auditing and assurance matters (including SMSF and XBRL related issues).

#### **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;
- reflecting international developments in AUASB pronouncements; and
- liaison with other standards setters (such as the United States of America, Canada, the United Kingdom and New Zealand).

#### **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 2008

### 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

### Policy statements

Number	Title	Issued (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

### Accounting standards

#### AASB series

Number	Title	Application date (annual reporting periods)	Issue date
AASB 1	<i>First-time Adoption of Australian Equivalents to International Financial Reporting Standards</i>	(beginning) 1 January 2005	7/04
AASB 2	<i>Share-based Payment</i>	(beginning) 1 January 2005	7/04
AASB 3	<i>Business Combinations</i>	(beginning) 1 January 2005	7/04
AASB 3	<i>Business Combinations (revised)</i>	(beginning) 1 July 2009	3/08
AASB 4	<i>Insurance Contracts</i>	(beginning) 1 January 2005	7/04
AASB 5	<i>Non-current Assets held for Sale and Discontinued Operations</i>	(beginning) 1 January 2005	7/04
AASB 6	<i>Exploration for and Evaluation of Mineral Resources</i>	(beginning) 1 January 2005	12/04
AASB 7	<i>Financial Instruments: Disclosures</i>	(beginning) 1 January 2007	8/05

Appendix G: Australian Accounting Standards Board pronouncements

**AASB series (continued)**

<b>Number</b>	<b>Title</b>	<b>Application date (annual reporting periods)</b>	<b>Issue date</b>
AASB 8	<i>Operating Segments</i>	(beginning) 1 January 2009	2/07
AASB 101	<i>Presentation of Financial Statements</i>	(beginning) 1 January 2005	7/04
AASB 101	<i>Presentation of Financial Statements</i>	(beginning) 1 January 2009	9/07
AASB 102	<i>Inventories</i>	(beginning) 1 January 2005	7/04
AASB 107	<i>Cash Flow Statements</i>	(beginning) 1 January 2005	7/04
AASB 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	(beginning) 1 January 2005	7/04
AASB 110	<i>Events after the Balance Sheet Date</i>	(beginning) 1 January 2005	7/04
AASB 111	<i>Construction Contracts</i>	(beginning) 1 January 2005	7/04
AASB 112	<i>Income Taxes</i>	(beginning) 1 January 2005	7/04
AASB 114	<i>Segment Reporting</i>	(beginning) 1 January 2005	7/04
AASB 116	<i>Property, Plant and Equipment</i>	(beginning) 1 January 2005	7/04
AASB 117	<i>Leases</i>	(beginning) 1 January 2005	7/04
AASB 118	<i>Revenue</i>	(beginning) 1 January 2005	7/04
AASB 119	<i>Employee Benefits</i>	(beginning) 1 January 2006	12/04
AASB 120	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>	(beginning) 1 January 2005	7/04
AASB 121	<i>The Effects of Changes in Foreign Exchange Rates</i>	(beginning) 1 January 2005	7/04
AASB 123	<i>Borrowing Costs</i>	(beginning) 1 January 2005	7/04
AASB 123	<i>Borrowing Costs</i>	(beginning) 1 January 2009	6/07
AASB 124	<i>Related Party Disclosures</i>	(ending) 31 December 2005	12/05
AASB 127	<i>Consolidated and Separate Financial Statements</i>	(beginning) 1 January 2005	7/04
AASB 127	<i>Consolidated and Separate Financial Statements</i>	(beginning) 1 July 2009	3/08
AASB 128	<i>Investments in Associates</i>	(beginning) 1 January 2005	7/04
AASB 129	<i>Financial Reporting in Hyperinflationary Economies</i>	(beginning) 1 January 2005	7/04
AASB 131	<i>Interests in Joint Ventures</i>	(beginning) 1 January 2005	7/04

