



Australian Government
Australian Accounting Standards Board



Australian Government
Auditing and Assurance Standards Board

Australian Accounting Standards Board

and

Auditing and Assurance Standards Board

2018-19 Annual Reports

**Australian Accounting
Standards Board**

and

**Auditing and Assurance
Standards Board**

2018-19 Annual Reports

Commonwealth of Australia 2019

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LETTER OF TRANSMITTAL

11 September 2019

The Hon Michael Sukkar MP
Minister for Housing and Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Minister,

We have pleasure in presenting the annual reports for the year ended 30 June 2019 of the:

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

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

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

Yours sincerely,



Kris Peach
Chair
Australian Accounting Standards Board



Roger Simnett
Chair
Auditing and Assurance Standards Board

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ABBREVIATIONS

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

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

CONTACT DETAILS

AUSTRALIAN ACCOUNTING STANDARDS BOARD

The Chair

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AASB AND AUASB PURPOSE, VISION AND MISSION

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

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

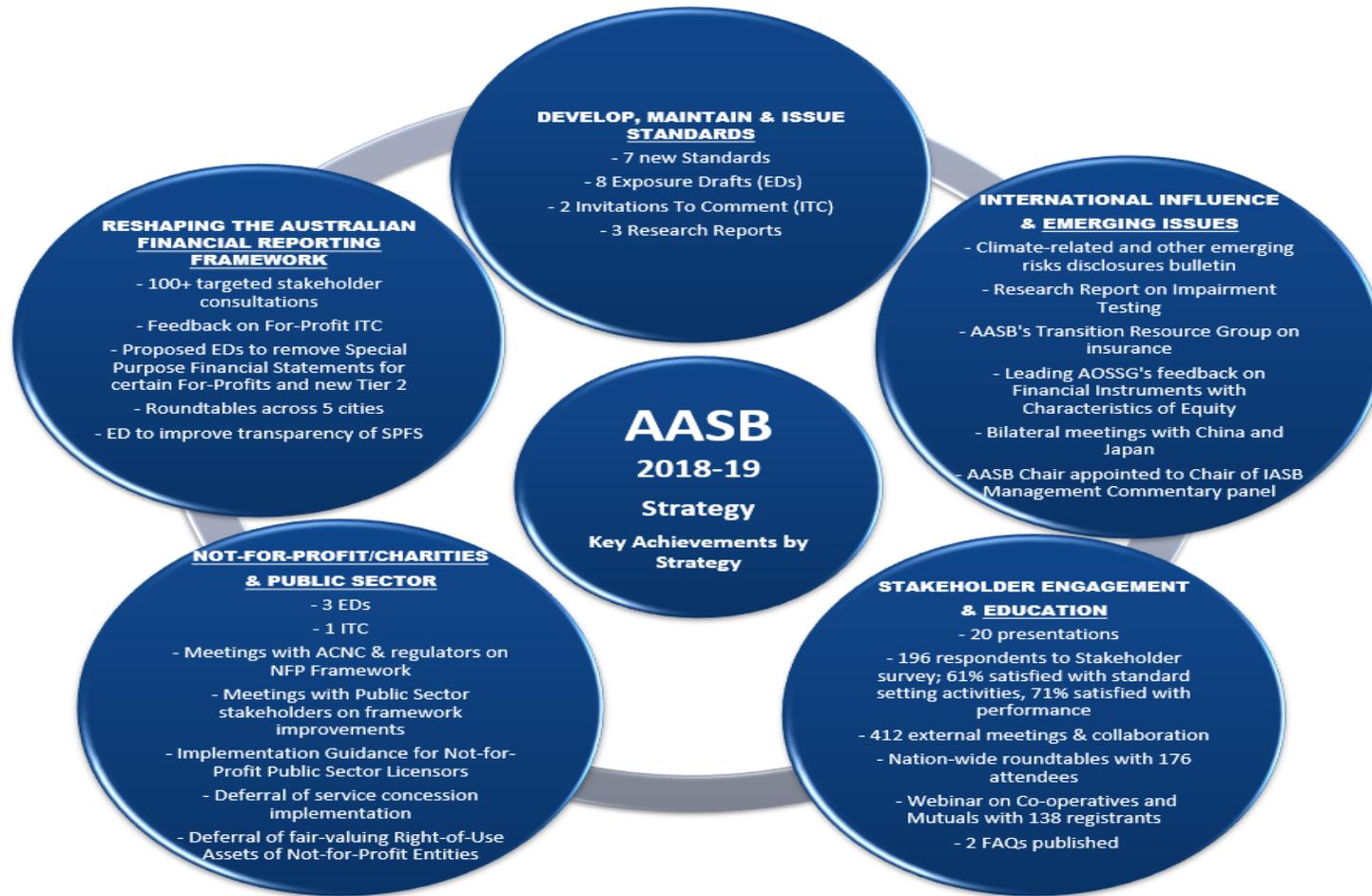
WHY OUR STANDARDS MATTER

AASB	AUASB
<p>Accounting standards should require the provision of financial information that:</p> <ul style="list-style-type: none"> i. allows users to make and evaluate decisions about allocating scarce resources ii. assists directors to discharge their obligations in relation to financial reporting iii. is relevant to assessing performance, financial position, financing and investment iv. is relevant and reliable v. facilitates comparability and is readily understandable 	<p>Auditing and assurance standards should require the provision of information that:</p> <ul style="list-style-type: none"> i. provides Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the Corporations Act 2001 (Corporations Act) ii. requires the preparation of auditors' reports that are reliable and readily understandable by the users of the financial reports to which they relate
<p>The Australian financial reporting system should:</p> <ul style="list-style-type: none"> i. facilitate the Australian economy by reducing the cost of capital and enabling Australian entities to compete effectively domestically and internationally ii. facilitate the Australian economy by developing accounting and auditing and assurance standards that are clearly stated and easy to understand to maintain investor confidence in the Australian economy, including its capital markets 	

STRATEGY

AASB	AUASB
<p>1. Develop, issue and maintain principles-based, Australian accounting and reporting standards and guidance that meet the needs of external report users (including financial reports) and are capable of being assured and enforced. For 'publicly accountable' entities maintain IFRS² compliance; for others, use IFRS Standards (where they exist), and transaction neutrality (modified as necessary), or develop Australian-specific standards and guidance.</p>	<p>1. Develop, issue and maintain high quality Australian auditing and assurance standards and guidance that meet the needs of stakeholders. Use IAASB Standards - where they exist, modified as necessary - or develop Australian-specific standards and guidance.</p>
<p>2. With the AUASB, play a leading role in reshaping the Australian external reporting framework by working with the regulators to develop objective criteria on:</p> <ul style="list-style-type: none"> • who prepares external reports (including financial reports) • the nature and extent of assurance required on these external reports. 	<p>2. With the AASB, play a leading role in reshaping the Australian external reporting framework by working with the regulators to develop objective criteria on:</p> <ul style="list-style-type: none"> • who prepares external reports (including financial reports) • the nature and extent of assurance required on external reports.
<p>3. Actively influence IASB⁴, IPSASB⁵ standards and other international accounting and external reporting standards and guidance, by demonstrating thought leadership and enhancing key international relationships.</p>	<p>3 Actively influence international auditing and assurance standards and guidance by demonstrating thought leadership and enhancing key international relationships.</p>
<p>4. Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.</p>	<p>4 Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.</p>
<p>5. Influence initiatives to develop standards and guidance that meet user needs for external reporting integral to financial reporting.</p>	<p>5 Influence initiatives to develop assurance standards and guidance that meet user needs for extended external reporting.</p>
<p>6. Monitor and respond to, or lead on, emerging issues impacting the development of accounting and external reporting standards, including changing technologies.</p>	<p>6 Monitor and respond to, or lead on, emerging issues impacting the development of auditing and assurance standards and guidance, including changing technologies.</p>
<p>7. Develop guidance and education initiatives, or promote development by others, to enhance the consistent application of accounting and external reporting standards and guidance.</p>	<p>7 Develop guidance and education initiatives, or promote development by others, to enhance the consistent application of auditing and assurance standards and guidance.</p>
<p>8. Build a high performing team that operates efficiently, effectively and within budget, complying with all relevant legislation and Commonwealth Government requirements</p>	

KEY ACHIEVEMENTS





AASB CHAIR'S REVIEW

OUR PERFORMANCE IN 2019



The Australian Accounting Standards Board (AASB) delivered on its strategic vision to facilitate confidence in the Australian economy and reached several important milestones. We also gained valuable insights from our stakeholders that will guide our strategic focus for 2020

INTERNATIONAL INFLUENCE

The AASB continued to exert its international influence with global standard setters from both a cooperative standpoint, and as a thought leader in topical areas.

Our joint bulletin with the Auditing and Assurance Standards Board (AUASB), *Climate-related and other emerging risks*

disclosures: assessing financial statement materiality using AASB Practice Statement 2, has been welcomed by the International Accounting Standards Board (IASB) and other key stakeholders. The non-mandatory guide for directors, preparers, and auditors highlights that climate and other emerging risks may need to be disclosed in financial statements even when the quantitative impact is minimal. Our Research Report No. 9 *Perspectives on IAS 36: A Case for Standard Setting Activity: Summary of Outreach Results*, prepared with Deloitte's assistance, provided useful insights to the IASB for its Goodwill and Impairment research project.

The pragmatic and thoughtful input of our Insurance Transition Resource Group to the IASB's deliberations on amending IFRS 17 *Insurance Contracts* has been well received.

Our innovative work on a replacement for our current Tier 2 General Purpose Financial Statements (GPFS) Reduced Disclosure Requirements using the full recognition and measurement requirements in Australian Accounting Standards / IFRS and disclosures based on the IFRS for SMEs Standard with minimal changes is being closely monitored by the IASB for its project on subsidiary SMEs.

"...sustainability issues can already have an impact that needs to be reflected in financial reporting as it currently is. The AASB recently published a very interesting paper that discusses when climate-related disclosures are material, and therefore should be included within the IFRS financial statements."

**Hans
Hoogervorst,
IASB Chair**

Australian Accounting Standards Board and Australian Auditing and Assurance Standards Board Annual Reports 2018-19

Representatives of the AASB have presented at global conferences, to strengthen international relations with other standard setters, and foster closer working relationships with key international stakeholders. Specifically, we have delved into financial reporting frameworks, disclosure initiatives, management commentary, intangible assets, goodwill and impairment, business combinations under common control, discount rates and crypto-currencies. Our work on crypto-currencies has been endorsed by the IASB's Interpretations Committee.

The AASB continues to work closely with the Asian-Oceania Standard Setters Group (AOSSG), and as Chair of the Financial Instruments working group maintains a presence at the IASB's Accounting Standards Advisory Forum (ASAF). The AASB also had productive bilateral meetings with the Chinese Ministry of Finance and Accounting Standards Board of Japan (ASBJ), as well as hosting the ASBJ in Melbourne. The working relationship between the AASB and NZASB continues to be a key contributor to our international objectives and in particular ensuring that where relevant we can work towards Trans-Tasman harmonisation for publicly accountable entities. We look forward to continuing our leadership role in the Asia-Oceanic region, working closely with other regional and global standard-setting bodies, as we collaborate on the development of international standards and sharing of best practices.

MANAGEMENT COMMENTARY

I was appointed to the IASB's Management Commentary Consultative Group in July 2018, increasing our ability to influence the direction of the project. This project will require us to reassess our current Operating and Financial Review requirements, considering whether the IASB's proposals should be mandatory and audited in Australia, as management commentary is in Germany.

STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS

The results from 196 respondents to our inaugural stakeholder survey provided valuable feedback, indicating 61% rated us 7 or more out of 10 for our standard setting activities and 71% with our performance. We will continue to look for new and innovative ways to keep you informed and engaged. The results are set out in more detail in 2018-19 Activities and Related Key Performance Indicators.

In addition to the AASB's continued outreach program involving roundtables, webinars and targeted consultation throughout Australia, we substantially progressed establishing a User Advisory Committee (UAC), with the inaugural meeting conducted in August 2019

Stakeholder outreach has been a constant through our subscriber database, social media, and industry bodies. We have amassed over 7,300 followers on LinkedIn and 970 on Twitter, and in the past year, have published 200 posts through both of these channels, in return receiving post engagement that has helped propel AASB's brand and message exponentially through these platforms. Our Weekly Update newsletter ensures that our database of 2,000 stakeholders (and counting), stay informed of the latest AASB and international news pertaining to accounting standards

Part of our communications strategy involves regular contact with media and industry bodies, to ensure stakeholders outside of AASB-owned channels and databases are being served timely news and updates. For example, to date, our *Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2* campaign has received monthly media mentions in Australian news and industry publications, including the Australian Financial Review, Acuity magazine (Chartered Accountants Australia and New Zealand), In The Black magazine (CPA Australia), the CPA Australia Podcast, Footprint News, Actuaries Digital, Accru, Listed@ASX magazine (Australian Securities Exchange [ASX]), and the Climate Disclosure Standards Board (CDSB).



IMPROVING THE AUSTRALIAN REPORTING FRAMEWORK

This key strategy involves collaborating with other regulators to develop objective criteria on:

- who prepares financial reports;
- what needs to be reported; and
- the nature and extent of assurance required on financial reports.

The project is aimed at improving the comparability, transparency, consistency and enforceability of financial statements prepared in accordance with Australian Accounting Standards (AAS).

After hearing concerns from not-for-profit entities and considering the ACNC Legislative Review¹ report, the AASB decided it would be more appropriate to address reform for the public sector and the NFP private sector via separate targeted consultations.

As a result of ITC 39 *Applying the International Accounting Standards Board's (IASB's) Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* submissions, user surveys, extensive outreach and AASB commissioned research, the AASB is progressing with the following proposals:

¹ Strengthening for Purpose: Australian Charities and Not-for-Profit Commission Legislation Review 2018

- ED 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* to remove the ability for certain for-profit private sector entities to self-assess their financial reporting requirements when required to publicly lodge financial statements (mostly 10,500 large proprietary, unlisted public and small foreign controlled companies, with 700 up to 1700 expected to be significantly impacted by having to change their recognition and measurement accounting policies and 7,500 having to increase their disclosures to include amongst others, related party information). These proposals will significantly simplify the for-profit reporting framework and improve the comparability, transparency, and enforceability of financial statements for the benefit of users;
- ED 295 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* to replace the existing Tier 2 GPFS (Reduced Disclosure Requirements) to reduce the disclosure burden for all Tier 2 entities, including not-for-profit entities; and
- ED 293 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements* to require entities continuing to prepare SPFS to disclose an explicit statement as to whether or not the accounting policies comply with all the recognition and measurement requirements in AAS and if not, an indication of where they do not comply. These proposals will enhance the transparency of financial statements for the benefit of users.
- ED 291 *Not-for-Profit Entity Definition and Guidance Improve the definition and guidance on who should be considered a not-for-profit entity*

These proposals complement the recent doubling of the financial thresholds that determine when a private company is considered 'large' and needs to publicly lodge financial statements.

The above projects are informed by AASB Research Report No 7 *Financial Reporting Requirements Applicable to For Profit Private Sector Companies* issued in May 2018 and AASB Research Report No 12 *Financial Reporting Practices of For-Profit Entities Lodging Special Purpose Financial Statements*.

In the public sector we have seen key preparers and the Financial Reporting Council start to consider the opportunities for improving financial reporting suggested in AASB Research Report No 6 *Financial Reporting Requirements Applicable to Public Sector Entities* issued in May 2018 and AASB Discussion Paper *Improving Financial Reporting for Australian Public Sector* issued in June 2018.

In the not-for-profit private sector (charities and incorporated associations) we have had ongoing collaboration with other key regulators such as the ACNC and were pleased that an outcome of addressing the states and territories consumer affairs commissioners was a working group to progress financial reporting reform in this sector as suggested in AASB Research Report No 5 *Financial Reporting Requirements Applicable to Charities* and AASB Discussion Paper: *Improving Financial Reporting for Australian Charities*. The AASB also commissioned research into the extent of compliance with recognition and measurement requirements in AAS by entities lodging SPFS with ACNC. The findings of this research, Research Report No 11: *Review of Special Purpose Financial Statements: Large and Medium-Sized Australian Charities*, are critical to determining the need for, and extent of, reform in the not-for-profit private sector.

NOT-FOR-PROFIT SECTOR

Appropriate tailoring of IFRS for the not-for-profit sector remains a key strategy. Issues raised by public sector constituent's regarding implementation of AASB 1059 *Service Concession Arrangements: Grantors* are being addressed through amending the standard. We also continued our work on guidance to accompanying AASB 13 *Fair Value Measurement* for application by NFP public sector entities.

To respond to implementation concerns regarding AASB 1058 *Income for Not-For-Profits* and AASB 15 *Revenue from Contracts with Customers* we issued public sector guidance and examples for licensors and provided a temporary option for not-for-profit lessees to elect not to measure a class (or classes) of right-of-use (ROU) assets arising under 'concessionary leases' at fair value on initial recognition. We are also progressing a project to address implementation issues relating to research grants.

The submissions on ITC 41 *The AASB's Approach to International Public Sector Accounting Standards* indicated continued support for using IFRS as a base for public sector reporting, rather than IPSASB's at this time.

AREAS OF CONTINUED FOCUS

This year, the AASB had several projects not completed as quickly as planned. The reasons for this vary from deferred effective dates by the IASB to the need for further stakeholder consultation in order for us to make informed, evidence-based decisions that most accurately reflect stakeholder feedback.

These Projects include guidance for entities adopting the Tax Transparency Code (TTC) in preparing and presenting tax disclosures, reporting service performance information, remuneration reporting, insurance in the NFP public sector, and fair value measurement in the public sector. Further details can be found under section 2018-19 Activities and Related Key Performance Indicators.

We look forward to continuing progress and completing these projects in 2019-20.

We continue to liaise with other regulators regarding feedback on our standards and consider the extent to which financial reports are relevant to investors. We have not received any feedback that would indicate the AASB has not facilitated confidence in the Australian economy, including its capital markets.

PEOPLE

Our people continue to be critical to our success. As a result of significant restructuring to address budgetary issues in the recent past we are continuing to build our core team. As a result of employee feedback, we are progressing, with the assistance of HR experts, a number of initiatives to improve our culture, employee engagement, induction of new staff, professional development opportunities, growth pathways, and role clarity and accountability.

We are also progressing IT initiatives to promote flexible and adaptable ways of working.

LOOKING TOWARD 2020

In 2019-2020, our key priorities remain focused on reforming the Australian Reporting Framework, issuing IFRS standards, guidance and consultation documents on a timely basis and progressing projects on fair value measurement in the public sector, service performance reporting and tax transparency and research on intangible assets and extractive activities. We will seek to expand the range of stakeholders involved in our collaboration and consultation.

On the international front, we will be continuing to use our international influence to ensure that IFRS remains relevant to the needs of Australian preparers and users of external reporting. We will continue to work with the IASB through the AASB's User Advisory Committee, Insurance Transition Resource Group, my membership on the IASB's Management Commentary panel and the AOSSG to ensure IFRS remains relevant and applicable to Australian requirements. Our ongoing people and IT projects are designed to make AASB the place to be, providing career enhancing opportunities.

We have a full agenda in 2019-2020 and we are looking forward to continuing our work to ensure that principle-based accounting standards contribute to confidence in the Australian economy.

FINANCIAL RESULTS

The AASB has recognised a Total Comprehensive loss of \$23,332 (2018: Surplus of \$240,578) as a result of the current Information, Communication and Technology project being undertaken exceeding budget and the outgoing National Director severance pay.

As planned, our engagement of contractors decreased during the year, with expenses of \$484,162 (2018: \$832,121) (refer to Note 3A to the Financial Statements) and an associated increase in employee expenses.

Management fees received from the AUASB were \$767,761 (2018: \$777,072) as set out in our Memorandum of Understanding (MoU) (refer to Note 2A and 2B to the Financial Statements), higher than anticipated due to the additional costs referred to above.

Direct travel costs increased to \$342,278 (2018: \$284,077), due to attendance at the World Congress of Accountants (held in Sydney) which increased accommodation expenses, and greater participation at international conferences also increased our international travel costs. Publications and Subscriptions increased to \$123,025 (2018: \$98,128) due to our 50-year history documentary.

Note 12 to the Financial Statements provides further details of variances from the reported budget numbers.

ACKNOWLEDGEMENTS

First and foremost, I would like to thank the AASB's board members, panel members, and employees for their efforts in helping the AASB achieve its goals. We have invested time and

effort into recruiting professionals who bring unique strengths and skills to our team, people who believe in the mission of the AASB and the important role we play in the Australian economy.

This year saw several key changes. I would particularly like to acknowledge the contributions of our outgoing Deputy Chair, Regina Fikkers, whose input was invaluable during the restructuring of the AASB's activities. We also farewelled Marc Smit as a Board member whose insights into corporate Australia were helpful. Mr Mike Blake was appointed to Deputy Chair of the AASB, and we welcomed new board members Mr James Grant (Group Financial Controller at Westpac), and Mr Paul Rogers (Partner, Audit, Assurance & Risk Consulting at KPMG). The contributions of our outgoing employees, including Research Director, Professor Christine Helliar were greatly appreciated. We took the opportunity to refine our approach to engaging with the academic community and welcomed Dr Mukesh Garg as our Research and Education Principal. We also welcomed several new technical and business services employees.

The Technical and Business Services employees of the AASB have provided excellent support to the Board during the year, and the significant progress we have made on our key projects is due to their insights and engagement with stakeholders.

Finally, I would also like to give special thanks to the AASB Insurance TRG Chair Anne Driver, Auditing and Assurance Standards Board (AUASB) Chair, Mr Roger Simnett AO, and our outgoing National Director, Mr Damian Paull.



Kris Peach
Chair and CEO
11 September 2019

AASB ANNUAL PERFORMANCE STATEMENT

2018-19

I, Kris Peach, as the accountable authority of the Australian Accounting Standards Board, present the 2018-19 annual performance statement of the Australian Accounting Standards Board, as required under paragraph 39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act Entity Purpose.



ENTITY PURPOSE

As set out in the Treasury Portfolio Budget Statements for 2018-19, the AASB's single outcome is to formulate and make accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions. The AASB's vision is to contribute to stakeholder confidence in the Australian economy, (including its capital markets) and in external reporting integral to financial reporting. Its mission and single program are:

- developing, issuing and maintaining accounting standards and guidance that meet user needs and enhance external reporting consistency and quality
- contributing to the development of a single set of accounting and external reporting standards for world-wide use.

Our purpose is to:

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

The Chair's report sets out the contextual basis for progress made on achieving our strategies and purpose.

THE AASB'S STANDARD SETTING PROCESS

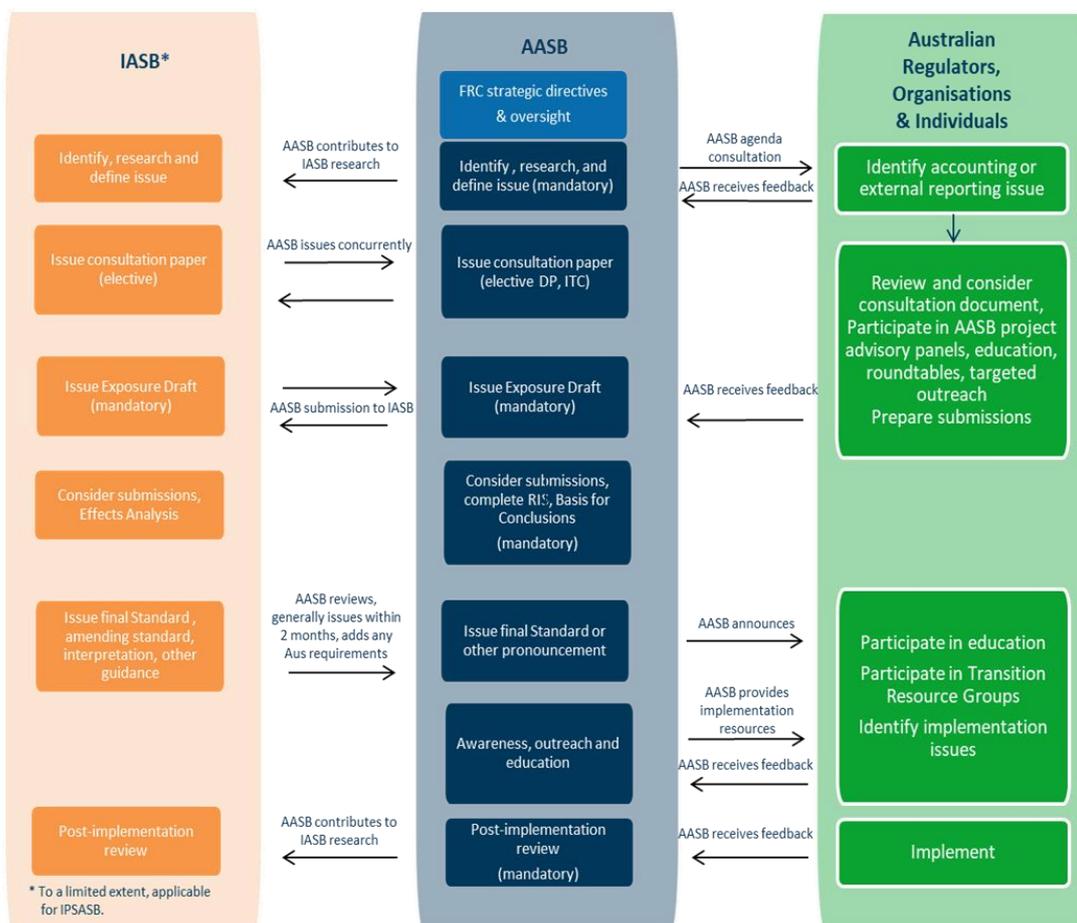
Developing issuing and maintaining principles-based accounting standards

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

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

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

AASB Due Process Framework for Setting Standards



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

2018-19 AASB ACTIVITIES AND RELATED KEY PERFORMANCE INDICATORS

The tables below identify the activities the AASB identified in its Corporate Plan and Parliamentary Budget Statement (PBS) as contributing to the seven strategies above, for the 2018-19 reporting period. These tables also indicate whether or not the activities were achieved and, if not, why not.

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Explanation
A. WORK PROGRAM ACTIVITIES				
IASB equivalent Standards issued in the same timeframe of the release of the IFRS and in accordance with legislative drafting and registration requirements.	Strategy 1 PBS Outcome 1 Program 1 Deliverable 2 KPIs 1, 2	IASB equivalent Standards issued within two months of the release of the IFRS.	Achieved	The AASB issued the Australian equivalents of the below IASB amending Standards in December 2018 within two months of issue: <ul style="list-style-type: none"> Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> to clarify the definition of material, and Amendments to IFRS 3 <i>Business Combinations</i> to improve the definition of a business.
Develop Australian specific Standards and/or guidance for topics not specifically addressed by IFRS Standards within timelines in project plans agreed with the Board.	Strategy 1 PBS Outcome 1 Program 1 Deliverables 1, 2 KPIs 3, 4	Australian specific Standards for the projects outlined below developed within timelines agreed with the Board: → insurance in the NFP public sector	Partially achieved	Discussion paper issued in November 2017. Submissions were considered at the September 2018 AASB Meeting. The project has been deferred as the IASB is deferring the effective date of AASB 17 <i>Insurance Contracts</i> to 1 January 2022

		<p>→ fair value measurement in the public sector</p> <p>→ revenue from licences in the public sector – Note: project to be completed by Q4 2018 to align with application date for AASB 15 and AASB 1058 for NFP entities</p> <p>→ revise Tier 2: Reduced Disclosure Requirements</p>	<p>Partially achieved</p> <p>Achieved</p> <p>Achieved</p>	<p>and other projects, such as reforming the Australian Financial Reporting Framework for the for-profit private sector entities are currently considered a higher priority.</p> <p>The Board has started considering practice issues experienced by public sector entities in applying AASB 13 <i>Fair Value Measurement</i> since Q2 2019. Staff are developing public-sector-specific guidance. An Exposure Draft is expected in Q4 2019.</p> <p>The final standard was issued in September 2018.</p> <p>Pre-ballot Exposure Draft proposing an alternative GPFS Tier 2 framework (based on the disclosure requirements in the IFRS for SMEs Standard) to replace the current RDR framework in Australia considered in June 2019. AASB ED 295 <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i> was issued in August 2019.</p>
Develop consultative documents in relation to the Australian Financial Reporting Framework, to develop objective criteria for which entities in the for-profit sector and the not-for-profit sector prepare external reports including financial reports and the type of assurance needed for these reports. Includes working	Strategies 2, 5 PBS Outcome 1 Program 1, Deliverable 1 Strategies 1, 3 PBS Outcome 1 Program 1, Deliverable 4	Consultative Documents outlined below developed within timelines agreed with the Board:		In June 2019, the AASB issued ED 291 <i>Not-for-Profit Entity Definition and Guidance</i> which proposes to replace the current definition of NFP entity to have greater focus on nature and purpose of a NFP entity with guidance and examples. The definition is significant to determining reporting requirements, particularly if there is a separate NFP financial reporting framework with simplified recognition and measurement requirements and different reporting tiers for NFP entities.

<p>with policy makers in the for-profit and NFP sectors (including public sector policy makers).</p>		<p>→ NFP private sector</p>	<p>The AASB published Research Report 10 <i>Legislative and Regulatory Financial Reporting Requirements</i>, which identified the entities with financial reporting obligations under Federal and State/Territory legislation that will or may be captured by the AASB in its work to reform the Financial Reporting Framework for the FP and NFP entities.</p> <p>Research Report 11: <i>Review of Special Purpose Financial Statements: Large and Medium-Sized Australian Charities</i> was finalised in August 2019. This report examines the extent of compliance with R&M requirements in AAS by medium and large charities.</p> <p>Based on feedback from not-for-profit (NFP) entities and discussions with the ACNC and other State and Territory regulators regarding recommendations in the ACNC Legislative Review report, the AASB decided that the proposals to remove the ability for certain entities to prepare SPFS when required to prepare financial statements in accordance with AAS should only apply to for-profit private sector entities, and that it would be more appropriate to address the reform of the financial reporting framework for NFP private sector via separate targeted consultations undertaken as part of the broader financial reporting framework project. The AASB also decided to consider the public sector financial reporting framework separately (refer below).</p> <p>The AASB discussed options of reporting tiers with the ACNC and other regulators and received positive feedback. The AASB will continue to work with the ACNC, state</p>
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		<p>→ NFP public sector</p> <p>→ FP sector</p>	<p>Progressing</p> <p>Mostly Achieved</p>	<p>and territory legislators on developing appropriate reporting requirements for NFP private sector.</p> <p>The AASB issued Discussion Paper (DP) <i>Improving Financial Reporting for Australian Public Sector</i> in June 2018.</p> <p>A sub-committee of the Financial Reporting Committee (FRC), will lead this project and engage with key stakeholders at the Commonwealth and State levels. The project is expected to run until at least 2022.</p> <p>Pre-ballot Exposure Draft proposing removing the ability of large proprietary, small foreign controlled and unlisted public companies (other than those limited by guarantee) to prepare special purpose financial statements (SPFS) considered in June 2019. AASB ED 297 <i>Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities</i> was issued in August 2019. Extensive outreach activities are planned in October 2019 to garner feedback. The proposals in the ED are expected to be made applicable for annual reporting periods beginning on or after 1 July 2020.</p> <p>Research Report 12: <i>Financial Reporting Practices of For-Profit Entities Lodging Special Purpose Financial Statements</i> was published in August 2019 which enables the AASB to take an evidence informed approach towards the reform of the Australian Financial Reporting Framework for for-profit private sector entities.</p> <p>As a result of feedback from users and research findings, a pre-ballot draft Exposure Draft, proposing to require entities preparing SPFS to make an explicit</p>
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				statement as to whether or not the accounting policies applied in the SPFS comply with all the recognition and measurement requirements in AAS was considered in June 2019. Following this, ED 293 <i>Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements</i> was issued in July 2019. The proposals in ED 293 provide greater transparency to users of publicly lodged SPFS while the AASB progresses with its broader project.
Maintain Australia/New Zealand convergence in accordance with Trans-Tasman requirements for, for-profit entities by harmonising, wherever possible given the different regulatory environments, Australian and New Zealand Accounting Standards through working actively with the NZASB.		Australian and New Zealand Accounting Standards harmonised for for-profit sector, wherever possible.	Achieved	<p>The two IFRS Standards mentioned above have also been issued in New Zealand for the for-profit entities</p> <p>ED 291 Not-for-Profit Entity Definition and Guidance, referred to above, is based on the NZ definition and guidance for Public Benefit Entity (PBE).</p> <p>ED 295 on simplified disclosures for Tier 2 entities, referred to above, would result in a divergence from the New Zealand RDR Framework i.e. Tier 2 framework. However, the R&M requirements for entities applying the Tier 2 reporting frameworks in Australia and New Zealand would remain consistent and given the current situation of many Australian entities not complying with full R&M requirements, the overall outcome is likely to be more consistency with NZ requirements than currently.</p>
Maintain and enhance key international relationships (IASB, IPSASB and AOSSG).	Strategy 3 PBS Outcome 1 Program 1	→ Maintain membership on the Accounting Standards Advisory Forum (ASAF).	Not achieved	Australia no longer has its own seat on ASAF as a result of the IASB rotating membership amongst the key Asia Oceanic accounting standard setting countries of China, Japan, Korea and

	<p>deliverable 4, KPIs 5, 6</p>	<p>→ Maintain close relationships with IPSASB and provided technical support to Australian member on IPSASB.</p> <p>→ Maintain leadership of at least one AOSSG Working Group.</p> <p>→ Present at least one paper to ASAF, IFASS and/or AOSSG and receive positive feedback on the paper.</p>	<p>Achieved</p> <p>Achieved</p> <p>Achieved</p>	<p>Australia. However, Australia is still participating at ASAF through its AOSSG Financial Instruments Working Group leadership role and has taken 2 thought leadership pieces to ASAF.</p> <p>Mike Blake, AASB Board member is also IPSASB Vice-Chair. AASB staff member provides technical support to Mike Blake and attends IPSASB meetings.</p> <p>AASB is the AOSSG working group leader for Financial instruments and Liabilities</p> <p>AASB Chair and staff presented the AASB-AUASB Bulletin <i>Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2</i> and AASB Research Report No. 9 <i>Perspectives on IAS 36: A Case for Standard Setting Activity: Summary of Outreach Results</i> at IFASS in March 2019 and at ASAF in April 2019. The climate-change bulletin has been well received with IASB endorsement from Chair Hans Hoogervorst, who quoted “sustainability issues can already have an impact that needs to be reflected in financial reporting as it currently is”.</p>
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High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Comments
A. WORK PROGRAM ACTIVITIES				
<p>Complete projects for external reporting beyond financial reporting as per timelines in project plans agreed with the Board.</p>	<p>Strategy 5 PBS Outcome Program 1 Deliverables 1, 2</p>	<p>The following projects for external reporting beyond financial reporting completed as per timelines in project plans agreed with the Board:</p> <ul style="list-style-type: none"> • guidance for entities adopting the Tax Transparency Code (TTC) in preparing and presenting tax disclosures. • reporting service performance information. • remuneration reporting. 	<p>Partially Achieved</p> <p>Partially Achieved</p> <p>Partially Achieved</p>	<p>The Board of Taxation is revisiting the existing TTC requirements. The finalisation of AASB's guidance is subject to the Board of Tax timelines. Research on application of the AASB's draft guidance is being conducted.</p> <p>Literature review nearing completion. Options and proposals for Service Performance Reporting being considered as part of broader project to reform the Australian Reporting Framework for NFP entities (refer above) and IASB's management commentary project as there is likely to be significant overlap.</p> <p>Research report issued in February 2019. Staff undertaking international benchmarking work.</p>

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved/Not Achieved)	Comments
A. WORK PROGRAM ACTIVITIES				
Consider emerging issues and impact of changing technologies in all AASB submissions and each major AASB project.	Strategy 6	Emerging issues and impact of changing technologies considered in all AASB submissions and each major AASB project.	Partially Achieved	The AASB issued a bulletin jointly with the AUASB on <i>Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2</i> , which received overwhelming positive response from the international and domestic accounting community and media. However, the AASB has not yet considered other emerging risks in its projects.
Education initiatives, such as webinars and presentations for new major Standards issued considered effective by stakeholders.	Strategy 7 PBS Outcome 1 Program 1 KPI 6	Education initiatives for each major Standard issued agreed with Board and completed as per agreed timelines and receive positive feedback on education initiatives, such as webinars and presentations for new major Standards issued.	Achieved	The AASB conducted a webinar on staff FAQs related to Mutuals and Coops in February 2019. The slide pack and a recording of the webinar is available on the AASB website.
Promote the development of education initiatives by others (for example ACNC) by providing, technical input to their initiatives and co-presenting at their education sessions.	Strategies 4, 7 PBS Outcome 1 Program 1 KPI 6	Provided technical input to education initiatives by others (for example ACNC) and co-presented at their education sessions in accordance with project plans agreed with the Board.	Achieved	AASB representatives presented on ITC 39, management commentary and new Standards at several CPA Australia and CAANZ conferences in H1 2019.

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Comments
A. WORK PROGRAM ACTIVITIES				
Develop staff publications, and frequently asked questions (FAQs) to help with consistent application of accounting and external reporting standards as agreed with the Board.	Strategy 7 PBS Outcome 1 Program 1 KPI 6	Staff publications and FAQs developed, as agreed with the Board.	Achieved	A number of FAQs related to AASB 1058 <i>Income of Not-for-Profit Entities</i> , AASB 16 <i>Leases</i> and AASB 15 <i>Revenue from Contracts with Customers</i> have been released. Currently consulting on research grants FAQ.
B. STAKEHOLDER ACTIVITIES				
Conduct agenda consultation, usually in connection with IASB agenda consultation, to seek formal input on AASB's work program.	Strategies 1, 2, 4, 6, 7 PBS Outcome 1 Program 1 Deliverable 1	Conduct formal agenda consultation every three years.	Progressing	Board to conduct agenda consultation in 2020 for the 2020-2022 period
The AASB has a thorough awareness of ideas and concerns of Australian Stakeholders through effective engagement. Stakeholder satisfaction survey net promoter score used to obtain initial year results to benchmark for	Strategies 1, 4 PBS Outcome 1 Program 1 Deliverable 1, KPI 7	→ Annual survey conducted and improved stakeholder satisfaction compared to previous year.	Partially Achieved	The inaugural stakeholder survey results indicate the views of 196 stakeholders: <ul style="list-style-type: none"> Overall, 61% (proportion of those who selected 7-10 on an 11-point scale) are satisfied with the standard setting activities of the AASB and 71% are satisfied with the performance of the AASB. 88% (proportion of those who selected 7-10 on an 11- point scale) are familiar with the organisation, and

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Comments
B. STAKEHOLDER ACTIVITIES				
performance improvement including of Board and staff.				<p>52% believe that they are engaged with the AASB.</p> <ul style="list-style-type: none"> • Areas where stakeholders were most likely to agree were independence (80%), trust (79%), timely communication of upcoming changes (74%), active engagement with stakeholders before finalising standards & guidance (73%) and relevant communications (72%) • Areas where fewer stakeholders agreed include responsiveness to changes (51%), adapting international standards appropriately for charities & other not for profit entities (56%) and AASB standards and guidance are easy to understand & apply (58%). • A clear area for improvement is 35% of stakeholders do not believe it is easy to contact someone at the AASB
		→ Results of post-implementation reviews (PIRs) support issuance of Standards (and subsequent amendments), assessing user needs, benefits and costs.		None for the reporting period

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Comments
B. STAKEHOLDER ACTIVITIES				
Improved levels of stakeholder engagement.	Strategy 4 PBS Outcome 1 Program 1 Deliverable 1	→ Participation at roundtables, education sessions, webinars, formal/informal submissions, targeted meetings, numbers of LinkedIn, Twitter followers, requests for presentations, and publication articles, increased year-on-year.	Achieved	<ul style="list-style-type: none"> • Number of AASB newsletter subscribers increased by 13% over the twelve months to June 2019 • Number of LinkedIn main page followers increased by 28.46% over the twelve months to June 2018 • Number of twitter followers increased by 15.6% over the twelve months to June 2018.
		→ At least four roundtables/education sessions held each year.	Achieved	Five roundtable sessions were conducted on ITC 39 in September 2018 by AASB staff. The AASB also held a webinar on staff FAQs related to Mutuals and Coops in February 2019.
		→ Increased average number of responses per key topic compared to previous year.	Partially Achieved	<p>The AASB had the following number of participants in each of its key events this year:</p> <ul style="list-style-type: none"> - Roundtables on Applying the Conceptual Framework in Australia – 176 attendees in total across 5 cities (increase by 12.1% from previous financial year) - 6 Exposure Drafts were published during the period to which the AASB received 24 submissions (0% change of average response per ED from previous financial year) - 2 Invitations to comments with 7 responses (average response per ITC

High-level priority activities to achieve AASB Strategy	Links to AASB Strategic Objectives	Key Priorities/KPI	Outcome (Achieved Not Achieved)	Comments
B. STAKEHOLDER ACTIVITIES				
		→ increased social media follower numbers compared with previous year.		<p>decreased by 76% from previous financial year)</p> <ul style="list-style-type: none"> - 90 attendees on 1 AASB webinar (decreased by 25% from previous financial year) - 3 AASB workshops and forums with 44 attendees (decreased by 25.42% from previous financial year) <p>• See above.</p>
Monitor through press coverage, Minister, FRC and other stakeholder feedback, ASIC, APRA and other regulator surveillance program results that there is no evidence that confidence in the Australian economy, including its capital market has been lost due to accounting standard issues.	Strategy 1 PBS Outcome 1 Program 1 Deliverables 1, 2 KPIs 3, 4	There is no evidence that confidence in the Australian economy, including its capital market has been lost due to accounting standard issues.	Achieved	No evidence indicating concerns provided by other regulators or research from Melbourne University considering the value relevance of financial statements.