Appendix G: Australian Accounting Standards Board pronouncements

**AASB series (continued)**

<b>Number</b>	<b>Title</b>	<b>Application date (annual reporting periods)</b>	<b>Issue date</b>
AASB 132	<i>Financial Instruments: Disclosure and Presentation</i>	(beginning) 1 January 2005	7/04
AASB 133	<i>Earnings per Share</i>	(beginning) 1 January 2005	7/04
AASB 134	<i>Interim Financial Reporting</i>	(beginning) 1 January 2005	7/04
AASB 136	<i>Impairment of Assets</i>	(beginning) 1 January 2005	7/04
AASB 137	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	(beginning) 1 January 2005	7/04
AASB 138	<i>Intangible Assets</i>	(beginning) 1 January 2005	7/04
AASB 139	<i>Financial Instruments: Recognition and Measurement</i>	(beginning) 1 January 2005	7/04
AASB 140	<i>Investment Property</i>	(beginning) 1 January 2005	7/04
AASB 141	<i>Agriculture</i>	(beginning) 1 January 2005	7/04
AASB 1004	<i>Contributions</i>	(beginning) 1 January 2005	7/04
AASB 1004	<i>Contributions</i>	(beginning) 1 July 2008	12/07
AASB 1023	<i>General Insurance Contracts</i>	(beginning) 1 January 2005	7/04
AASB 1031	<i>Materiality</i>	(beginning) 1 January 2005	7/04
AASB 1038	<i>Life Insurance Contracts</i>	(beginning) 1 January 2005	7/04
AASB 1039	<i>Concise Financial Reports</i>	(ending) 30 June 2005	4/05
AASB 1045	<i>Land Under Roads: Amendments to AAS 27A, AAS 29A and AAS 31A</i>	(ending) 31 December 2002	2/02
AASB 1048	<i>Interpretation and Application of Standards</i>	(ending) 31 March 2007	3/07
AASB 1048	<i>Interpretation and Application of Standards</i>	(ending) 30 September 2007	9/07
AASB 1049	<i>Financial Reporting of General Government Sectors by Governments</i>	(beginning) 1 July 2008	9/06
AASB 1049	<i>Whole of Government and General Government Sector Financial Reporting</i>	(beginning) 1 July 2008	10/07
AASB 1050	<i>Administered Items</i>	(beginning) 1 July 2008	12/07
AASB 1051	<i>Land Under Roads</i>	(beginning) 1 July 2008	12/07
AASB 1052	<i>Disaggregated Disclosures</i>	(beginning) 1 July 2008	12/07
AASB 2004-1	<i>Amendments to Australian Accounting Standards [AASB 1, AASB 116 and AASB 138]</i>	(beginning) 1 January 2005	12/04

Appendix G: Australian Accounting Standards Board pronouncements

**AASB series (continued)**

<b>Number</b>	<b>Title</b>	<b>Application date (annual reporting periods)</b>	<b>Issue date</b>
AASB 2004-2	<i>Amendments to Australian Accounting Standards</i> [AASB 1, AASB 121, AASB 131, AASB 134, AASB 139 and AASB 141]	(beginning) 1 January 2005	12/04
AASB 2004-3	<i>Amendments to Australian Accounting Standards</i> [AASB 1, AASB 101 and AASB 124]	(beginning) 1 January 2006	12/04
AASB 2005-1	<i>Amendments to Australian Accounting Standard</i> [AASB 139]	(beginning) 1 January 2006	5/05
AASB 2005-2	<i>Amendments to Australian Accounting Standard</i> [AASB 1023]	(beginning) 1 January 2005	6/05
AASB 2005-3	<i>Amendments to Australian Accounting Standards</i> [AASB 119]	(ending) 31 December 2005	6/05
AASB 2005-4	<i>Amendments to Australian Accounting Standards</i> [AASB 1, AASB 132, AASB 139, AASB 1023 and AASB 1038]	(beginning) 1 January 2006	6/05
AASB 2005-5	<i>Amendments to Australian Accounting Standards</i> [AASB 1 and AASB 139]	(beginning) 1 January 2006	6/05
AASB 2005-6	<i>Amendments to Australian Accounting Standards</i> [AASB 3]	(beginning) 1 January 2006	6/05
AASB 2005-7	<i>Amendments to Australian Accounting Standards</i> [AASB 134]	(ending) 30 June 2005	6/05
AASB 2005-8	<i>Amendments to Australian Accounting Standards</i> [AASB 1]	(beginning) 1 January 2006	6/05
AASB 2005-9	<i>Amendments to Australian Accounting Standards</i> [AASB 4, AASB 1023, AASB 132 and AASB 139]	(beginning) 1 January 2006	9/05
AASB 2005-10	<i>Amendments to Australian Accounting Standards</i> [AASB 1, AASB 4, AASB 1023, AASB 1038, AASB 101, AASB 114, AASB 117, AASB 132, AASB 133 and AASB 139]	(beginning) 1 January 2007	9/05
AASB 2005-11	<i>Amendments to Australian Accounting Standards</i> [AASB 101, AASB 112, AASB 132, AASB 133, AASB 139 and AASB 141]	(ending) 31 December 2005	9/05
AASB 2005-12	<i>Amendments to Australian Accounting Standards</i> [AASB 1023 and AASB 1038]	(ending) 31 December 2005	12/05
AASB 2005-13	<i>Amendments to Australian Accounting Standards</i> [AAS 25]	(ending) 31 December 2005	12/05
AASB 2006-1	<i>Amendments to Australian Accounting Standards</i> [AASB 121]	(ending) 31 December 2006	1/06
AASB 2006-2	<i>Amendments to Australian Accounting Standards</i> [AASB 1]	(ending) 30 June 2006	3/06
AASB 2006-3	<i>Amendments to Australian Accounting Standards</i> [AASB 1045]	(ending) 31 December 2005	10/06
AASB 2006-4	<i>Amendments to Australian Accounting Standards</i> [AASB 134]	(ending) 31 December 2006	12/06
AASB 2007-1	<i>Amendments to Australian Accounting Standards</i> <i>arising from Interpretation 11</i> [AASB 2]	(beginning) 1 March 2007	2/07
AASB 2007-2	<i>Amendments to Australian Accounting Standards</i> <i>arising from Interpretation 12</i> [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 and AASB 139]	(beginning) 1 January 2008	2/07

Appendix G: Australian Accounting Standards Board pronouncements

**AASB series (continued)**

<b>Number</b>	<b>Title</b>	<b>Application date (annual reporting periods)</b>	<b>Issue date</b>
AASB 2007-3	<i>Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038]</i>	(beginning) 1 January 2009	2/07
AASB 2007-4	<i>Amendments to Australian Accounting Standards arising from ED 151 and other amendments [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]</i>	(beginning) 1 July 2007	4/07
AASB 2007-5	<i>Amendments to Australian Accounting Standards — Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]</i>	(beginning) 1 July 2007	5/07
AASB 2007-6	<i>Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116, AASB 138 and Interpretations 1 and 12]</i>	(beginning) 1 January 2009	6/07
AASB 2007-7	<i>Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128]</i>	(beginning) 1 July 2007	6/07
AASB 2007-8	<i>Amendments to Australian Accounting Standards arising from AASB 101</i>	(beginning) 1 January 2009	9/07
AASB 2007-9	<i>Amendments to Australian Accounting Standards arising from Review of AASs 27, 29 and 31</i>	(beginning) 1 July 2008	12/07
AASB 2007-10	<i>Further Amendments to Australian Accounting Standards arising from AASB 101</i>	(beginning) 1 January 2009	
AASB 2008-1	<i>Amendments to Australian Accounting Standard — Share-based Payment: Vesting Conditions and Cancellations [AASB 2]</i>	(beginning) 1 January 2009	2/08
AASB 2008-2	<i>Amendments to Australian Accounting Standards — Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132 &amp; AASB 139 and Interpretation 2]</i>	(beginning) 1 January 2009	3/08
AASB 2008-3	<i>Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 &amp; 139 and Interpretations 9 &amp; 107]</i>	(beginning) 1 July 2009	3/08
AASB 2008-4	<i>Amendments to Australian Accounting Standard — Key Management Personnel Disclosures by Disclosing Entities [AASB 124]</i>	(ending) 30 June 2008	6/08

## Appendix G: Australian Accounting Standards Board pronouncements

### AAS series

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

### Interpretations

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

<b>Interpretation</b>	<b>Title</b>	<b>Application date (annual reporting periods)</b>	<b>Issue date</b>
1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	(beginning) 1 January 2005	7/04
2	<i>Members' Shares in Co-operative Entities and Similar Instruments</i>	(ending) 31 December 2005	3/05
4	<i>Determining whether an Arrangement contains a Lease</i>	(beginning) 1 January 2006	6/05
4	<i>Determining whether an Arrangement contains a Lease (revised)</i>	(beginning) 1 January 2008	2/07
5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	(beginning) 1 January 2006	6/05
6	<i>Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment</i>	(beginning) 1 December 2005	10/05
7	<i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>	(beginning) 1 March 2006	2/06
8	<i>Scope of AASB 2</i>	(beginning) 1 May 2006	3/06
9	<i>Reassessment of Embedded Derivatives</i>	(beginning) 1 June 2006	4/06
10	<i>Interim Financial Reporting and Impairment</i>	(beginning) 1 November 2006	9/06
11	<i>AASB 2 — Group and Treasury Share Transactions</i>	(beginning) 1 March 2007	2/07