OUTPUTS

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

Standards	
AASB 2018-3	<i>Amendments to Australian Accounting Standards – Reduced Disclosure Requirements</i> (August 2018)
AASB 2018-4	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</i> (September 2018)
AASB 2018-5	<i>Amendments to Australian Accounting Standards – Deferral of AASB 1059</i> (October 2018)
AASB 2018-6	<i>Amendments to Australian Accounting Standards – Definition of a Business</i> (December 2018)
AASB 2018-7	<i>Amendments to Australian Accounting Standards – Definition of Material</i> (December 2018)
AASB 2018-8	<i>Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities</i> (December 2018)
AASB 2019-1	<i>Amendments to Australian Accounting Standards - References to the Conceptual Framework</i> (May 2019)
Exposure Drafts	
ED 286	<i>Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities</i> (November 2018)
ED 287	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> (January 2019)
ED 288	<i>Interest Rate Benchmark Reform</i> (May 2019)
ED 289	<i>Annual Improvements to Australian Accounting Standards 2018–2020</i> (May 2019)
ED 290	<i>Reference to the Conceptual Framework</i> (June 2019)
ED 291	<i>Not-for-Profit Entity Definition and Guidance</i> (June 2019)
Invitations to Comment	
ITC 40	<i>Financial Instruments with Characteristics of Equity</i> (July 2018)
ITC 41	<i>The AASB's Approach to International Public Sector Accounting Standards</i> (August 2018)
Research Reports	
No. 8	<i>Literature Review: Remuneration Reporting</i> (February 2019)
No. 9	<i>Perspectives on IAS 36: A Case for Standard Setting Activity: Summary of Outreach Results</i> (March 2019)
No. 10	<i>Legislative and Regulatory Financial Reporting Requirements</i> (March 2018)

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

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

AUASB CHAIR'S REVIEW

OUR 2018-19 PERFORMANCE



It is my pleasure to present the 2018-19 Auditing and Assurance Standards Board's (AUASB) Annual Report.

This year, my second full year as the Chair of the AUASB, has been a very busy and consistently challenging one. I am very pleased to report to you the actions and initiatives the AUASB and its Staff has put in place to respond to the wide range of issues faced across the auditing and assurance profession over the reporting period.

After revising and implementing the AUASB's updated strategy (in conjunction with the Australian Accounting Standards Board) and highlighting a number of new areas of focus for the AUASB in 2017-18, this year our focus has been more on traditional standard setting activities, with a number of very important auditing standards and exposure drafts being issued. We have also developed and implemented an updated international strategy to increase our influence across the global standard setting community and have the AUASB recognised as one of the world's leading auditing and assurance standard setters.

Additionally, all of the strategic project areas and thought leadership topics we identified in the previous year have continued to progress. As highlighted later in a separate section of my AUASB Chair's Report, the work we have done and continue to do in collaboration with the Financial Reporting Council (FRC) and a broad range of auditing and assurance stakeholders on understanding and improving the levels of Audit Quality in Australia, is particularly pleasing and highly acknowledged. Indeed, in recognition of the role that the AUASB does in supporting the FRC's Audit Quality oversight mandate, we have been allocated additional funding for the next 3 years to continue and expand our work in this area.

There is still work necessary to improve some of our internal and external processes and systems. For example, there has been a big push to enhance our information technology tools and arrangements to increase collaboration internally and with our key stakeholders, which is still a work in progress. Finally, we continue to work collaboratively with the AASB to achieve the best results for financial reporting outcomes and associated assurance outcomes for Australia.

I am very pleased to present my summary below of the AUASB's achievements for 2018-19, which demonstrates our commitment and progress to deliver on our strategic objectives. A more complete summary of how we have achieved each of our high-level priorities designed to address the AUASB's strategy & outcomes is contained in the table that summarises the AUASB's 2018-19 activities and related key performance indicators on page 49.

DELIVERING ON OUR STANDARD-SETTING AGENDA

As noted above, there has been a greater focus on our standard setting activities in the 2018-19 year, with a number of key auditing standards released and exposure drafts out for comment over the reporting period. The new and revised auditing standards we have recently released, or are currently reviewing, represent significant changes from their predecessor versions and also are standards very much at the heart of an audit. There were also two Australian specific pronouncements that the AUASB updated or issued exposure drafts for in 2018-19.

Revised ASA 540 on Auditing Accounting Estimates

The international financial reporting framework has evolved to be more forward looking, leading to an increase in the volume and complexity of accounting judgements and related disclosures. The approval of ASA 540 *Auditing Accounting Estimates and Related Disclosures* in December 2018, ensures that the quality of auditing of management estimates and disclosures in Australia keeps pace with these developments in financial reporting and the regulation of entities with complex financial arrangements.

Responding to IAASB Exposure Drafts

There were a number of major exposure drafts issued by the International Auditing and Assurance Standards Board (IAASB) in 2018-19 and the AUASB conducted extensive outreach with its stakeholders to seek feedback and develop its response to these proposed standards.

The AUASB issued its exposure draft relating to ISA 315 *Identifying and Assessing the Risks of Material Misstatement* in August 2018. This proposed standard sets out the risk assessment procedures that form the foundation for an audit of financial statements and contains essential enhancements to the auditor's risk assessment process, with the objective of establishing more robust requirements and appropriately detailed guidance to drive auditors to perform consistent and effective identification and assessment of the risks of material misstatement.

AUASB exposure drafts relating to revisions of the IAASB's quality control standards that address the management of quality both at the firm level and the engagement level were approved and issued in March 2019. The proposed Quality Management standards (as they are now known) include a proactive risk-based approach to effective quality management systems within firms that establish the foundation for consistent engagement quality. This approach is intended to improve the scalability of the standards because it promotes a system tailored to the nature and circumstances of the firm and its engagements. Our outreach on these exposure drafts - ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ISQM 2 *Engagement Quality Reviews*; and ISA 220 *Quality Management at the Engagement Level* highlighted broad support for the concepts in each of the proposed standards, but major concerns about how they were drafted. In its responses to the IAASB on these exposure drafts the AUASB noted with concern that they all contain greater complexity and detail than the extant standards they are replacing. This makes the proposed standards more challenging for auditors to apply, and may result in increased costs with arguably no commensurate increase in the level of audit quality for auditors of all types of entities.

The AUASB issued a consultation paper in December 2018 on the IAASB's exposure draft for ISRS 4400 *Agreed-Upon Procedures Engagements* which largely aligned with its Australian equivalent standard ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*. Whilst the AUASB considered that the proposed Agreed-Upon Procedures (AUP) standard had been clarified to respond to the needs of stakeholders and address public interest issues, there were a number of matters which we considered needed review by the IAASB to improve consistency in implementation of the standard to ensure that the needs of intended users are met.

Other AUASB Pronouncements

After last being updated in 2009 the AUASB has now issued a revised AUASB Glossary which sets out the terms defined, or used in, the suite of AUASB Standards. And finally, in May 2019 the AUASB issued an exposure draft to update ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* that proposes amendments to the format and content of the auditor's review report to align it with the enhanced auditor reporting requirements that became effective for periods ending on or after December 2016. The update of this review standard is being carried out in collaboration with the New Zealand Auditing and Assurance Standards Board (NZAuASB) to ensure the requirements are consistent across both sides of the Tasman, and responses will be considered at the AUASB next meeting in September 2019.

Strategic Projects and Thought Leadership

Following on from our commencement of a number of AUASB strategic projects in 2017-18, in the current period we have continued our focus on seven strategic projects which are intended to:

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

There are two AUASB strategic projects we have progressed in 2018-19 that I would highlight:

(a) Working with the AASB on Financial Reporting and Assurance Frameworks

The AUASB continues to support the Australian Financial Reporting Framework Project being progressed by the AASB by evaluating whether the auditing and assurance standards are fit for purpose for reporting framework proposals, and that the related nature and extent of assurance required on financial reports is clearly communicated and appropriate. We look forward to continuing our collaboration with the AASB on this critical project, in particular where there is an impact on auditors arising from the AASB's proposed changes that needs to be communicated.

(b) Preliminary work on the Use of Technology in the Audit, including Data Analytics.

The AUASB's project on the Use of Technology in the Audit, including Data Analytics has firstly seen our AUASB technical staff analysing current auditing standards to assess what barriers or challenges exist that may impede or reduce the efficiency of practitioners applying new technologies as part of their audit program. We have then engaged with a range of stakeholders, in particular audit software providers and technology experts from a number of major Australian

audit firms and Auditor-Generals offices, to identify the benefits and challenges encountered when using technology on their audit engagements. Finally we have summarised the findings from these activities and shared them with the IAASB's Technology Working Group (whose objective is to explore emerging developments in the effective and appropriate use of technology, including data analytics, to enhance audit quality), as well begun considering whether local guidance is required in some of these areas.

The other strategic projects and thought leadership topic areas which the AUASB and staff have addressed in 2018-19 are:

- Auditor Reporting Implementation
- Coordination and Cooperation with Regulators
- Assurance over Emerging Forms of External Reporting (EER)
- Public Sector Auditing and Assurance Issues
- Consideration of matters related to small and medium practices (SMPs) and audits of small- and medium-sized entities (SMEs)

Details of the actions we have undertaken in 2018-19 on these strategic projects and areas of thought leadership are discussed elsewhere in the annual report.

Undertaking evidence informed standards setting

In April 2019 the AUASB released its inaugural Evidence Informed Standard Setting (EISS) Strategy. The EISS strategy directs the AUASB activities to ensure that standard-setting deliberations and decisions are informed by relevant and reliable evidence. Included in the EISS strategy are the guiding principles on how the AUASB evaluates formalised and structured research activities that support AUASB's work program. This enhances Australia's reputation as a leader in auditing and assurance thought leadership, and contributes to the global standard setting agenda. Operationalising the EISS Strategy will be a key priority in 2019-20.

As part of this strategy the AUASB has created a new position to assist with our evidence informing activities. The 'AUASB Academic Scholar' is an honorary position that provides an opportunity for highly respected auditing and assurance academics to work with the AUASB Chair and the Technical Group on research topics that are mutually agreed and relevant to the outcomes of the AUASB. Our first two AUASB Academic Scholars - Prof. Elizabeth Carson from UNSW Sydney and Dr. Amanda White from the University of Technology Sydney – have begun working with the AUASB in July 2019.

INCREASING OUR INTERNATIONAL INFLUENCE

The AUASB's Strategy includes a commitment to the development of a single set of auditing and assurance standards and guidance for world-wide use. Additionally, our direction from the FRC requires the AUASB to use standards issued by the International Auditing and Assurance Standards Board (IAASB) as a base from which to develop the Australian standards. Therefore, it is through increased international influence that we can ensure that Australia continues to benefit from high quality auditing and assurance standards.

International Strategy and Appointment of AUASB Chair to the IAASB

In 2017-18, the AUASB developed a specific international strategy aimed at “actively influencing international auditing and assurance standards by demonstrating thought leadership and enhancing key international relationships”. The strategy ensures that we are well placed to engage with the IAASB and, where required, consider other international standard-setting initiatives. We reviewed and updated this international strategy again in April 2019, with our ability to increase our level of international influence being my appointment to the IAASB as a Public Interest member for a three-year term that commenced on 1 January 2019.

This is my second term as an IAASB member, having previously been appointed from 2002 to 2005. As an IAASB member I not only ensure that the views of the Australian stakeholders are represented, but I also am better placed to ensure the activities of the AUASB are better aligned with international auditing and assurance developments.

IAASB Developments

In February the IAASB issued its Proposed IAASB Strategy for 2020-2023 and Work Plan for 2020-2021. In our submission, the AUASB noted the strong alignment with many aspects of our current AUASB Strategy and Work Plan., and made recommendations for changes in their final Strategy, such as an increased focus on reducing the complexity of IAASB Standards; addressing opportunities and challenges when it comes to use of technology on audits; a greater focus on thought leadership and the value of audit; and further consideration of the impact the increasing complexity of accounting requirements has on IAASB standards. We look forward to seeing the final IAASB Strategy for 2020-2023 and Work Plan for 2020-2021 when it is released later in 2019 and incorporating, where relevant, elements into our own AUASB Strategy.

Collaboration with the NZAuASB and other National Standards Setters

Finally, our level of international influence is enhanced by the activities we undertake in association with the IAASB and other National Standards Setters (NSS). We can only meet our objective to have the AUASB recognised as one of the world's leading auditing and assurance standard setters by working closely and collaboratively with the IAASB and NSS's. It is pleasing to see the IAASB acknowledge the important role NSS's have to play in supporting its proposed 2020-23 Strategy, and I intend that the AUASB continue to take a prominent role assisting the IAASB and working with other NSS's to address our common goals and challenges. We are continuing to identify areas where we can collaborate with like-minded NSS representatives, especially the NZAuASB and Canadian Auditing and Assurance Standards Board.

Nowhere is our positive relationship with a like-minded standard setter more evident than the work we do with the board and staff at the NZAuASB. Our relationship in 2018-19 has not only been driven by our common objectives and similar environmental factors, but also an increased acknowledgement of the benefits of collaborating on a wider range of technical issues and thought leadership areas. This year, for the first time, we held a joint planning day for the AUASB and NZAuASB Chairs and technical staff, which was highly beneficial to both teams.

AUDIT QUALITY

The AUASB supports all activities which promote continuous improvement in audit quality. The AUASB's due processes and ongoing collaboration with other regulatory, standard-setting and disciplinary bodies, support our activities to undertake standard setting activities in the public interest. We also monitor audit quality matters and initiatives in other jurisdictions in order to identify best practices which should be considered for adoption in Australia.

Surveys on the Perspectives on Audit Quality in Australia

In order to better understand and assess the issues surrounding audit quality the AUASB has supported the FRC Audit Quality Action Plan by conducting the following surveys of key stakeholders:

Audit Committee Chairs (ACCs) of the ASX Top 300 companies

- There were 91 responses, and in responding to the question asking for an overall view of the external auditor, 38 per cent responded 'excellent' and 54 per cent responded 'above average'. This indicates that the ACCs are very satisfied with the quality of their auditors. The responses also gave valuable insights into the features ACCs are looking for and best practice examples of how auditors and audit committees are working together.

Professional Investors

- There were 47 responses and in response to the question asking for an overall view of the auditor, 60 per cent responded 'above average' and 33 per cent responded 'average'. This survey indicates that professional investors do not consider audit quality as a matter of concern.

The FRC and the AUASB also intends to conduct a comparable survey with Chief Financial Officers in 2019, as well as repeating the ACC survey in order to monitor views over time.

Reviewing and responding to Inspection Findings

As a further part of the FRC Audit Quality Action Plan, the AUASB and ASIC have met and are working through areas where requirements in the standards or their application may be contributing to adverse inspection findings or could otherwise be improved. The AUASB Technical Group has also met individually with representatives from the Big 6 accounting firms to better understand their views on these matters.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

The development of our work program and its successful achievement is only possible with the input our various stakeholders. Our key stakeholders cover assurance firms and practitioners, regulators, the accounting professional bodies, academics who specialise in auditing and assurance and other standard setters both in Australia and Internationally. But additionally our mandate is to produce high quality auditing and assurance standards in the public interest, so we also consider the needs of preparers and users of audit and assurance reports in everything we do.

AFAANZ Conference	Publications	Outreach
<ul style="list-style-type: none"> • ANU ANCAAR Audit Research Forum • World Congress of Accountants (National Auditing Standards Setters Forum) • CAANZ Audit Conference • American Accounting Association 	<ul style="list-style-type: none"> • Climate-related and other emerging risks disclosures (in conjunction with AASB) • Articles in publications, including Acuity (CAANZ) and In The Black (CPA Australia) 	<ul style="list-style-type: none"> • Audit Quality Perception surveys in conjunction with FRC • AUASB Stakeholder Survey • 12+ roundtables nationwide • 4 Webinars

Stakeholder engagement survey

In 2018-19 we continued to build on a number of the stakeholder engagement and communications initiatives the AUASB and its staff implement last year, but it is fair to say more work needs to be done to optimise the way we engage and communicate our activities, especially with those not directly involved in the regular cut and thrust of standard setting. With this in mind we have, with the AASB, commissioned an **AUASB Stakeholder Survey** for the first time in June 2019. I look forward to reporting on the results of this survey and how we have responded to its key message in next year's AUASB Chair Report.

Roundtables, webinars and discussion forums

We hosted or participated in a large number of events in 2018-19 to promote and inform stakeholders about all our major pronouncements that are open for comment. As noted in an earlier section of my report covering how we have delivered on our standard-setting agenda, we have held over a dozen public roundtables in major capital cities to capture feedback from stakeholders on proposed IAASB and AUASB standards. We use these to guide our submissions and inform the AUASB members about each topic. In addition we have used these sessions to promote and obtain stakeholder views on the AUASB's Strategy and Work Program.

AUASB technical staff and I have also attended and presented at a number of regular industry and professional forums in 2018-19, such as the ASIC Standing Committee on Accounting and Assurance, the ASIC Audit Committee Chairs Forum, the Business Reporting Leaders Forum and the emerging accounting and auditing issues group. These forums are an excellent way we communicate and get feedback from our key stakeholders on AUASB matters.

LOOKING FORWARD

We are in the midst of quite a challenging period for the auditing and assurance profession. Numerous developments both here and overseas are questioning the value and purpose of current audit and assurance requirements, and whether they are fit for purpose in today's environment. There are ongoing concerns about audit quality, with a number of well-documented cases around the globe where audit quality has fallen short of expectations. As a leading

national auditing and assurance standard setter we need to support initiatives which not only improve current levels of audit quality, but also those which may assist audit and assurance engagements evolve to meet the needs of stakeholders in the future.