**Australian interpretations corresponding to International Financial Reporting Interpretations Committee interpretations (continued)**

<b>Interpretation</b>	<b>Title</b>	<b>Application date (annual reporting periods)</b>	<b>Issue date</b>
12	<i>Service Concession Arrangements</i>	(beginning) 1 January 2008	2/07
13	<i>Customer Loyalty Programmes</i>	(beginning) 1 July 2008	8/07
14	<i>AASB 119 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	(beginning) 1 January 2008	8/07
107	<i>Introduction of the Euro</i>	(beginning) 1 January 2005	7/04
110	<i>Government Assistance — No Specific Relation to Operating Activities</i>	(beginning) 1 January 2005	7/04
112	<i>Consolidation — Special Purpose Entities</i>	(beginning) 1 January 2005	12/04
113	<i>Jointly Controlled Entities — Non-Monetary Contributions by Venturers</i>	(beginning) 1 January 2005	7/04
115	<i>Operating Leases — Incentives</i>	(beginning) 1 January 2005	7/04
121	<i>Income Taxes — Recovery of Revalued Non-Depreciable Assets</i>	(beginning) 1 January 2005	7/04
125	<i>Income Taxes — Changes in the Tax Status of an Entity or its Shareholders</i>	(beginning) 1 January 2005	7/04
127	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	(beginning) 1 January 2005	7/04
129	<i>Disclosure — Service Concession Arrangements</i>	(beginning) 1 January 2005	2/07
129	<i>Service Concession Arrangements: Disclosures (revised)</i>	(beginning) 1 January 2008	2/07
131	<i>Revenue — Barter Transactions Involving Advertising Services</i>	(beginning) 1 January 2005	7/04
132	<i>Intangible Assets — Web Site Costs</i>	(beginning) 1 January 2005	7/04

Appendix G: Australian Accounting Standards Board pronouncements

**Other Australian interpretations**

<b>Interpretation</b>	<b>Title</b>	<b>Application date (annual reporting periods)</b>	<b>Issue date</b>
1001	<i>Consolidated Financial Reports in relation to Pre-Date-of-Transition Dual Listed Company Arrangements</i>	(ending) 31 December 2005	7/05
1002	<i>Post-Date-of-Transition Stapling Arrangements</i>	(ending) 31 December 2005	12/05
1003	<i>Australian Petroleum Rent Resource Tax</i>	(ending) 30 June 2008	11/07
1013	<i>Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements</i>	(ending) 31 December 2005	4/05
1017	<i>Developer and Customer Contributions for Connection to a Price-Regulated Network</i>	(beginning) 1 January 2005	11/04
1019	<i>The Superannuation Contributions Surcharge</i>	(beginning) 1 January 2005	9/04
1030	<i>Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods</i>	(beginning) 1 January 2005	9/04
1031	<i>Accounting for the Goods and Services Tax (GST)</i>	(beginning) 1 January 2005	7/04
1038	<i>Contributions by Owners Made to Wholly-Owned Public Sector Entities</i>	(beginning) 1 January 2005	9/04
1038	<i>Contributions by Owners Made to Wholly-Owned Public Sector Entities (reissued)</i>	(beginning) 1 July 2008	12/07

## APPENDIX H

### AUDITING AND ASSURANCE STANDARDS BOARD PRONOUNCEMENTS AS AT 30 JUNE 2008

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#### Foreword, glossary and framework

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

Title	Issued
Foreword to AUASB pronouncements	28 April 2006
AUASB glossary	28 April 2006
Framework for assurance engagements	27 June 2007

#### 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.

Number	Title	Issued
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

**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 Reissued 9 October 2006
ASA 560	Subsequent Events	28 April 2006
ASA 570	Going Concern	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

### Standards on Assurance Engagements

The following Standards on Assurance Engagements were issued by the Auditing and Assurance Standards Board.

Number	Title	Issued
ASAE 3000	Assurance Engagements Other than Audits or Reviews of Historical Financial Information	9 July 2007
ASAE 3100	Compliance Engagements	27 June 2008

### Explanatory Guide to Review Engagements

The following Explanatory Guide to Review Engagements was issued by the Auditing and Assurance Standards Board.