As I finalise this report, the Parliamentary Joint Committee on Corporations and Financial Services has just announced an inquiry into the regulation of auditing in Australia. This inquiry has very broad Terms of Reference which capture the scope of the AUASB's activities across many areas. The AUASB supports all activities that promote continuous improvement in audit quality, transparency and professional conduct across the auditing profession, so we welcome and look forward to making a valuable contribution to this inquiry in 2019-20.

At our next AUASB meeting in September 2019 I will work with AUASB members to review and update the AUASB Strategy to ensure we are well placed to engage with our stakeholders to appropriately respond to the issues I've described above and that are likely to be addressed as part of the inquiry into auditing by the Parliamentary Joint Committee.

Building on the great work we have done in 2018-19 we will continue to partner with the FRC as it updates its FRC Audit Quality Action Plan. We received additional funding from Treasury to consolidate and expand on the initiatives we have done in the Audit Quality space and we will continue to work with the FRC Chair to ensure the activities of the FRC and AUASB are strongly aligned. For example, we will once again conduct surveys and report publicly on the perceptions on audit quality by audit committee chairs, extending this to all ASX 500 companies. In addition, we'll be conducting an additional survey covering similar questions but targeted at CFOs to get their perceptions on audit quality.

And the very busy period of standard setting activity we had in the 2018-19 doesn't abate, with ISA 315 and the Quality Management Standards still to be approved by the IAASB. Once these key standards are finalized the AUASB will develop and make available relevant implementation support materials. Our implementation support activities for ASA 540 which becomes effective in 2020 are progressing well, with additional materials to be released in the first half of 2019-20.

Internationally we look forward to working with the new IAASB Chair and receiving the final IAASB 2020 – 2023 Strategy, which will not only chart the direction for international standard setting going forward but also assist in identifying how we can best align the AUASB's activities with the IAASB and other like-minded NSS's. Already we are working closely with our NSS colleagues in New Zealand and Canada on initiatives which make best use of our resources; and increase our ability to share and collaborate on common issues.

And internally I am working with the AUASB technical and corporate services staff to improve a number of systems and process which I plan will increase the quality of communication and collaboration with our stakeholders. Priorities in this area are clearer and more targeted AUASB communications, greater accessibility of our research and evidence gathering information, better planning of our AUASB outreach activities and a long overdue update to our AUASB website.

FINANCIAL RESULTS

The AUASB has recognised a Total Comprehensive loss of \$76,424 (2018: Surplus of \$78,515) primarily as a result of the AASB's management charge reflecting additional costs for the current

Information, Communication and Technology project and the outgoing National Director severance pay.

The Management fee paid to the AASB was \$767,761 (2018: \$777,072) (refer to Notes 2A and 2B to the Financial Statements). The Management fee relates to common costs incurred by AASB which have been apportioned between the two entities as agreed in the MOU.

Board expenses have increased \$36,343 (2018: \$26,087) as a result of additional travel costs for attendance at the Board meetings. Conference and Professional development costs have increased to \$32,837 (2018: \$14,585) due to staff attendance at conferences and increased stakeholder engagement activities. HR costs have increased to \$24,945 (2018 \$270) due to the recruitment of new staff members and an executive coaching program.

Note 12 to the Financial Statements provides further details of variances from the reported budget numbers.

ACKNOWLEDGEMENTS

It's impossible for me to perform my role as the AUASB Chair without the assistance and hard work of many people.

I am very fortunate to have a highly dedicated and knowledgeable group of AUASB Board Members whose expertise and commitment are critical to us achieving the AUASB's objectives.

This year we bid farewell to two AUASB members in December 2018 – Chris George and Ashley Wood. Their technical and practical input to the AUASB's activities were highly valued. Fortunately, their replacements, Rodney Piltz from EY and Klynton Hankin from PwC, have both been able to provide the AUASB with the same great level of insight since they started in January 2019.

The Technical staff of the Office of the AUASB and the AASB Business services staff provide me and all the AUASB members with terrific support and have done a superb job implementing our work program and engaging with the AUASB stakeholders throughout the 2018-19 year.

Internationally I want to express my appreciation to the many IAASB staff members who have supported me, my fellow IAASB Task Force members and the other NSS representatives we work closely with particularly my colleagues - Chair of NZAuASB, Robert Buchanan, and Chair of the Canadian Auditing and Assurance Standards Board, Ken Charbonneau.

Finally, I would like to express my gratitude to Kris Peach (AASB Chair and CEO) and Bill Edge (Chair of the FRC), both of whom I work very closely with on the overall direction and operations of the AUASB. Their ongoing support has been instrumental in the AUASB having such a successful year.



Roger Simnett
Chair

11 September 2019

AUASB ANNUAL PERFORMANCE STATEMENT 2018-19

I, Roger Simnett, as the accountable authority of the Auditing and Assurance Standards Board, present the 2018-19 annual performance statement of the Auditing and Assurance Standards Board, (AUASB) as required under paragraph 39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act.



ENTITY PURPOSE

The functions of the AUASB are to:

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

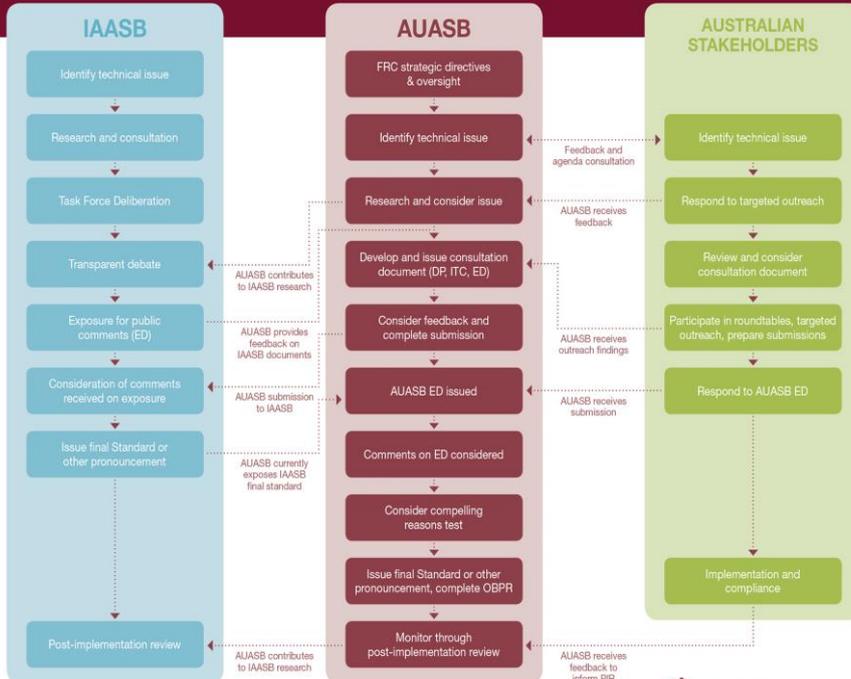
Revising the AUASB Standard Setting Process

The diagram below outlines the interactions between the International Auditing and Assurance Standards Board (IAASB), the AUASB and our stakeholders. We align our processes with the IAASB in order to engage with and inform them at early stages of standards development.

In order to increase our influence during the formative stages of standards development, the AUASB has trialed a new process for issuing IAASB ED's in Australia in 2018-19, where the ED's are issued concurrently with their release internationally. This approach is consistent with the way the Australian Accounting Standards Board (AASB) and many other auditing and assurance standards setters seek to inform and influence international standards setting.

Having now adopted this new approach for four IAASB exposure drafts in 2018-19 we will be evaluating the process formally with the AUASB and key stakeholders during the forthcoming 2019-20 year and updating our standard setting process documentation as required.

AUASB Standard-Setting Process



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



AUASB'S STRATEGIES FOR ACHIEVING ITS PURPOSE

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

2018-19 AUASB ACTIVITIES AND RELATED KEY PERFORMANCE INDICATORS

The tables below identify the activities the AUASB outlined in its Corporate Plan and Parliamentary Budget Statement (PBS) as contributing to its strategies above, for the 2018-19 reporting period. The tables also indicate, for each priority, whether or not the activities were achieved and if not, why not.

Priority 1 - Issue Australian Auditing and Assurance Standards (ASAs, ASREs, ASAEs & ASRSs) based on IAASB equivalent standards in accordance with AUASB legislative drafting and registration requirements. *(Links to AUASB Strategic Objectives & 2018-19 Portfolio Budget Statements (PBS): Strategic Objective 1; PBS Outcome 1; PBS Programs 1, 2, 3; PBS Deliverables 1, 2, 3; PBS Performance Criteria 1, 2, 5, 6)*

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<p>Issue all IAASB related Australian equivalent Exposure Drafts on a timely basis (within three months of PIOB clearance or within 1 month of AUASB approval, as appropriate).</p> <p>Develop and issue Australian Auditing and Assurance Standards following the release of their equivalent ISA, ensuring all Australian legislative and regulatory requirements are considered, including changes required via application of the 'compelling reason' test.</p> <p>Coordinate and develop the AUASB's response to existing and planned IAASB exposure drafts.</p> <p>Develop high quality responses to other IAASB pronouncements or invitations to comment by the due date as they are released.</p> <p>Conduct post-implementation reviews of IAASB equivalent issued AUASB Standards, as required.</p> <p>Implement revised AUASB Process for exposing and issuing International Exposure Drafts concurrently with the IAASB.</p>	<p>Achieved</p>	<ul style="list-style-type: none"> Exposure Drafts for ISA 315 and ASA 540 both released and subject to extensive consultation. Submission on ISA 315 deliberated at October 2018 AUASB meeting and sent to the IAASB on 2 November 2018. Final version of updated ASA 540 Auditing Accounting Estimates and Related Disclosures approved in December 2018 and nine compilation standards, incorporating conforming amendments arising from the update to ASA 540, finalised and issued in January 2019. Submission on revised International Standard on Agreed-Upon Procedures Engagements completed in March 2019. Roundtables held and submissions developed on the IAASB Quality Management Standards (ISQM 1, ISQM 2 and ISA 220) in May and June 2019. Final submissions sent to IAASB on 1 July 2019. LCE Discussion Paper released and outreach commenced, including an Australian LCE survey. AUASB to report to the IAASB in September 2019.
<p>Conduct post-implementation reviews of IAASB equivalent issued AUASB Standards, as required.</p> <p>Implement revised AUASB Process for exposing and issuing International Exposure Drafts concurrently with the IAASB.</p>	<p>Partly Achieved</p>	<ul style="list-style-type: none"> IAASB Post Implementation of Auditor Reporting Standards yet to formally commence, however all agreed AUASB initiated post implementation activities related to these standards (e.g. research, outreach) are either completed or ongoing.

Priority 2 - Develop, update and maintain Australian specific Standards and/or Guidance Statements for topics not specifically addressed by IAASB Standards as required. (Links to AUASB Strategic Objectives & 2018-19 Portfolio Budget Statements (PBS): Strategic Objective 1; PBS Outcome 1; PBS Programs 1, 2; PBS Deliverables 1, 2; PBS Performance Criteria 1, 2, 3, 4.)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<p>Review and update of AUASB Framework Pronouncements, including the AUASB Glossary.</p> <p>Develop and issue Australian specific Standards within one month of AUASB approval, in accordance with AUASB legislative drafting and registration requirements.</p>	Achieved	<ul style="list-style-type: none"> Updated AUASB Glossary approved in September 2018. Project Advisory Group (PAG) on the revision of GS 005 Using the Work of a Management's Expert now in place. Focus is on responding to issues raised regarding the use of experts arising from ASIC's inspection report. ASRE 2410 ED issued in May 2019, with further addendum based on differences between AUASB and NZAuASB under development at year end (NB: Released in July 2019).
<p>Review full suite of AUASB pronouncements, including revising out of date Guidance Statements to determine necessity and timing of updates required.</p> <p>Conduct post-implementation reviews of Australian specific AUASB Standards, as required.</p>	Partly Achieved	<ul style="list-style-type: none"> Project plan to update GS 012 Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions approved at December 2018 AUASB Meeting. A new AUASB Technical staff member commences in August 2019 to work on this task. Initial discussions held with ATO and professional bodies on the need to update GS 009 Auditing Self-Managed Superannuation Funds. Draft project plan prepared and presented to AUASB in March 2019. A contractor with SMSF expertise is currently being confirmed to assist the AUASB Technical Group with this project in late 2019. Update of ASAE 3450 deferred - awaiting decision by NZAuASB to potentially develop an equivalent standard in 2019-20. Proposal to review the full suite of AUASB Guidance Statements presented to the AUASB in June 2019 to determine the priority and validity of updates required. Further information requested by the AUASB and a revised Guidance Statement update plan currently in progress, for discussion at the September 2019 AUASB meeting.
	Not Achieved	<ul style="list-style-type: none"> Post Implementation Reviews of ASAE 3100 and ASAE 3500 originally scheduled for 2018-19 were not undertaken due to other AUASB priorities. These projects have been deferred to the 2019-20 reporting period.

Priority 3 - Monitor the Assurance Environment, considering the implications for Australian auditing and assurance standards and guidance and responding as appropriate. (Links to AUASB Strategic Objectives & 2018-19 Portfolio Budget Statements (PBS): All Strategic Objectives; PBS Outcome 1; PBS Programs 1, 2, 3; PBS Deliverables 1, 2, 3; PBS Performance Criteria 4)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<p>Conduct regular AUASB Agenda Consultation Forums in various locations, either face to face or electronically, and update AUASB Workplan as required based on relevant feedback.</p> <p>Hold quarterly meetings with the professional accounting bodies to discuss trends in assurance environment and identify impact for AUASB Agenda and Workplan.</p> <p>Ensure AUASB attendance and presentations at a number of research events (e.g. AFAANZ Conference and AFAANZ Auditing and Assurance Special Interest Group, the UNSW Audit Research Roundtable, and the ANU ANZCAR Conference).</p> <p>Develop and implement an AUASB Research Strategy.</p> <p>Work with the FRC to implement the elements of the FRC Audit Quality Plan that are the responsibility of the AUASB.</p> <p>Monitor key international regulator developments (including IOSCO, PCAOB and IFIAR Monitoring Group) and consider impact for the local auditing and assurance environment.</p>	Achieved	<ul style="list-style-type: none"> • AUASB Work Program update provided to stakeholders at ISA 315 and ASA 540 Roundtable events held in September and October 2018. • Regular engagement held with CA ANZ and CPA Australia in respect of the current AUASB exposure drafts and regular meetings held with technical representatives from both professional bodies. • AUASB Chair keynote speaker at ANU ANCAAR Conference and presenter at World Congress of Accountants in Nov/Dec 2018. • Ongoing collaboration with the FRC on Audit Quality activities as outlined in the FRC Audit Quality Action Plan, including the Audit Committee Chairs and Investor Surveys on perceptions of Audit Quality. • Working with University of Adelaide on resolving variations in Australian legislation requiring audit and assurance. • Plan to develop AUASB Bulletin addressing the different types of assurance engagements that may be performed under the AUASB Assurance Framework developed and presented to the AUASB in December 2018. • No explicit audit or assurance implications arising from the Royal Commission into Misconduct in the Financial Services Industry noted. • New AUASB Evidence Informed Standard Setting (EISS) Strategy released in June 2019 and promoted to Auditing and Assurance Academics at July 2019 AFAANZ Conference. • Appointment of two inaugural 'AUASB Scholars' has been completed. They commence in July 2019 for 6 months.
<p>Develop updated guidance to encourage the increased application and understanding of review engagements.</p> <p>Consider audit quality and implementation issues associated with the audit and assurance issues specific to the financial services sector, including any matters arising from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.</p>	Partly Achieved	<ul style="list-style-type: none"> • Proposal to develop 3 new AUASB publications covering Assurance Basics and Expectation Gaps; a Guide for Government requirements for Independent Assurance and different types of assurance engagements that can be performed under the AUASB Framework in progress. Updated proposal to be tabled with AUASB at its September 2019 meeting. • White paper from Monitoring Group addressing next steps in global standard setting arrangements has been delayed.

Priority 4 - Build, maintain and enhance key international relationships around key focus areas with both global (eg IAASB, IFAC, IIRC) and national standard setters and professional bodies (eg FRC, PCAOB, CPAC, IRBA). *(Links to AUASB Strategic Objectives & 2018-19 Portfolio Budget Statements (PBS): Strategic Objectives 3, 4; PBS Outcome 1; PBS Program 3; PBS Deliverable 3; PBS Performance Criteria 5, 6)*

(Links to AUASB Strategic Objectives & 2018-19 Portfolio Budget Statements (PBS): Strategic Objectives 3, 4; PBS Outcome 1; PBS Program 3; PBS Deliverable 3; PBS Performance Criteria 5, 6)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<p>AUASB to be represented at all IAASB meetings.</p> <p>Arrange for AUASB review of relevant IAASB board papers on a timely basis and share feedback on key matters with regional IAASB members before each IAASB meeting.</p> <p>Attend and present relevant topics at regional and global IAASB NSS meetings.</p> <p>With the IAASB and NZAuASB, identify and implement initiatives to drive increased sharing and collaboration across the National Standards Setting network.</p> <p>Attend and contribute to other IAASB or International Standard Setting forums as appropriate.</p> <p>Review and contribute as appropriate to other global initiatives, such as IIRC, GRI and WBCSD, on assurance issues.</p> <p>Engage with the Global EER Project Advisory Panel and support associated regional activities and local panel members.</p>	<p>Achieved</p>	<ul style="list-style-type: none"> • AUASB represented at all IAASB meetings in 2018-2019, both face to face and teleconference. AUASB Chair appointed to IAASB and has attended all IAASB Meetings in first half of 2019. • AUASB deliberated on all major IAASB projects at each of its 2018-19 Board Meetings held prior to each IAASB meeting. Feedback from AUASB used to inform AUASB Chair position and shared with Australasian IAASB members. • NSS Meeting jointly hosted with the NZAuASB held in Sydney at the same time as the World Congress of Accountants in November 2019. Excellent feedback from IAASB and other participants received and way forward for collaborative NSS initiatives determined. • Collaboration with NZAuASB technical staff on common projects held at joint staff planning day in February 2019. • Ongoing National Standard Setters (NSS) initiatives being coordinated by AUASB/NZAuASB Chairs and Technical Directors with IAASB and other NSS following Paris NSS meeting in May 2019. • AUASB Chair appointed Chair of IAASB Less Complex Entities Working group and led development of IAASB LCE Discussion Paper to chart the way forward. • AUASB submission on 2020-23 IAASB Strategy developed and submitted in June 2019. • AUASB Chair attended various teleconference meetings of IIRC working group & WBCSD assurance task force. • EER specialist AUASB member appointed to the IAASB EER Advisory group and participated in all conference calls, as well as attended local IAASB EER Roundtables, supported by AUASB technical staff. • Roundtables held and submission developed and sent to IAASB on Phase One of EER Assurance Guidance in May and June 2019.

Priority 5 - Maintain harmonisation of auditing and assurance standards in Australia and New Zealand in accordance with relevant agreements and protocols. (Links to AUASB Strategic Objectives & 2018-19 Portfolio Budget Statements (PBS): Strategic Objectives 1; 3 PBS Outcome 1; PBS Programs 1, 2, 3; PBS Deliverables 1, 2, 3; All PBS Performance Criteria)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<p>AUASB Chair and/or Technical Director to attend all NZAuASB meetings.</p> <p>Ensure standards and guidance are issued in accordance with AU/NZ harmonisation requirements.</p> <p>Contribute to and work in parallel on a number of NZAuASB projects, such as Auditor Reporting FAQs, and the Audit of Service Performance Information standard.</p> <p>Work collaboratively with NZAuASB Technical Staff to ensure co-operation and co-ordination between the AUASB and NZAuASB's activities (e.g. joint research programs and joint contributions on key focus areas, such as Assurance requirements for NFP's and Charities).</p>	<p>Achieved</p>	<ul style="list-style-type: none"> • AUASB Chair attended all NZAuASB Meetings throughout 2018-19. • AUASB responses on ISA 315 and ASA 540 developed with regard to AU/NZ harmonisation requirements. • AUASB and NZAuASB Chairs and Technical Directors collaborated on the planning and conduct of the NSS Meeting held in Sydney at the World Congress of Accountants in November 2018. • AUASB and NZAuASB staff reviewed corresponding work programs to look for greater opportunities for collaboration and joint resourcing of projects at Joint AUASB and NZAuASB Technical team meeting in February 2019. Outputs to be incorporated into 2019-20 AUASB Technical Work Program. • AUASB staff jointly working with NZAuASB staff on the update of Review Standard ASRE 2410. • AUASB staff collaborating on an ongoing basis with NZAuASB staff on Assurance of Charities, EER assurance and Service Performance Reporting initiatives.

Priority 6 - Complete a number of strategic projects addressing current areas of auditing and assurance thought leadership and emerging issues, in particular the areas of external reporting beyond financial reporting (eg EER) and the impact of changing technologies (eg Data Analytics). (Links to AUASB Strategic Objectives & 2018-19 Portfolio Budget Statements (PBS): Strategic Objectives 2, 5, 6; PBS Outcome 1; PBS Programs 1, 2, 3 PBS Deliverables 1, 2, 3; PBS Performance Criteria 3, 4, 6)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<p>Scope and implement strategic thought leadership projects in the following areas:</p> <ul style="list-style-type: none"> - Auditor Reporting Implementation - Audit Quality / Coordination and cooperation with Regulators - Assurance over Emerging Forms of External Reporting (EER) - Financial Reporting and Assurance Frameworks - Public Sector Auditing and Assurance Issues - Consideration of matters related to small and medium practices (SMPs) and audits of small- and medium-sized entities (SMEs) - Use of Technology in the Audit including Data Analytics <p>Work with relevant local and international stakeholders to influence and support emerging forms of assurance (eg IIRC).</p> <p>Develop and maintain contact with other key national standard setters and identify opportunities to collaborate on key international auditing and assurance focus areas.</p>	<p>Achieved</p>	<ul style="list-style-type: none"> • Additional AUASB Auditor Reporting Frequently Asked Questions made available on AUASB Website. • AUASB assisting on academic projects in relation to Assurance Frameworks and Auditor Reporting. • Meetings held with ASIC and audit firms to review issues associated with inspections findings. • Plan to update of the AUASB guidance statement on the Use of Managements Experts approved in December 2018. This is now in development, with a Project Advisory Group (PAG) on the revision of GS 005 addressing ASIC's Inspection findings in place. • Proposed changes to GS 005 shared with ASIC for review. • AASB and AUASB joint publication on insights and research findings on climate-related disclosures for Australian listed entities and the application of APS 2 to financial reporting and assurance on climate-related risks released in December 2018 (and updated in April 2019). • Ongoing support provided by AUASB staff to Australian IAASB EER Project Advisory Panel member. • Attended IAASB EER Roundtable in November 2018. • Consultations held with ACNC & input into AASB paper on Audit requirements under revised NFP reporting framework. • Support/review of relevant Assurance matters provided to AASB as requested on their Framework publications. • PAG comprising ACAG representatives set up in February 2019 to advise on AUASB public sector audit issues project. • Ongoing outreach to gather feedback for Use of Technology in the Audit including Data Analytics project (Phase 2) with firms and ACAG. • Initial scoping of impact/barriers arising from audit technology performed and shared with IAASB Technology Working Group. • LCE survey and AUASB response to IAASB Discussion Paper released in late April 2019 currently in progress.
	<p>Partly Achieved</p>	<ul style="list-style-type: none"> • Initial planning for AUASB Project to develop guidance in response to audit inspection finding relating to the audit of Revenue has commenced. • Initial scoping commenced for joint National Standard Setters (NSS) initiatives covering AUASB strategic project areas and other thought leadership topics in progress with the IAASB, other like-minded NSS and directly with Canada and NZ.

Priority 7 - Achieve a high level of stakeholder satisfaction through increased engagement (i.e. events and publications) that demonstrate the AUASB has a thorough awareness of ideas and concerns of Australian stakeholders. (Links to AUASB Strategic Objectives & 2018-19 Portfolio Budget Statements (PBS): Strategic Objective 4; PBS Outcome 1; PBS Programs 1, 2; PBS Deliverables 1, 2; PBS Performance Criteria 3, 4)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<p>Hold quarterly meetings with key stakeholders (CPA, CA ANZ, APESB, ASIC) and ensure regular contact with other stakeholders (ACAG, ACNC, CER, APRA, AICD & IPA) as required to:</p> <ul style="list-style-type: none"> - gather timely and relevant feedback on AUASB activities; and - ensure the AUASB Workplan is responsive to user needs. <p>Attend and present at regular professional and regulatory forums (e.g. ASIC Standing Committee, Emerging Accounting and Auditing, Issues Discussion Group, BLRF etc).</p> <p>AUASB Board members or staff to present at a number of auditing or assurance related events/conferences.</p> <p>Author or contribute to multiple articles on major auditing and assurance developments for CPA Australia and CA ANZ professional bulletins and other publication outlets.</p>	Achieved	<ul style="list-style-type: none"> • AUASB Meeting Register developed to ensure communication with major stakeholders. Discussed and reviewed at all AUASB meetings. • AUASB Chair attended and presented on Audit Quality Matters and other Assurance issues at all ASIC Standing Committee meetings. • AUASB Staff have attended and presented at a number of Audit and Accounting industry forums. • Communications from 2018/19 AUASB meetings (Highlights, Podcasts) all issued as required and on time via AUASB Website. • Regular meetings held with key audit and assurance related personnel at CPA Australia and CA ANZ. • Provided quarterly reports for the FRC on AUASB activities on a timely and in a concise matter and acted on feedback received. • Quarterly AUASB Update Newsletters issued throughout the 2018-19 year, with new format released in May 2019. • AUASB stakeholder satisfaction survey sent in June 2019, with results to be available in August 2019.
<p>Complete quarterly reports for the FRC and obtain positive feedback from FRC members on AUASB activities.</p> <p>Develop and distribute a quarterly AUASB update.</p> <p>Ensure all AUASB meeting highlights/podcast available within two working days after each meeting.</p>	Partly Achieved	<ul style="list-style-type: none"> • Minor progress made on AUASB Stakeholder Database and other AUASB communications tools with new AASB-AUASB Communications Manager assisting. Project to update AUASB Website deferred, with less expensive proposal being explored. • Updates to AASB/AUASB communications strategy commenced but deferred due to departure of AASB-AUASB National Director. • All AUASB Board papers for 2018-19 available on the website before AUASB Meetings, but not always a week in advance as per AUASB guidelines. The AUASB staff are currently reviewing their procedures to address this issue.

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<p>In conjunction with the AASB, conduct regular AUASB Stakeholder satisfaction surveys.</p> <p>Create and maintain details of AUASB stakeholders in the new AASB/AUASB Stakeholder Database.</p> <p>Contribute to the planning of the new AASB/AUASB website.</p> <p>In conjunction with the AASB/AUASB Communications Manager, implement initiatives to monitor and grow stakeholder engagement, measured via increased media mentions, social media activity and level of participation at AUASB events.</p> <p>Ensure all AUASB meeting board papers are available on the AUASB website a week in advance.</p>		

Priority 8 - Conduct awareness initiatives, such as webinars and presentations for new major Standards issued, and promote the development of education initiatives by others (for example professional bodies, regulators, accounting firms and tertiary institutions) by providing, technical input to their initiatives and co-presenting at their education sessions. (Links to AUASB Strategic Objectives & 2018-19 Portfolio Budget Statements (PBS): Strategic Objectives 4 & 7; PBS Outcome 1; PBS Programs 1 & 2; PBS Deliverables 1 & 2; PBS Performance Criteria 3, 4)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<p>Record and release AUASB podcasts and/or webcasts for all AUASB meetings on all major audit and assurance pronouncements.</p> <p>AUASB Board members or staff to present at a number of auditing or assurance related events/conferences (e.g. CA ANZ Audit Conference; CPA Congress).</p> <p>Author or contribute to multiple articles on major auditing and assurance developments for CPA Australia and CA ANZ professional bulletins.</p> <p>Partner with respected auditing and assurance academics on AUASB strategic projects and research activities, for example on Auditor Reporting implementation.</p> <p>Engage with the CA ANZ and CPA Australia to support the currency and appropriateness of auditing and assurance professional program course materials.</p> <p>Identify opportunities to present guest lectures or be represented on advisory panels for auditing and assurance topics at major tertiary institutions.</p>	Achieved	<ul style="list-style-type: none"> • Podcast with highlights from each AUASB meeting recorded and released following each AUASB meeting. • AUASB Chair keynote speaker at ANU ANCAAR Conference and presenter at World Congress of Accountants. • AUASB assisting on academic projects in relation to Assurance Frameworks and Auditor Reporting. • LCE articles published in CA ANZ and CPA Professional Practice Journals in May and June 2019. • AUASB Chair and/or staff presented at 5 Australian CA ANZ Audit Conferences on current AUASB topics. • Appointment of two 'AUASB Scholars' for 2019 has been completed, with work to commence in July 2019. • AUASB Chair presented keynote address on current audit issues at AFAANZ Conference in early July 2019. • AUASB Technical staff member is on the Deakin University School of Accounting Advisory Board.
	Partly Achieved	<ul style="list-style-type: none"> • No actions identified by professional bodies in 2018-19 in relation to auditing and assurance professional program course materials or contributions to external articles or bulletins.

Priority 9 - Analyse regulator inspection findings to identify AUASB actions that help improve audit quality and the consistency of audit execution, predominately through the development of new publications (such as AUASB Bulletins and frequently asked questions ('FAQs')) that facilitate the consistent application of auditing and assurance standards.

(Links to AUASB Strategic Objectives & 2018-19 Portfolio Budget Statements (PBS): Strategic Objective 7; PBS Outcome 1; PBS Programs 1, 2; PBS Deliverables 1, 2; PBS Performance Criteria 3, 4)

Current Priorities & KPIs	Achieved/ Not Achieved	Comments
<p>Increased and timelier engagement with ASIC and other regulators responsible for audit and assurance inspections.</p> <p>Assess and respond to implementation issues and identify opportunities to create additional AUASB guidance to address inspection findings.</p> <p>Hold quarterly meetings with ASIC and meet at least annually with other regulators (APRA, CER) to discuss audit inspection developments and identify opportunities for AUASB staff involvement.</p> <p>In conjunction with the NZAuASB, issue new and revised Auditor Reporting FAQs based on stakeholder feedback and issues noted by AUASB staff.</p> <p>Develop and issue AUASB Bulletins to provide guidance to Stakeholders as required on AUASB Pronouncements and topical/emerging auditing and assurance issues and in conjunction with the release of all major AUASB standards and guidance statements.</p> <p>Monitor global audit inspection developments and trends and consider impact for Australian auditing and assurance environment.</p>	<p>Achieved</p>	<ul style="list-style-type: none"> Meetings held with ASIC and large audit firms to review common issues associated with inspections findings, resulting in updated AUASB guidance on the use of experts currently in development. Ongoing collaboration with the FRC on Audit Quality activities in FRC Audit Quality Action Plan, including the ACC and Investor Surveys on perceptions of Audit Quality. Additional AUASB Auditor Reporting Frequently Asked Questions made available on AUASB Website. Ongoing discussions with ASIC on issues arising from January 2019 Report on audit inspection findings. AASB and AUASB joint publication developed on insights and research findings on climate-related disclosures for Australian listed entities and the application of APS 2 to financial reporting and assurance on climate-related risks. AUASB published media release in response to the latest ASIC Inspection Findings in late January 2019. Joint AUASB/FRC Report on survey to gather professional investors' perspectives on audit quality, the value of audit, and the factors that influence these released in May 2019. AUASB staff jointly working with NZAuASB staff on the update of Review Standard ASRE 2410.
	<p>Partly Achieved</p>	<ul style="list-style-type: none"> Proposal to develop 3 new AUASB publications covering Assurance Basics and Expectation Gaps; a Guide for Government requirements for Independent Assurance and different types of assurance engagements that can be performed under the AUASB Framework in progress. Updated proposal to be tabled with Board at September 2019 Board meeting.

OUTPUT STRUCTURE

The AUASB's standards, exposure drafts and consultation papers issued in 2018-19 are listed in the table below.

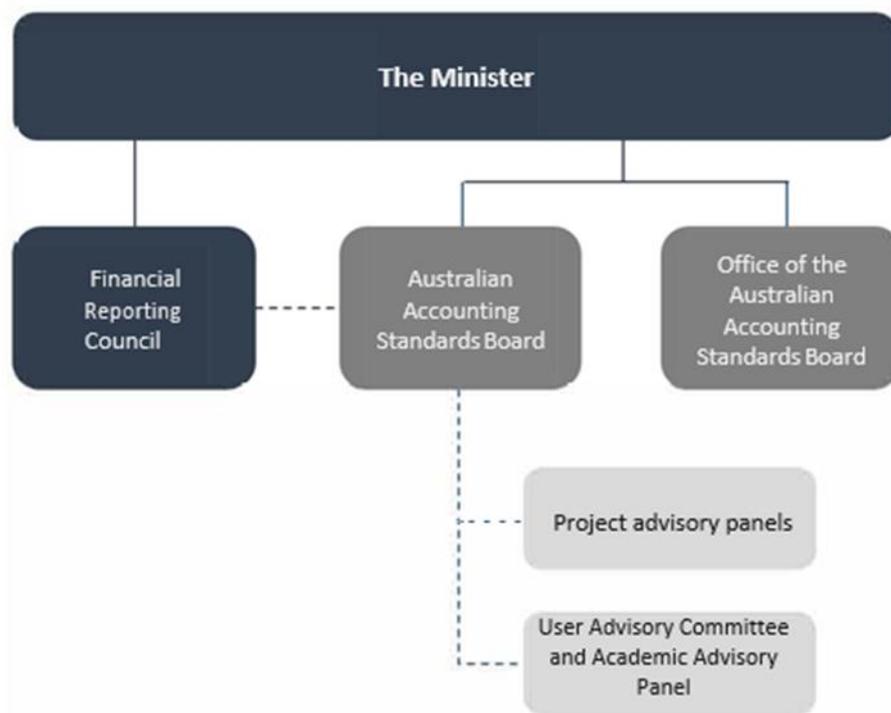
Standards	
ASA 540	<i>Auditing Accounting Estimates and Related Disclosures</i> (December 2018)
ASA 2018-1	<i>Amendments to Australian Auditing Standards</i> (December 2018)
Exposure Drafts and Consultation Papers	
ED 01/18	Proposed Auditing Standard ASA 315 <i>Identifying and Assessing the Risks of Material Misstatement</i> (August 2018)
ED 02/18	Proposed Auditing Standard ASA 2018-1 <i>Amendments to Australian Auditing Standards</i> (August 2018)
ED 03/18	Proposed Auditing Standard ASA 540 <i>Auditing Accounting Estimates and Related Disclosures</i> (August 2018)
ED 04/18	Proposed ASA 2018-2 <i>Amendments to Australian Auditing Standards</i> (August 2018)
ED ISQM 1	Explanatory Memorandum <i>ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements</i> (March 2019)
ED ISQM 2	Explanatory Memorandum <i>ISQM 2 Engagement Quality Reviews</i> (March 2019)
ED ISA 220	Explanatory Memorandum <i>ISA 220 Quality Management at the Engagement Level</i> (March 2019)
ED 01/19	Proposed Auditing Standard on Review Engagements ASRE 2410 <i>Review of a Financial Report Performed by the Auditor of the Entity</i> (May 2019)
AUASB Publications	
	Audit Quality in Australia: The Perspective of Audit Committee Chairs (September 2018)
	Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/AIASB Practice Statement (December 2018, Updated April 2019)
	Audit Quality in Australia: The Perspectives of Professional Investors (May 2019)

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

The AUASB's Technical Work Programs can be accessed via <https://www.auasb.gov.au/About-the-AUASB/AUASB-Strategy-and-Corporate-Plan.aspx>.

MANAGEMENT AND ACCOUNTABILITY

HOW THE AASB WORKS



The Minister

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

Financial Reporting Council

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

AASB

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

set of international accounting standards for worldwide use. The AASB's vision and strategies are set out on page 7. Further detail on the AASB's functions are set out in Appendix A.

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

The members of the AASB during 2018-19 are listed below. The Board held 8 meetings for a total of 8 meeting days during the year. Attendance of members at these meetings is set out in Appendix B.

Office of the AASB

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

Membership

Kris Peach, Chair

Kris Peach was appointed as Chair of the AASB and CEO of the Office of the AASB for a five-year term from 1 November 2014 to 31 October 2019, subsequently extended to 2 February, 2020. Australian Securities and Investments Commission (Australian Accounting Standards Board Chair) Variation of Appointment 2019 provided that the Chair position become a part time role from 1 May 2019.

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

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

The members of the AASB holding office during the year ended 30 June 2019 were:

Board Member	Qualification	Appointment end date
Mike Blake	Auditor General Tasmania	December 2020 (2 nd term)
Kimberley Crook	Chair of the New Zealand Accounting Standards Board	Reciprocal member from 1 July 2014
Peter Gibson	Commonwealth Department of Finance	December 2021 (3 rd term)
James Grant	Westpac	December 2021
Ken Liow	Principal, Obsidian Capital	December 2020
Carmen Ridley	Australian Financial Reporting Solutions	December 2020 (3 rd term)
Paul Rogers	KPMG	December 2021
Taryn Rulton	Monash College	December 2019 (2 nd term)

Board Member	Qualification	Appointment end date
Stephen Taylor	University of Technology Sydney	December 2019
Alison White	Deloitte	December 2020
Retirements		
Regina Fickers	PricewaterhouseCoopers	Retired December 2018
Marc Smit	National Australia Bank	Retired December 2018

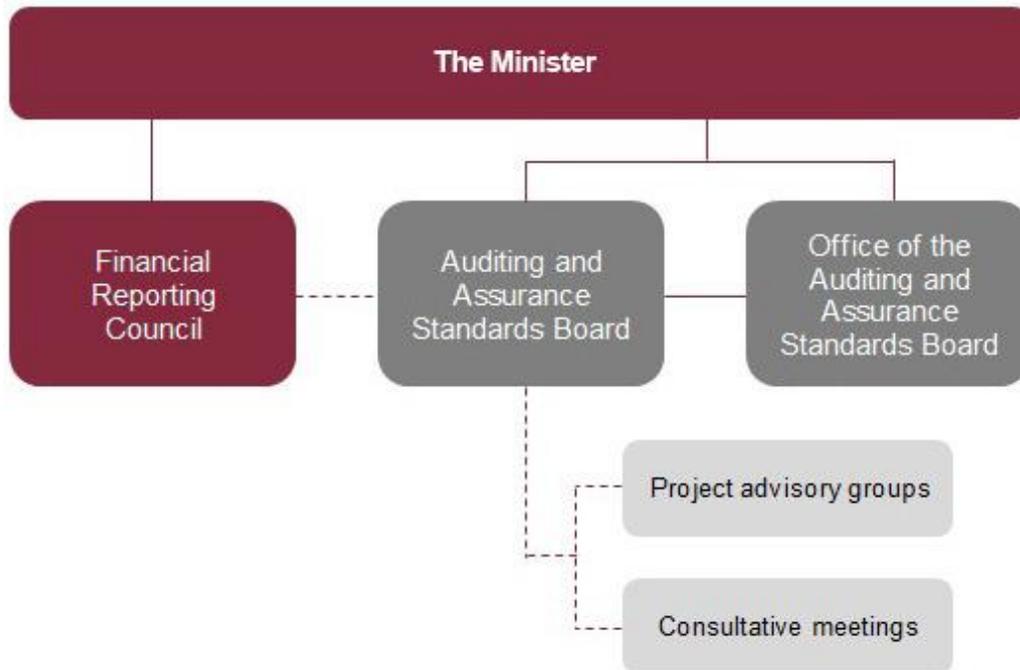
Observers

There was no one with observer status during the year.