Title	Issued
Explanatory Guide to Review Engagements	April 2008

### **Auditing Standards — for reporting periods ending on or prior to 29 June 2007**

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 2008-09.

<b>Number</b>	<b>Title</b>	<b>Issued (Reissued)</b>
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)
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 Reissued as GS 007, October 2007

## Appendix H: Auditing and Assurance Standards Board pronouncements

Number	Title	Issued (Reissued)
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 Reissued as GS 005, October 2007
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 Concern	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.

Number	Title	Issued (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 Reissued as GS 007, October 2007
AUS 904	Engagements to Perform Agreed-upon Procedures	July 2002

## Appendix H: Auditing and Assurance Standards Board pronouncements

### Auditing and Assurance Guidance Statements

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

<b>Number</b>	<b>Title</b>	<b>Issued (Reissued)</b>
Addendum to AGS 1064	Audit Implications of Prudential reporting Requirements for General Insurers	October 2006 Reissued as GS 004 October 2007
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
GS 001	Concise Financial Reports	July 2007
GS 002	Special Considerations in the Audit of Risk Management Requirements for Registrable Superannuation Entities and Licensees	July 2007
GS 003	Audit and Review Requirements for Australian Financial Services Licensees under the <i>Corporations Act 2001</i>	October 2007
GS 004	Audit Implications of Prudential Reporting Requirements for General Insurers	October 2007
GS 005	Using the Work of an Actuary	October 2007
GS 006	Electronic Publication of the Auditor's Report	December 2007
GS 007	Audit Implications of the Use of Service Organisations for Investment Management Services	March 2008
GS 008	The Auditor's Report on a Remuneration Report Pursuant to section 300A of the <i>Corporations Act 2001</i>	June 2008

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 is progressively reviewing these Auditing and Assurance Guidance Statements.

### Auditing and Assurance Guidance Statements (continued)

<b>Number</b>	<b>Title</b>	<b>Issued (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



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

<b>Number</b>	<b>Title</b>	<b>Issued (Re-issued)</b>
AGS 1026	Superannuation Funds — Auditor Reports on Externally Managed Assets	February 1999 Withdrawn 14 April 2008
AGS 1028	Uncertainty	July 1997 Withdrawn 30 June 2007
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 Amended April 2008
AGS 1044	Audit Reports on Information Provided Other than in a Financial Report (May 1999)	May 1999 Withdrawn 30 June 2007
AGS 1048	The Special Considerations in the Audit of Small Entities (March 2004)	March 2004 Withdrawn 14 April 2008
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 Withdrawn 14 April 2008
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 Reissued as GS 007 October 2007
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.

<b>Title</b>	<b>Issued</b>
Auditor's Report on AASB 124 Remuneration Disclosures contained in the Annual Directors' Report	August 2006 Reissued as GS 008 June 2008

## Appendix H: Auditing and Assurance Standards Board pronouncements

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.

<b>Title</b>	<b>Issued</b>
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.

<b>Title</b>	<b>Issued</b>
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.

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

### **Bulletins**

The following Bulletin was issued by the Auditing and Assurance Standards Board.

<b>Title</b>	<b>Issued</b>
Auditing Small and Medium Sized Entities (SMEs)	September 2007

## **APPENDIX I**

### **THE FINANCIAL REPORTING COUNCIL INTERNATIONAL AND DOMESTIC STAKEHOLDER MEETINGS 1 JULY 2007 TO 30 JUNE 2008**

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The Chairman conducted international stakeholder meetings in Europe and the United States and a first round of national stakeholder meetings in Sydney and Melbourne. The meetings canvassed a range of issues pertaining to accounting and auditing standards, ethics, and auditor independence. The meetings provided the Chairman with the opportunity to engage stakeholders for the first time in his capacity as FRC Chairman, and refresh upon the role and future direction of the Council.

Appendix I: International and domestic stakeholder meetings

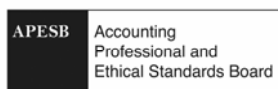
**Stakeholders**



**Stakeholders (continued)**



**An Australian Government Initiative**  
**Standard Business Reporting**



The Chairman also met with the Public Company Accounting Oversight Board.



## CONTACT DETAILS

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Website:	<a href="http://www.frc.gov.au">http://www.frc.gov.au</a>