AASB Board and Staff



HOW THE AUASB WORKS



The Minister

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

Financial Reporting Council

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

AUASB

The AUASB an Australian non-corporate Government Entity responsible for making auditing standards under section 336 of the *Corporations Act 2001* for the purposes of the corporations legislation. The AUASB also formulates auditing and assurance standards for other purposes and participates in and contributes to the development of a single set of international auditing standards for worldwide use. The AUASB's vision and strategies are set out on page 7. Further detail on the AUASB's functions are set out in Appendix A.

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

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

Office of the AUASB

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

Membership

Roger Simnett, Chair

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

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

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

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

The members during 2018-19 were:

Board Member	Qualification	Appointment end date
Robin Low	Non-Executive Director	December 2019 (2 nd term)
Gareth Bird	Deloitte	December 2019
Robert Buchanan	Chair, NZAuASB	Reciprocal member from 1 July 2016
Jo Cain	Non-Executive Director	December 2021 (3 rd term)
Julie Crisp	Northern Territory Auditor-General's Office	December 2020
Klynton Hankin	PwC	December 2021
Noel Harding	UNSW Sydney	December 2020
Rodney Piltz	EY	December 2021
Carolyn Ralph	KPMG	December 2020 (2 nd term)
Justin Reid	J R Consulting	December 2019
Retirements		
Ashley Wood	PwC	Retired December 2018
Chris George	EY	Retired December 2018

AUASB Chair and Staff



AASB AND AUASB'S CORPORATE GOVERNANCE

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

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

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

Audit Committee

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

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

Fraud

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

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

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2018-19

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

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

Ethics

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

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

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

AASB PERSONNEL MANAGEMENT

Table 1a: AASB Employees at 30 June 2019

Classification	Persons	Ongoing	Non-ongoing	F/T	P/T	F/T Equivalents			
						Female	Male	Indeterminate	Total
Senior executive	2	2	0	1	1	1.8	0	0	1.8
Technical	13	12	1	9	4	6.8	4.3	0	11.1
Non-Technical	6	6	0	5	1	4.6	1.0	0	5.6
Total employees	21	20	1	15	6	13.4	5.3	0	18.5

Table 1b: AASB Employees at 30 June 2018

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

As at 30 June 2019 no employees identified as Indigenous.

AASB employees are located in Melbourne and Sydney.

Table 2: AASB Salary ranges as at 30 June 2019

Salary Bands	Senior executive full time	Senior executive part time	Technical & non-technical full time	Technical & non-technical part time
\$ 15,000 to \$104,999	-	-	6	4
\$105,000 to \$194,999	0	-	8	2
\$195,000 to \$284,999	1	-	-	-
\$285,000 to \$374,999	0	1	-	-
\$375,000 to \$464,999	0	-	-	-

As at 1st May the AASB Chair commenced part time employment.

AUASB PERSONNEL MANAGEMENT

Table 3a: AUASB Employees at 30 June 2019

Classification	Persons	F/T	P/T	F/T Equivalents			
				Female	Male	Indeterminate	Total
Senior executives	2	1	1	0	1.6	0	1.6
Technical and support employees	6	3	3	4.2	1	0	5.2
Total employees	8	4	4	4.2	2.6	0	6.8

Table 3b: AUASB Employees at 30 June 2018

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

As at 30 June 2019, no employees identified as Indigenous.

AUASB employees are located in offices in Melbourne and Sydney.

Table 4: AUASB Salary ranges as at 30 June 2019

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

Non-salary benefits

The AASB and AUASB offers employees a number of non-salary benefits which include:

- annual influenza immunisation;
- mentoring and coaching programs;
- in-house capability development programs;
- confidential employee assistance program for employees and their immediate families;
- study assistance to eligible employees;
- access to flexible working arrangements; and
- contributions to relevant professional memberships.

The AASB and AUASB provides the Senior Executive Service (SES) employees and where there is a business need some employees with a mobile phone, tablet, laptop and/or airline lounge membership. Employees can also make use of a range of salary sacrifice benefits, including additional superannuation and leased motor vehicles.

BRINGING IT ALL TOGETHER

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

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

The National Director is responsible for the operation of both the Office of AASB and Office of AUASB. The Offices of the AASB and AUASB have implemented a shared service model,

Stakeholders
First

Building
international
influence

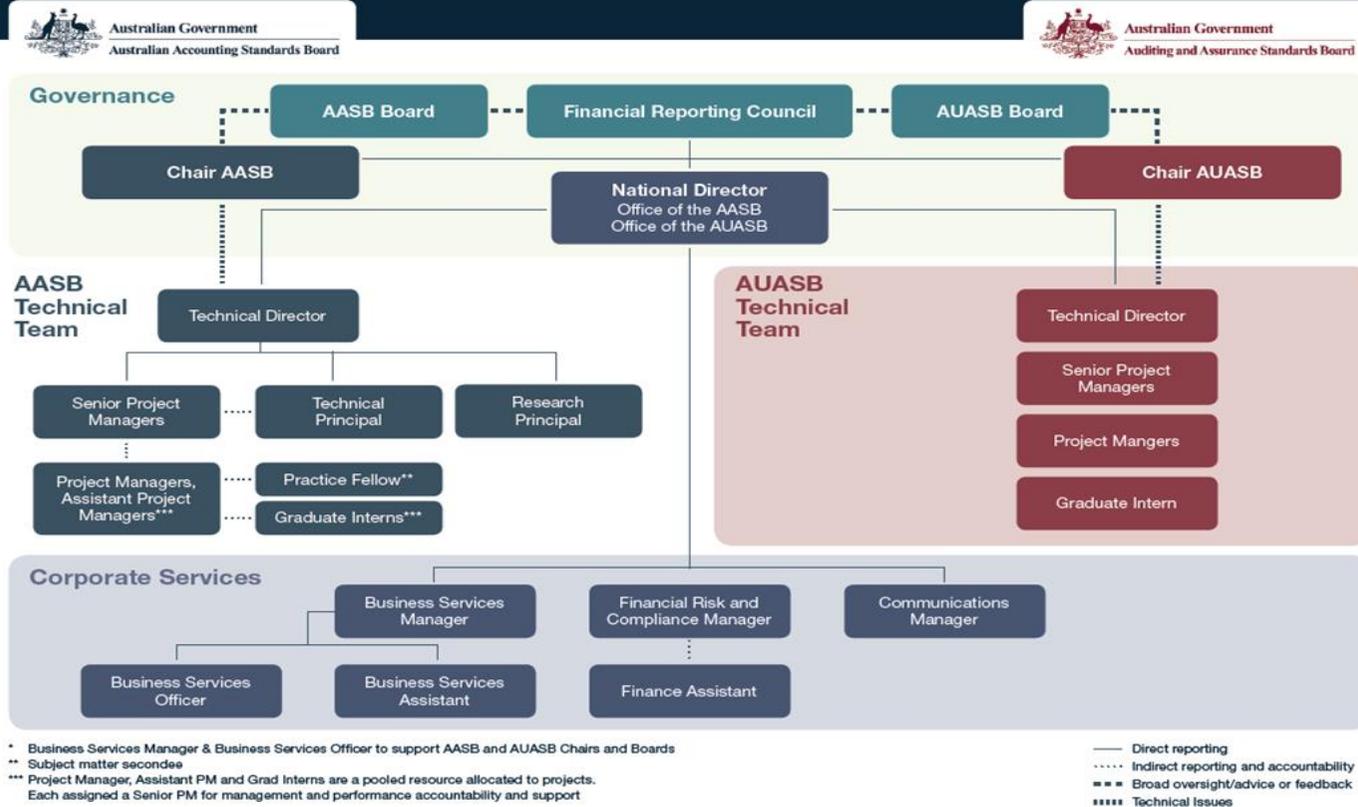
in that the AASB provides all administrative services for the AUASB and their respective Boards.

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

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

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

Organisational Structure - April 2019



Our People

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

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

The AASB and AUASB have the capacity to employ under the *ASIC Act*, as well as the *Public Service Act 1999* (PSA). As at 30 June 2019, all employees were employed under the *ASIC Act*.

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

Opinion

In my opinion, the financial statements of the Office of the Australian Accounting Standards Board for the year ended 30 June 2019:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Office of the Australian Accounting Standards Board as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Office of the Australian Accounting Standards Board, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

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

Basis for Opinion

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

Other Information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019 but does not include the financial statements and my auditor's report thereon.

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

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

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

Accountable Authority's Responsibility for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Sean Benfield
Executive Director

Delegate of the Auditor-General

Canberra
13 September 2019



INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

Opinion

In my opinion, the financial statements of the Office of the Auditing and Assurance Standards Board for the year ended 30 June 2019:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Office of the Auditing and Assurance Standards Board as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Office of the Auditing and Assurance Standards Board, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

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

Basis for Opinion

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

Other Information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019 but does not include the financial statements and my auditor's report thereon.

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

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

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

Accountable Authority's Responsibility for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Sean Benfield
Executive Director

Delegate of the Auditor-General

Canberra
13 September 2019

STATEMENTS BY THE CHAIRS

AASB

In my opinion, the attached Financial Statements for the Office of the Australian Accounting Standards Board for the year ended 30 June 2019 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Kris Peach
Chair, CEO and Acting CFO – AASB

11 September 2019

AUASB

In my opinion, the attached Financial Statements for the Office of the Auditing and Assurance Standards Board for the year ended 30 June 2019 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Roger Simnett
Chair, CEO and Acting CFO – AUASB

11 September 2019

Statements of Comprehensive Income
for the period ended 30 June 2019

	Notes	AASB		AUASB	
		2019	2018	2019	2018
		\$		\$	\$
EXPENSES					
Employee and contractor costs	2, 3A	3,087,380	2,957,815	1,154,131	1,007,950
Supplier expenses	3B	1,598,748	1,380,244	362,261	307,301
Occupancy expenses	2,10	308,324	294,426	-	-
Depreciation and amortisation	2	54,563	47,874	-	-
Finance costs		34	403	-	-
Management fee paid to AASB	2	-	-	767,761	777,072
Write-down and impairment of assets & losses on sale		35,787	10,055	-	-
Total expenses		5,084,836	4,690,817	2,284,153	2,092,323
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services		5,250	5,250	-	-
Management fee received from AUASB	2	767,761	777,072	-	-
Resources received free of charge		193,493	116,073	91,729	85,838
Contributions from state and territories		500,000	500,000	-	-
Total own-source revenue		1,466,504	1,398,395	91,729	85,838
Net cost of services & cost of outcome delivery		(3,618,332)	(3,292,422)	(2,192,424)	(2,006,485)
Revenue from Government	4	3,595,000	3,533,000	2,116,000	2,085,000
Surplus/(Deficit) attributable to the Australian Government		(23,332)	240,578	(76,424)	78,515
Total comprehensive surplus/(deficit) attributable to the Australian Government		(23,332)	240,578	(76,424)	78,515

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

Statements of Financial Position
as at 30 June 2019

	Notes	AASB		AUASB	
		2019	2018	2019	2018
		\$	\$	\$	\$
ASSETS					
Financial Assets					
Cash and cash equivalents		464,561	7,597	188,885	332,408
Trade and other receivables	8c	334,850	261,218	166	-
Appropriation receivables	4	1,656,000	2,041,000	686,700	517,000
Total financial assets		2,455,411	2,309,815	875,751	849,408
Non-Financial Assets					
Plant & equipment - fair value		130,533	173,323	-	-
Prepaid expenses		96,779	52,463	-	-
Total non-financial assets		227,312	225,786	-	-
Total assets		2,682,723	2,535,601	875,751	849,408
LIABILITIES					
Payables					
Suppliers		239,612	174,357	-	-
Management fee payable to AASB	8c	-	-	240,771	172,481
Other payables	5	356,788	249,308	11,170	28,248
Total payables		596,400	423,665	251,941	200,729
Provisions					
Employee provisions	2, 6	293,361	295,642	180,888	129,333
Total provisions		293,361	295,642	180,888	129,333
Total liabilities		889,761	719,307	432,829	330,062
Net assets		1,792,962	1,816,294	442,922	519,346
EQUITY					
Contributed equity		681,000	681,000	312,000	312,000
Retained earnings		1,111,962	1,135,294	130,922	207,346
Total equity		1,792,962	1,816,294	442,922	519,346

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

Statements of Changes in Equity
for the period ended 30 June 2019
Australian Accounting Standards Board

	Retained earnings		Contributed equity/capital		Total equity	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Opening balance as at 1 July	1,135,294	894,716	681,000	602,000	1,816,294	1,496,716
Comprehensive income						
Surplus/(Deficit) for the period	(23,332)	240,578	-	-	(23,332)	240,578
Comprehensive income attributable to the Australian Government	(23,332)	240,578	-	-	(23,332)	240,578
Transactions with owners						
Departmental capital budget	-	-	79,000	79,000	79,000	79,000
Distribution to Australian Government	-	-	(79,000)	-	(79,000)	-
Closing balance as at 30 June	1,111,962	1,135,294	681,000	681,000	1,792,962	1,816,294

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

Auditing and Assurance Standards Board

	Retained earnings		Contributed equity/capital		Total equity	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Opening balance as at 1 July	207,346	128,831	312,000	274,000	519,346	402,831
Comprehensive income						
Surplus/(Deficit) for the period	(76,424)	78,515	-	-	(76,424)	78,515
Comprehensive income attributable to the Australian Government	(76,424)	78,515	-	-	(76,424)	78,515
Transactions with owners						
Departmental capital budget	-	-	38,000	38,000	38,000	38,000
Distribution to Australian Government			(38,000)		(38,000)	
Closing balance as at 30 June	130,922	207,346	312,000	312,000	442,922	519,346

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

Cash Flow Statements

for the period ended 30 June 2019

	Notes	AASB		AUASB	
		2019	2018	2019	2018
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Cash received					
Appropriations		3,933,000	2,929,000	1,941,000	2,335,000
Goods and services		707,253	1,045,193	-	-
Net GST received		156,888	182,962	-	-
Contributions received		492,125	481,900	-	-
Total cash received		5,289,266	4,639,055	1,941,000	2,335,000
Cash used					
Employees and contractors		2,839,774	2,798,962	1,043,012	907,703
Suppliers		1,991,970	2,034,355	1,046,811	1,161,940
Net GST paid		-	603	-	-
Total cash used		4,831,744	4,833,920	2,089,823	2,069,643
Net cash from / (used by) operating activities	7	457,522	(194,865)	(148,823)	265,357
INVESTING ACTIVITIES					
Cash received / (used)					
Purchase of infrastructure, plant and equipment		(49,720)	(124,064)	-	-
Cash received from disposal of infrastructure, plant and equipment		2,162	-	-	-
Net cash used by investing activities		(47,558)	(124,064)	-	-
FINANCING ACTIVITIES					
Cash received					
Contributed equity		47,000	42,000	5,300	37,000
Net cash from financing activities		47,000	42,000	5,300	37,000
Net increase / (decrease) in cash held		456,964	(276,929)	(143,523)	302,357
Cash and cash equivalents at the beginning of the reporting period		7,597	284,526	332,408	30,051
Cash and cash equivalents at the end of the reporting period		464,561	7,597	188,885	332,408

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORTS

Objectives of AASB and AUASB

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

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

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

Financial Reporting and Organisation Structure

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

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

The accounting policies applied by each Office are the same.

Events After the Statement of Financial Position Date

There are no major events post 30 June 2019 to report for the AASB or AUASB.

Note 1: Summary of Significant Accounting Policies

1.1 Basis of Preparation of the Financial Statements

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

The financial reports have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015, and
- Australian Accounting Standards and Interpretations issued by the AASB that apply for the reporting period.

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

The financial statements are presented in Australian dollars.

1.2 Significant Accounting Judgements and Estimates

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

1.3 Changes in Australian Accounting Standards

(a) Adoption of New Australian Accounting Standard Requirements

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

AASB 1058 *Income of Not-For-Profit Entities* and AASB 15 *Revenue from Contracts with Customers* will be effective for the annual reporting period ending 30 June 2020 and sets out new income recognition requirements. The AASB and AUASB do not consider these standards will have a material impact, except for the receipt of funding from the States and Territories by the AASB. The current agreement ended 30 June 2019 and the terms of the new contract are still being negotiated so the impact of AASB 1058 and AASB 15 is not yet known.

AASB 116 *Leases* replaces AASB 117 *Leases* and is effective for the annual reporting period ending 30 June 2020. A lessee recognises an asset (the right to use the leased item) and a financial liability to pay rentals. The only exceptions are short-term leases (i.e. lease term of 12 months or less) and low-value leases. Interest expense is recognised on the lease liability and depreciation expense on the right-of-use asset. The AASB and AUASB will elect to use the exemptions to not recognise leases expiring within 12 months.

As at 1 July 2019 the present value of the contractual lease payments of the Melbourne office premises will be recognised by the AASB as a right of use asset of \$324,907 and a financial liability to pay rentals of the same amount.

1.4 Taxation

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

1.5 Plant and Equipment Revaluation

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

2019 and 2018

Plant and Equipment Depreciated replacement cost or market selling price.

Following initial recognition at cost, items of plant and equipment are carried at fair value less accumulated depreciation. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. An independent valuation was carried out in February 2019.

Any accumulated depreciation as at the revaluation date is eliminated against the carrying amount of the asset and the asset restated to the revalued amount. Revaluation increments are recognised in the Asset Revaluation Reserve on a class of assets basis, unless they reverse a prior year revaluation decrement previously recognised as an expense. Revaluation decrements are recognised as an expense, unless they reverse a prior year revaluation increment.

Note 2: Analysis of Shared Operational Activities

Note 2A: Operational activities for AASB and AUASB

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

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

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

In addition, the AASB charges the AUASB a management fee to recover an appropriate portion of the total professional services expenses ('common expenses'). As the AASB solely bears legal obligations arising from the contracts for common employees, leases and other expenses, the AASB recognises the full amount of common expenses as incurred and recognises the management fee charged to the AUASB as revenue. The AUASB recognises the management fee as an expense. The common expense management fee for 2019 amounted to \$767,761 (2018: \$777,072).

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2018-19

	AASB 2019 \$	AUASB 2019 \$	Shared 2019 \$	Total 2019 \$	Total 2018
Note 2B: Operational activities					
Appropriations	3,595,000	2,116,000	-	5,711,000	5,618,000
Other income	698,743	91,729	-	790,472	697,106
Total income before common expense recharge	4,293,743	2,207,729	-	6,501,472	6,315,106
Common expense recharge ¹	767,761	-	-	767,761	777,072
Total income	5,061,504	2,207,729	-	7,269,233	7,092,178
Employee and contractor costs (excluding redundancies)	2,073,646	1,154,131	854,566	4,082,343	3,965,766
Separation and redundancy costs	-	-	159,168	159,168	-
Direct supplier expenses (refer to Note 3B)	903,140	362,261	-	1,265,401	1,013,789
Common occupancy expenses	-	-	308,324	308,324	294,426
Common depreciation and amortisation expense	-	-	54,563	54,563	47,874
Common finance costs	35,786	-	34	35,820	403
Common supplier expenses (refer to Note 3B)	-	-	695,609	695,609	673,755
	3,012,572	1,516,392	2,072,264	6,601,228	5,996,013
Common expense recharge ¹	-	767,761	-	767,761	777,072
	3,012,572	2,284,153	2,072,264	7,368,989	6,773,085
				(99,756)	319,092
Made up of: Surplus/(Deficit)			AASB	(23,332)	240,577
			AUASB Surplus/(Deficit)	(76,424)	78,515

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

Note 3: Expenses

Note 3A: Employee and contractor costs

	AASB		AUASB	
	2019 \$	2018 \$	2019 \$	2018 \$
Employee wages and salaries	2,083,999	1,816,097	957,113	848,383
Defined contribution superannuation plans	191,362	142,367	93,213	65,928
Leave and other entitlements	168,689	167,231	103,805	93,639
Separation and redundancies	159,168	-	-	-
Total employee benefits	2,603,218	2,125,695	1,154,131	1,007,950
Contractor costs	484,162	832,121	-	-
Total employee and contractor costs	3,087,380	2,957,815	1,154,131	1,007,950

Contingent liabilities

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

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

Note 3B: Suppliers

	AASB		AUASB	
	2019	2018	2019	2018
	\$	\$	\$	\$
Direct expenses				
Board members' services	24,963	25,380	36,343	26,087
Travel	342,278	284,077	183,445	179,865
Publications/Subscriptions	123,025	98,128	39,897	41,210
Conference & Professional Development	82,532	17,758	32,837	14,585
Audit fees (received free of charge)	46,150	46,150	33,000	33,000
Compensation and related FBT expenses	29,456	78,892	2,490	4,318
Legal Expenses	19,566	12,634	-	-
HR – Employee recruitment, training and support	131,836	131,501	24,945	270
Research & Data Expenses	88,500	-	-	-
Other	14,834	11,968	9,304	7,966
Total direct expenses	903,140	706,488	362,261	307,301
Common expenses				
Consultant costs – Other	58,840	80,941		
Consultant costs – IT	194,336	35,160		
Consultant costs – HR	79,159	80,247		
HR – Employee recruitment, training and support	54,494	81,235		
Administration costs	235,386	268,025		
Legal Expenses	18,837	51,475		
Other	54,556	76,673		
Total common expenses	695,608	673,756	-	-
Total supplier expenses	1,598,748	1,380,244	362,261	307,301

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

Note 4: Appropriations

(i) Revenue from Government

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

Appropriations receivable are recognised at their nominal amounts.

(ii) Equity Injections

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

Table A: Annual appropriations ('Recoverable GST exclusive')

	AASB		AUASB	
	2019	2018	2019	2018
	\$	\$	\$	\$
Unspent annual appropriations ('Recoverable GST exclusive') – Opening balance (Table B)				
Cash	7,597	284,526	332,408	30,051
Receivables	2,041,000	1,400,000	517,000	766,000
	2,048,597	1,684,526	849,408	796,051
Ordinary annual services				
Annual appropriation - Revenue from Government				
Departmental appropriations <i>Appropriation Act (No. 1)</i> ¹	3,516,000	3,533,000	2,078,000	2,085,000
Departmental appropriations - <i>Appropriation Act (No. 3)</i>	79,000	-	38,000	-
Total Appropriation Act (No.1)	3,595,000	3,612,000	2,116,000	2,123,000
Departmental capital budget ²	79,000	79,000	38,000	38,000
Total appropriations	3,674,000	3,612,000	2,154,000	2,123,000
PGPA Act – Section 74 ³				
Own source income - not transferred to the Official Public Account	1,199,378	1,526,490	-	-
Total appropriation	4,873,378	5,138,490	2,154,000	2,123,000
Appropriation applied (current and prior years) ³				
Employees and contractors	2,839,774	2,798,962	1,403,012	907,703
Suppliers	1,991,970	2,034,355	1,046,811	1,161,940
Purchase of plant and equipment	49,720	124,064	-	-
Cash received from disposal of plant and equipment	(2,162)	-	-	-
Less net GST received	(156,888)	(182,962)	-	-
Distribution to Australian Government	79,000	-	38,000	-
Total appropriation applied (current and prior years)	4,801,414	4,774,419	2,127,823	2,069,643

Note 4: Appropriations continued**Appropriation allocated to:**

Prior year capital 2015/216		42,000		37,000
Prior year ordinary 2016/17		1,281,000		692,000
Prior year capital 2016/17	47,000		5,300	
Prior year ordinary 2017/18	1,885,000		442,000	
Total Prior years	1,932,000	<u>1,323,000</u>	447,300	<u>729,000</u>
Current year – Ordinary	2,790,414	3,451,419	1,642,523	1,340,643
Current year – Distributions	79,000		38,000	
Total appropriation applied (current and prior years)	4,801,414	<u>4,774,419</u>	2,127,823	<u>2,069,643</u>
Excess of appropriations received over applied	71,964	364,071	26,177	53,357
Cash	464,561	7,597	188,885	332,408
Receivables	1,656,000	<u>2,041,000</u>	686,700	<u>517,000</u>
	2,120,561	<u>2,048,597</u>	875,585	<u>849,408</u>

1. Statement of Comprehensive Income
2. Statement of Changes in Equity
3. Cash flow statement (exclusive appropriation and net GST)
4. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1, 3, 5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

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

	AASB		AUASB	
	2019	2018	2019	2018
Authority	\$	\$	\$	\$
Appropriation Act 1 - 2016/17 - capital budget	-	47,000	16,700	22,000
Supply Act 1 - 2016/17 – capital budget	30,000	30,000	15,000	15,000
Appropriation Act 1 - 2017/18 - capital budget	79,000	79,000	38,000	38,000
Appropriation Act 1 - 2017/18	-	1,885,000	-	442,000
Appropriation Act 1 - 2018/19	1,468,000	-	579,000	-
Appropriation Act 3 - 2018/19	79,000	-	38,000	-
Cash	464,561	<u>7,597</u>	188,885	<u>332,408</u>
Total	2,120,561	<u>2,048,597</u>	875,585	<u>849,408</u>

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

Note 5: Payables

	AASB		AUASB	
	2019	2018	2019	2018
	\$	\$	\$	\$
Other payables				
PAYG salary withholding tax	135,175	54,087	-	-
Compensation & related FBT costs ¹	97,458	52,061	3,334	1,818
Lease payable	103,575	120,650	-	-
Other	20,580	22,510	7,836	26,430
Total other payables	356,788	249,308	11,170	28,248
Other payables are expected to be settled within:				
No more than 12 months	356,788	249,308	11,170	28,248
More than 12 months	-	-	-	-
Total other payables	356,788	249,308	11,170	28,248

1 The Instrument of Appointment for the AASB Chair waives the qualifying period for long service leave, effectively creating a present obligation for the 5-year appointment. On the basis of legal advice received, the AASB Chair is not entitled to long service leave under the Commonwealth Long Service Leave Act in the event that a term of less than 10 years is served. As the term of the AASB Chair is not within the AASB's control, the AASB will seek a deed of release from the Chair in exchange for appropriate damages for breach of contract should the Chair's term be less than 10 years. Accordingly, a compensation provision for breach of contract has been recognised, to reflect the AASB's contractual obligations including the associated fringe benefits tax of \$101,378 (2018 \$78,021).

All invoices are paid within 30 days.

Note 6: Employee Provisions

	AASB		AUASB	
	2019	2018	2019	2018
	\$	\$	\$	\$
Employee provisions are expected to be settled in:				
No more than 12 months	249,173	260,122	130,645	103,279
More than 12 months	44,188	35,520	50,243	26,054
Total employee provisions¹	293,361	295,642	180,888	129,333

1 AUASB:

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

Note 7: Cash Flow Reconciliation

	AASB		AUASB	
	2019	2018	2019	2018
	\$	\$	\$	\$
Reconciliation of net cost of services to net cash from operating activities:				
Net cost of services	(3,618,332)	(3,292,422)	(2,192,424)	(2,006,485)
Add revenue from Government	3,595,000	3,533,000	2,116,000	2,085,000
Adjust for proceeds of disposal of assets (Investing Activity)	(2,162)	-	-	-
Adjustments for non-cash items				
Depreciation / amortisation	54,563	47,874	-	-
Lease incentive - (530 Collins St)	(16,627)	(16,627)	-	-
Net write down of non-financial assets	35,787	10,055	-	-
Movements in assets / liabilities				
Assets				
(Increase) / decrease in net receivables	266,528	(434,499)	(175,166)	250,000
(Increase) / decrease in prepayments	(44,316)	(27,649)	-	-
Liabilities				
Increase / (decrease) in employee provisions	(2,281)	8,980	51,555	49,409
Increase / (decrease) in supplier payables	81,882	(80,013)	68,290	(88,724)
Increase / (decrease) in other payables	107,480	56,436	(17,078)	(21,843)
Net cash from / (used by) operating activities	457,522	(194,865)	(148,823)	267,357

Note 8: Related parties

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

- Key Management Personnel of the AASB and AUASB, their close family members, and entities controlled or jointed controlled by either: (8A)
- Cabinet Ministers – key management personnel for the consolidated whole of Government accounts, and (8B)
- all other Australian government entities (8B).

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

Note 8: Related Parties continued

Note 8A: Transactions with key management personnel

	AASB		AUASB	
	2019	2018	2019	2018
	\$	\$	\$	\$
Short-term employee benefits:				
Salary ¹	<u>843,011</u>	<u>680,030</u>	<u>409,323</u>	<u>391,656</u>
Post-employment benefits:				
Superannuation	<u>60,150</u>	<u>48,237</u>	<u>38,886</u>	<u>37,207</u>
Other short term benefits				
Termination benefits - Separation and redundancies	<u>159,168</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other long-term benefits:				
Annual Leave accrued	<u>47,226</u>	<u>59,791</u>	<u>34,478</u>	<u>32,990</u>
Long Service Leave ²	<u>5,500</u>	<u>19,432</u>	<u>11,205</u>	<u>10,722</u>
Total other long-term benefits	<u>52,726</u>	<u>79,223</u>	<u>45,683</u>	<u>43,712</u>
Total²	<u>1,115,055</u>	<u>807,490</u>	<u>493,892</u>	<u>472,575</u>

1 See Note 4 (1) and 6 (1).

2 The Instrument of Appointment for the AASB Chair waives the qualifying period for long service leave, effectively creating a present obligation for the 5-year appointment. On the basis of legal advice received, the AASB Chair is not entitled to long service leave under the Commonwealth Long Service Leave Act in the event that a term of less than 10 years is served. As the term of the AASB Chair is not within the AASB's control, the AASB will seek a deed of release from the Chair in exchange for appropriate damages for breach of contract should the Chair's term be less than 10 years. Accordingly, a compensation provision for breach of contract has been recognised, to reflect the AASB's contractual obligations including the associated fringe benefits tax of \$101,378 (2018 \$78,021).

During the reporting period ended 30 June 2019, AASB had three executives who met the definition of key management personnel.

Name	Position	Term as KMP
Kris Peach	Chair	Full year (4 days a week from 1st May 2019)
Damian Paull	National Director	Until 3rd June 2019
Kalaselvi Kandiah	Technical Director	Full year

During the reporting period ended 30 June 2019, AUASB had two executives who met the definition of key management personnel.

Name	Position	Term as KMP
Roger Simnett	Chair	Full year (3 days a week)
Matthew Zappulla	Technical Director	Full year

Note 8: Related Parties continued**Governance Arrangements**

The remuneration of the AASB and AUASB Chair is set by the Commonwealth Remuneration Tribunal Determination (Remuneration and Allowances for Holders of Full-time Public Office) Determination 2018. The remuneration of other KMP is set by the Chair's benchmarking against relevant published external remuneration publications and other sources. The individual's performance during the year in assisting to achieve the AASB or AUASB strategy is taken into account in determining the level of increase in base salary each year.

Other non-salary benefits provided to KMP include annual influenza immunisation, mentoring and coaching programs, confidential employee assistance program, provision of mobile phone, tablet, laptop and airline lounge membership.

AASB		Short-term benefits	Post-employment benefits	Other long-term benefits		Termination Benefits	Total remuneration
Name	Position	Base Salary	Superannuation contributions	Annual leave	Long service leave		
Kris Peach ³	Chair	373,412	20,531	30,303	-	-	424,246
Damian Paull	National Director	268,686	20,531		-	159,168	448,385
Kalaselvi Kandiah	Technical Director	200,913	19,088	16,923	5,500	-	242,424
Total		843,011	60,149	47,226	5,500	159,168	1,115,055

AUASB		Short-term benefits	Post-employment benefits	Other long-term benefits		Termination Benefits	Total remuneration
Name	Position	Base Salary	Superannuation contributions	Annual leave	Long service leave		
Roger Simnett	Chair	208,410	19,799	17,555	5,705	-	251,469
Matthew Zappulla	Technical Director	200,913	19,087	16,923	5,500	-	242,423
Total		409,323	38,886	34,478	11,205	-	493,892

Note 8: Related Parties continued

Other Related Parties

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

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

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

Additionally, the AASB had a secondee from the Australian Taxation Office from 1 July 2018 to 30 June 2019 on a free of charge basis.

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

Note 8B: Other related party transactions - Transaction values

	AASB		AUASB	
	2019	2018	2019	2018
	\$	\$	\$	\$
Sales of goods and services to other Commonwealth entities:				
Management fee recharge received from AUASB	767,761	777,072	-	-
Total Goods and services	767,761	777,072	-	-
Purchase of goods from other Commonwealth entities:				
Management fee recharge paid to AASB	-	-	767,761	777,072
Productivity Commission - IT expenses	145,000	135,744	-	-
TEQSA – lessor	308,324	294,426	-	-
Total purchase of goods	453,324	430,170	767,761	777,072

Note 8C: Other related party transactions - Balance outstanding

	2019	2018	2019	2018
	\$	\$	\$	\$
Sales of goods and services to other Commonwealth controlled entities:				
Management fee recharge receivable from AUASB	240,771	172,481	-	-
Total sales of goods and services	240,771	172,481	-	-
Purchase of goods from other Commonwealth controlled entities:				
Management fee recharge payable to AASB	-	-	240,771	172,481
Productivity Commission - IT expenses	-	63,887	-	-
Total purchase of goods	-	63,887	240,771	172,481

Financial Instruments

The AASB and AUASB have adopted AASB 9 *Financial Instruments* effective from 1 July 2018 which has not resulted in any significant change.

The Entities have elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly have not restated comparative periods in the year of initial application.

Note 9: Fair value of financial instruments

Financial instrument assets

AASB and AUASB have the following financial assets: cash and cash equivalents, management fee receivable and trade receivables. Management fee receivable and trade receivables are measured at amortised cost. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

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

Financial assets are assessed for impairment at the end of each reporting period based on the simplified Expected Credit Losses (ECL) approach. The ECL are calculated using the provision matrix that is based on historical credit loss experience adjusted for forward looking factors specific to the debtors and the economic environment. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Offices of the AASB and AUASB are exposed to minimal credit risk due to the nature of the trade receivables, as they represent funding from State and Territories or Commonwealth Government. As there is no history of credit losses in the past and no forward-looking factors indicated differently, no allowance for ECL has been recognised.

The majority of trade receivables relates to a funding agreement between the Office of the AASB and the States and Territories. The current agreement runs from 1 July 2016 to 30 June 2019. Income is received in equal quarterly instalments and is recognised when controlled. All receivables are due in the next 12 months.

Financial instrument liabilities

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

Note 9B: Liquidity risk

The exposure to liquidity risk is based on the probability that the Offices of the AASB and AUASB will encounter difficulty in meeting their obligations associated with financial liabilities.

This is highly unlikely due to government funding and mechanisms available to the Offices of the AASB and AUASB and internal policies and procedures put in place to ensure there are appropriate resources to meet our financial obligations.

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

Note 9C: Market risk

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

Note 10: Operating Leases

Note 10A: Significant accounting policies

(i) Leases

Operating lease payments are expensed on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets, including lease incentives for rent free periods. The minimum lease payments within the operating lease expenses on the AASB's statement of comprehensive income is \$199,532 (2018: \$192,785).

Note 10B: Operating lease commitments

	AASB	
	2019	2018
	\$	\$
Operating leases ¹	<u>566,450</u>	<u>766,229</u>
Total operating leases	<u>566,450</u>	<u>766,229</u>
BY MATURITY		
One year or less	<u>206,340</u>	199,779
From one to five years	<u>360,110</u>	566,450
Over five years	<u>-</u>	-
Total operating leases	<u>566,450</u>	<u>766,229</u>

¹ In September 2015, the AASB entered into a shared occupancy agreement at 530 Collins Street with the Tertiary Education Quality and Standards Agency. The lease runs from the 21st September 2015 to the 22nd February 2022. There was a rent-free period from 21st September 2015 to 31st July 2016. The lease costs including the rent-free period incentive have been straight lined as per AASB 117. The operating lease payments are subject to an increase on the 1st August every year of 3.5% per annum and from 1 August 2019 will be \$201,068 per annum. The lease amount includes the lease of the premises and furniture and fittings.

Note 11: Other Information

Aggregate Assets and Liabilities

	AASB		AUASB	
	2019	2018	2019	2018
Assets expected to be recovered in:				
No more than 12 months	2,552,190	2,362,278	875,751	849,408
More than 12 months	<u>130,533</u>	<u>173,323</u>	-	-
Total assets	<u>2,682,723</u>	<u>2,535,601</u>	<u>875,751</u>	<u>849,408</u>
Liabilities expected to be recovered in:				
No more than 12 months	485,463	117,337	432,829	279,819
More than 12 months	<u>404,298</u>	<u>601,970</u>	-	50,243
Total liabilities	<u>889,761</u>	<u>719,307</u>	<u>432,829</u>	<u>330,062</u>

Note 12: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2018-19 Portfolio Budget Statements (PBS) to the 2018-19 final outcome as presented in accordance with Australian Accounting Standards. The Budget is not audited and where applicable, the original budget numbers have been reclassified to align with the financial statement.

Explanations are provided for major variances between actual results and the original budget. Variances are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater than 10%; and
- an item below this threshold but is considered important for the readers' understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of AASB.'

Note 12A: Major Budget Variances for 2019

Australian Accounting Standards Board	
Explanations of major variances	Footnote reference and affected statement
Employee related salaries and provisions lower due to delays in recruiting of 1.5 FTEs.	1 (SoCI, SoFP and CFS)
Non-employee costs have increased due to consulting costs for the ICT project \$50K, departure of the National Director \$160K, stakeholder survey costs \$30K, and as these are common costs on charged to the AUASB, have also resulted in an increase in the Management charge to the AUASB over budget. In addition, direct costs increased due to World Congress of Accounts Conference fees \$80K, and impairment and revaluation losses on equipment \$35K. Offset by reduced travel costs and Board Sitting fees compared to budget.	2 (SoCI, SoFP and CFS)
Australian Tax Office (ATO) secondee to AASB received free of charge extended for full year, whilst budget was for part of the year.	3 (SoCI)
Capital Appropriations for 2018/19 received and then distributed back to Government and then increase in Operating Appropriation for same amount to fund ICT project, less efficiency dividend.	4 (SoCI, SoFP & SoCE)
Supplier payment run completed end June, reducing liability compared to budget.	5 (SoFP)
Includes prepaid expenses for licences not normally paid until July	6 (SoFP)
Budget anticipated a larger impact of the asset valuation undertaken this financial year.	7 (SoFP)
GST is not budgeted for in the Cash Flow Statement.	8 (CFS)
Delay in purchasing the planned assets to utilise the capital appropriation from prior years.	9 (CFS)
Appropriation drawdown completed in June resulting in a high bank balance compared to budget. Receivables balance is higher due to increase in Management fee payable to AASB for the period as it includes AUASB share of the ETP payment to National Director and ICT project costs.	10 (SoFP & CFS)
Other payables balance includes PAYG in relation to ETP payment and Compensation provision for Chair.	11 (SoFP)
Intangible balance in budget related to software costs, type of licence arrangements are not operating expenses.	12. (SoFP)

Note 12A: Major Budget Variances for 2019 continued

Auditing and Assurance Standards Board	
Explanations of major variances	Footnote reference and affected statement
Employee provisions higher than anticipated in the budget due to number of long-term employees.	1 (SoFP)
Management charge from AASB higher than anticipated due to the share of the ICT project, departure of the National Director and stakeholder survey.	2 (SoCI and CFS)
Board Members services and ANAO Audit received free of charge – Nil effect overall to net surplus because equal increase to expenses also recognised.	3 (SoCI)
Capital Appropriations for 2018/19 received and then distributed back to Government and then increase in Operating Appropriation for same amount to fund management charge including the costs of the ICT project.	4 (SoCI, SoFP & SoCE)
Supplier payables high due to increase in Management fee payable to AASB for the period as it includes AUASB share of the ETP payment to National Director and ICT project costs.	5 (SoFP)
Plant and Equipment is held by AASB under the MOU agreement between the two entities.	7 (SoFP)
GST is reported as a group.	8 (CFS)
Decrease in appropriation's receivables due to normal operating expenses.	10 (SoFP)

Statements of Comprehensive Income
for the period ended 30 June 2019

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
	2019	Original 2019	Variance 2019	2019	Original 2019	Variance 2019
	\$	\$	\$	\$	\$	\$
EXPENSES						
Employee and contractor costs ^{1,3}	3,087,380	3,223,000	(135,620)	1,154,131	1,168,000	(13,869)
Supplier expenses ²	1,598,748	1,538,000	60,748	362,261	1,002,000	(639,739)
Occupancy expenses ²	308,324	-	308,324	-	-	-
Depreciation and amortisation	54,563	55,000	(437)	-	40,000	(40,000)
Finance costs	34	-	34	-	-	-
Management fee expenses ²	-	-	-	767,761	-	767,761
Write-down and impairment of assets and losses on sale ²	35,787	-	35,787	-	-	-
Total expenses	5,084,836	4,816,000	268,836	2,284,153	2,210,000	74,153
LESS:						
OWN SOURCE INCOME						
Own-source revenue						
Sale of goods and rendering of services	5,250	-	5,250	-	-	-
Resources received free of charge	193,493	116,000	77,493	91,729	91,000	729
Management fee recharge ²	767,761	627,000	140,761	-	-	-
Contributions from state and territories	500,000	500,000	-	-	-	-
Total own-source revenue	1,466,504	1,243,000	223,504	91,729	91,000	729
Net cost of services & cost of outcome delivery						
Revenue from Government - departmental appropriations	3,595,000	3,518,000	(77,000)	2,116,000	2,079,000	37,000
Surplus/(Deficit) attributable to the Australian Government	(23,332)	(55,000)	(31,668)	(76,424)	(40,000)	(36,424)
OTHER COMPREHENSIVE INCOME						
Total comprehensive income attributable to the Australian Government	(23,332)	(55,000)	(31,668)	(76,424)	(40,000)	(36,424)

Statements of Financial Position
for the period ended 30 June 2019

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
	2019	Original 2019	Variance 2019	2019	Original 2019	Variance 2019
	\$	\$	\$	\$	\$	\$
ASSETS						
Financial assets						
Cash and cash equivalents ¹⁰	464,561	251,000	213,561	188,885	194,000	(5,115)
Trade and other receivables ¹⁰	1,990,850	1,858,000	132,850	686,866	468,000	218,866
Total financial assets	2,455,411	2,109,000	346,411	875,751	662,000	213,751
Non-financial assets						
Plant and equipment ⁷	130,533	83,000	47,533	-	23,000	(23,000)
Intangibles	-	71,000	(71,000)	-	24,000	(24,000)
Prepaid expenses ⁶	96,779	21,000	75,779	-	-	-
Total non-financial assets	227,312	175,000	53,312	-	47,000	(47,000)
Total assets	2,682,723	2,284,000	398,723	875,751	709,000	166,751
LIABILITIES						
Payables						
Suppliers ⁵	239,612	370,000	(130,388)	240,771	172,000	68,771
Other payables ¹¹	356,788	14,000	342,788	11,170	21,000	(9,830)
Total payables	596,400	384,000	212,400	251,941	193,000	58,941
Provisions						
Employee provisions ¹	293,361	356,000	(62,639)	180,888	120,000	60,888
Total provisions	293,361	356,000	(62,639)	180,888	120,000	60,888
Total liabilities	889,761	740,000	149,761	432,829	313,000	119,829
Net assets	1,792,962	1,544,000	248,962	442,922	396,000	46,922
EQUITY						
Parent entity interest						
Contributed equity	681,000	760,000	(79,000)	312,000	349,000	(37,000)
Retained earnings	1,111,962	784,000	327,962	130,922	47,000	83,922
Total parent entity interest	1,792,962	1,544,000	248,962	442,922	396,000	46,922

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

Statements of Changes in Equity
for the period ended 30 June 2019
Australian Accounting Standards Board

	Retained earnings			Contributed equity/capital			Total equity		
	Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate	
	2019	Original 2019	Variance 2019	2019	Original 2019	Variance 2019	2019	Original 2019	Variance 2019
Opening balance									
Balance carried forward from previous period	1,135,294	839,000	296,294	681,000	681,000	-	1,816,294	1,520,000	296,294
Comprehensive income									
Surplus/ (Deficit) for the period	(23,332)	(55,000)	31,669	-	-	-	(23,332)	(55,000)	31,668
Total comprehensive income attributable to the Australian Government	(23,332)	(55,000)	31,669	-	-	-	(23,332)	(55,000)	31,669
Contribution by owners									
Departmental capital budget	-	-	-	79,000	79,000	-	79,000	79,000	-
Distribution to Australian Government(4)	-	-	-	(79,000)	-	(79,000)-	(79,000)	-	(79,000)
Total transactions with owners	-	-	-	-	79,000	(79,000)	-	79,000	(79,000)
Closing balance attributable to Australian Government	1,111,962	784,000	327,962	681,000	760,000	(79,000)	1,792,962	1,544,000	248,962

Statements of Changes in Equity (continued)

for the period ended 30 June 2019

Auditing and Assurance Standards Board

	Retained earnings			Contributed equity/capital			Total equity		
	Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate	
		Original	Variance		Original	Variance		Original	Variance
	2019	2019	2019	2019	2019	2019	2019	2019	
Balance carried forward from previous period	207,346	87,000	120,346	312,000	311,000	1,000	519,346	398,000	121,346
Surplus/ (Deficit) for the period	(76,424)	(40,000)	(36,424)	-	-	-	(76,424)	(40,000)	(36,424)
Total comprehensive income attributable to the Australian Government	(76,424)	(40,000)	(36,424)	-	-	-	(76,424)	(40,000)	(36,424)
Departmental capital budget	-	-	-	38,000	38,000	-	38,000	38,000	-
Distribution to Australian Government(4)	-	-	-	(38,000)	-	(38,000)	(38,000)	-	(38,000)
Total transactions with owners	-	-	-	-	38,000	(38,000)	-	38,000	(38,000)
Closing balance attributable to Australian Government	130,922	47,000	83,922	312,000	349,000	(37,000)	442,922	396,000	46,922

Variations in equity are the net result of variations in the statements of comprehensive income and the statements of financial position.

Cash Flow Statements

for the period ended 30 June 2019

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
		Original	Variance		Original	Variance
2019	2019	2019	2019	2019	2019	
	\$	\$	\$	\$	\$	
OPERATING ACTIVITIES						
Cash received						
Appropriations ¹⁰	3,933,000	3,545,000	388,000	1,941,000	1,970,000	(29,000)
Goods and services ²	707,253	627,000	161,341	-	-	-
Net GST received ⁸	156,888	-	156,888	-	-	-
Contributions received	492,125	498,000	(5,875)	-	-	-
Total cash received	5,289,266	4,670,000	700,354	1,941,000	1,970,000	(29,000)
Cash used						
Employees and contractors ¹	2,839,774	3,231,000	(391,226)	1,043,012	1,139,000	(95,988)
Suppliers ²	1,991,970	1,400,000	591,970	1,046,811	934,000	112,811
Other	-	-	-	-	-	-
Total cash used	4,831,744	4,631,000	200,744	2,089,823	2,073,000	16,823
Net cash from/ (used by) operating activities	457,522	39,000	418,522	(148,823)	(103,000)	(45,823)
INVESTING ACTIVITIES						
Cash received / (used)						
Purchase of property, plant and equipment and intangibles	(49,720)	(79,000)	29,281	-	(38,000)	38,000
Cash received from disposal of infrastructure, plant and equipment	2,162	-	2,162	-	-	-
Total cash used	(47,558)	(79,000)	31,443	-	(38,000)	38,000
Net cash from (used by) investing activities	(47,558)	(79,000)	31,443	-	(38,000)	38,000
FINANCING ACTIVITIES						
Cash received						
Contributed equity ⁹	47,000	79,000	(32,000)	5,300	38,000	(32,700)
Net cash from/ (used by) financing activities	47,000	79,000	(32,000)	5,300	38,000	(32,700)
Net increase (decrease) in cash held	456,964	39,000	417,964	(143,523)	(103,000)	(40,523)
Cash and cash equivalents at the beginning of the reporting period	7,597	212,000	(204,403)	332,408	297,000	35,408
Cash and cash equivalents at the end of the reporting period	464,561	251,000	213,561	188,885	194,000	(5,115)

Appendices

APPENDIX A

AASB AND AUASB LEGISLATIVE REQUIREMENTS

AASB

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

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

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

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

AUASB

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

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

- (f) to make auditing standards under section 336 of the *Corporations Act 2001*, for the purposes of the corporations legislation
- (g) to formulate auditing and assurance standards for other purposes
- (h) to formulate guidance on auditing and assurance matters
- (i) to participate in and contribute to the development of a single set of auditing standards for worldwide use
- (j) to advance and promote the main objects of Part 12 of the ASIC Act. Section 224 (aa) of the *ASIC Act* states the objectives of Part 12, which include:
 - ” To facilitate the development of auditing and assurance standards and related guidance materials that:
 - (i) provide Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the *Corporations Act 2001*; and
 - (ii) require the preparation of auditors’ reports that are reliable and readily understandable by the users of financial reports to which they relate.”

Other relevant objectives of Part 12 are summarised below:

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

APPENDIX B

ATTENDANCE AT AASB AND AUAB MEETINGS

AASB MEMBER ATTENDANCE

The AASB met eight times during 2018-19 for a total of eight meeting days. In addition to preparation for these meetings, which requires consideration of detailed technical papers, members considered and voted on accounting standards and other pronouncements out of session and also attended or made presentations at seminars and other meetings related to their role as a Board member. Consequently, the time committed by members is substantially more than the meeting days attended.

AASB Member attendance is shown in the table below:

Members	Number of days eligible to attend	Number of days attended	Apologies (days)
K Peach (Chair)	8	8	0
R Fikkers (Vice-Chair)*	4	3	1
M Blake (Vice-Chair)	8	8	0
K Crook	8	8	0
P Gibson	8	7	1
J Grant	4	3	1
K Liow	8	8	0
C Ridley	8	7	1
P Rogers	4	3	1
T Rulton	8	7	1
M Smit*	4	3	1
S Taylor	8	7	1
A White	8	8	0

* Board retirements during 2018-19 period

For details of terms of appointments, please refer to the AASB Organisational Structure section of this Report commencing on page 58.

AUASB MEMBER ATTENDANCE

The AUASB held nine meetings during 2018-19 for a total of eleven meeting days. Member attendance is shown in the table below:

Members	Number of days eligible to attend	Number of days attended	Apologies (days)
R Simnett (Chair)	11	11	0
R Low (Deputy Chair)	11	8	3
R Buchanan	11	11	0
G Bird	11	10	1
J Cain	11	7	4
J Crisp	11	10	1
C George*	5	5	0
K Hankin	6	6	0
N Harding	11	11	0
R Piltzl	6	5	1
C Ralph	11	11	0
J Reid	11	10	1
A Wood*	5	5	0

* Board retirements during 2018-19 period

For details of terms of appointments, please refer to the AUASB Organisational Structure section of this Report commencing on page 61.

APPENDIX C

OTHER INFORMATION

EXTERNAL SCRUTINY

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

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

https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/No1of46thParliament.

PURCHASING

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

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

PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

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

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

CONSULTANTS

AASB – During 2018-19, eight new consultancy contracts were entered into involving total actual expenditure of \$359,047 inclusive of \$28,027 GST. Ongoing consultancy contracts were active during the 2018-19 year, involving total actual expenditure of \$96,358 inclusive of \$5,460 GST.

AUASB – During 2018-19, one new consultancy contract was entered into involving total actual expenditure of \$198 inclusive of \$18. No ongoing consultancy contracts were active during the 2018-19 year, involving total actual expenditure of nil.

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

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

EXEMPT CONTRACTS

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

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

ADVERTISING AND MARKET RESEARCH

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

FREEDOM OF INFORMATION

Information Publication Scheme

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

DISABILITY REPORTING

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

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

OCCUPATIONAL HEALTH AND SAFETY

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

All employees, and Board members, when attending meetings, are covered under Comcare and Comcover. No accidents or dangerous occurrences, or relevant investigations, took place during the 2018-19 financial year.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE REPORTING

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

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

The principal environmental impact minimisation activities employed are:

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

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

APPENDIX D

AGENCY RESOURCE STATEMENT AND RESOURCES FOR OUTCOMES

The changes in financial results from the previous year are discussed in the Chair's Review. Explanations of variances from the budgeted financial statements for the financial year as set out in the Portfolio Budget Statement/Portfolio Additional Estimate Statement, and their implications are set out in note 12 and 12A to the financial statements.

Agency summary resource table by outcomes

Office of the AASB: Resources for outcomes 2018-19

	Budget \$	Actual Expenses \$	Variation \$
Outcome 1:			
The formulation and making of external reporting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions			
Output Group 1.1:			
AASB			
Departmental expenses			
Ordinary annual services (Appropriation Bill No. 1)	3,518,000	3,518,000	-
Ordinary annual services (Appropriation Bill No. 3)	79,000	45,769	33,231
Revenues from independent sources (section 31)	1,127,000	1,273,011	(146,011)
Expenses not requiring appropriation	171,000	248,056	(77,056)
Less revenue to be carried forward	-	-	-
Total for Outcome 1	4,895,000	5,084,836	(189,836)

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2018-19

The changes in financial results from the previous year are discussed in the Chair's Review. Explanations of variances from the budgeted financial statements for the financial year as set out in the Portfolio Budget Statement/Portfolio Additional Estimate Statement, and their implications are set out in note 12 and 12a to the financial statements.

Agency summary resource table by outcomes

Office of the AUASB: Resources for outcomes 2018-19

	Budget \$	Actual Expenses \$	Variation \$
Outcome 1:			
The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements			
Output Group 1.1:			
AUASB			
Departmental expenses			
Ordinary annual services (Appropriation Bill No. 1)	2,079,000	2,154,424	(75,424)
Ordinary annual services (Appropriation Bill No. 3)	38,000	38,000	-
Revenues from independent sources (PGPA Act - section 74)	-	-	-
Expenses not requiring appropriation	131,000	91,729	39,271
Less revenue to be carried forward	-	-	-
Total for Outcome 1	2,248,000	2,284,153	(36,153)

APPENDIX E

LIST OF REQUIREMENTS

Description	Requirement	AASB Page	AUASB Page
Letter of transmittal			
A copy of the letter of transmittal signed and dated by accountable authority on the date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report	Mandatory	iii	iii
Aids to access			
Table of contents	Mandatory	iv	iv
Alphabetical index	Mandatory	120	120
Glossary of abbreviations and acronyms	Mandatory	v	v
List of requirements	Mandatory	113	113
Details of contact officer	Mandatory	vi	vi
Entity's website address	Mandatory	vi	vi
Electronic address of report	Mandatory	vi	vi
Review by accountable authority			
A review by the accountable authority of the entity	Mandatory	11	33
Overview of the entity			
A description of the role and functions of the entity	Mandatory	18	42
A description of the organisational structure of the entity	Mandatory	57	60
A description of the outcomes and Programs administered by the entity	Mandatory	20	45
A description of the purposes of the entity as included in the corporate plan	Mandatory	18	42

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2018-19

Description	Requirement	AASB Page	AUASB Page
Where outcome and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change	If applicable, Mandatory	96	96
Report on the performance of the entity			
Annual performance statements			
Annual performance statement in accordance with program 39(1)(b) of the Act and section 16F of the Rule	Mandatory	18	42
Report on financial performance			
A discussion and analysis of the entity's financial performance	Mandatory	16	40
A table summarising the total resources and total payments of the entity	Mandatory	111	112
If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results	If applicable, Mandatory	16	40
Management and accountability			
Corporate governance			
Information on compliance with section 10 (fraud systems)	Mandatory	63	63
A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared	Mandatory	63	63
A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place	Mandatory	63	63

Appendix E: List of Requirements

Description	Requirement	AASB Page	AUASB Page
A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity	Mandatory	63	63
An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance	Mandatory	63	63
A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance	If applicable, Mandatory	n/a	n/a
External scrutiny			
Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	Mandatory	108	108
Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity	If applicable, Mandatory	n/a	n/a
Information on any reports on operations of the entity by the Auditor-General, (other than report under section 43 of the Act), a Parliamentary Committee or the Commonwealth Ombudsman	If applicable, Mandatory	n/a	n/a
Information on any capability reviews on the entity that were released during the period	If applicable, Mandatory	n/a	n/a
Management of human resources			
An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	Mandatory	65	66
Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following:	Mandatory	65	66
<ul style="list-style-type: none"> • statistics on staffing classification level • statistics on full-time employees • statistics on part-time employees; • statistics on gender • statistics on staff location • statistics on employees who identify as Indigenous. 			

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2018-19

Description	Requirement	AASB Page	AUASB Page
Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	65	66
Information on the number of SES and non-SES employees covered by agreements etc. identified in paragraph 17AG(4)(c)	Mandatory	65	66
The salary ranges available for APS employees by classification level	Mandatory	65	66
A description of non-salary benefits provided to employees	Mandatory	67	67
Information on the number of employees at each classification level who received performance pay	If applicable, Mandatory	n/a	n/a
Information on aggregate amounts of performance pay at each classification level	If applicable, Mandatory	n/a	n/a
Information on the average amount of performance payment, and range of such payments, at each classification level	If applicable, Mandatory	n/a	n/a
Information on aggregate amount of performance payments	If applicable, Mandatory	n/a	n/a
Assets management			
An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, mandatory	n/a	n/a
Purchasing			
An assessment of entity performance against the <i>Commonwealth Procurement Rules</i>	Mandatory	108	108

Appendix E: List of Requirements

Description	Requirement	AASB Page	AUASB Page
Consultants			
A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST)	Mandatory	108	108
A statement that <i>“During 2018-19, [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]”.</i>	Mandatory	108	108
A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	Mandatory	108	108
A statement that <i>“Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website”.</i>	Mandatory	108	108
Australian National Audit Office Access Clauses			
If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor’s premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	n/a	n/a

Description	Requirement	AASB Page	AUASB Page
Exempt contracts			
If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	109	109
Small business			
A statement that <i>“AASB-AUSB supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website”</i>	Mandatory	108	108
An outline of the ways in which the procurement practices of the entity support small and medium enterprises	Mandatory	108	108
If the entity is considered by the Department administered by the Finance Minister as material in nature – a statement that <i>AASB recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.”</i>	If applicable, Mandatory	n/a	n/a
Financial statements			
Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act	Mandatory	71	71
Other mandatory information			
If the entity conducted advertising campaigns, a statement that <i>“During 2018-19, the AASB conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available on [entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”</i>	If applicable, Mandatory	n/a	n/a

Appendix E: List of Requirements

Description	Requirement	AASB Page	AUASB Page
If the entity did not conduct advertising campaigns, a statement to that effect	If applicable, Mandatory	109	109
A statement that <i>"Information on grants awarded to AASB during 2018-19 is available at [entity's website]"</i>	If applicable, Mandatory	n/a	n/a
Outline of mechanisms of disability reporting including reference to website for further information	Mandatory	109	109
Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found	Mandatory	109	109
Correction of material errors in previous annual report	If applicable, Mandatory	n/a	n/a
Information required by other legislation	Mandatory	108	108

APPENDIX F

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