GAAP ALERT

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COLIN'S CORNER

Another challenging year ahead

As accountants and auditors, we would all like a break from new and revised standards and just concentrate on the effect of transactions and events in the current economic environment.

That would be challenging enough given the lingering effects of the pandemic, the geopolitical uncertainties, and increasing interest in climate change for reporting generally and as a business risk in particular.

For many, the biggest challenge of 2022 will be the 30 June reporting of first-time general-purpose financial statements for certain for-profit entities. Some of these reports are likely to be scrutinised by ASIC under its risk-based approach.

We await ASIC's policy as to which financial-services licensees that previously prepared special-purpose financial statements will be required to prepare general-purpose ones – tier 1 or tier 2. It will be interesting to see how ASIC applies the definition of 'public accountability'.

Auditors face three major challenges:

- The suite of quality-management standards that needs attention now
- The audit of first-time general-purpose financial statements – the degree of difficulty will depend upon the competency of preparers and their willingness and preparedness, and
- The revised audit-risk-assessment standard that comes into play later in the year.

Auditors also need to be mindful of the lessons to be learned from ASIC's auditor-surveillance program (previously reported) and recent actions taken against two auditors.

Also watch out for ASIC's regulatory guide from the proposals in CP 352 *Communicating audit findings to directors, audit committees or senior managers*. The commission will communicate its inspection findings straight to directors on a routine basis rather than on an exception basis.

Public practitioners need to prepare for the revised APESB standard on quality management for non-assurance services.

I urge you to stay informed about developments, and act on them in a timely manner.

INSIDE THIS ISSUE

FINANCIAL REPORTING

Removal of SPFSs for certain private-sector entities

AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For Profit Private Sector Entities* applies to annual reporting periods beginning on or after 1 July last year.

To update the set of for-profit entities for which the reporting entity concept in SAC 1 is no longer, this standard amends:

- the *Conceptual Framework for Financial Reporting* (May 2019)
- the *Framework for the Preparation and Presentation of Financial Statements* (July 2004)
- Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* (August 1990)
- AASB 1 *First-time Adoption of Australian Accounting Standards* (July 2015)
- AASB 10 *Consolidated Financial Statements* (July 2015)
- AASB 1048 *Interpretation of Standards* (December 2017)
- AASB 1053 *Application of Tiers of Australian Accounting Standards* (June 2010), and
- AASB 1057 *Application of Australian Accounting Standards* (July 2015).

Certain entities are no longer able to prepare special-purpose financial statements when statements are required to comply with Australian accounting standards or when legislation requires them to comply with the standards. The new standard also makes transition and consequential amendments to other standards and pronouncements.

The amendments set out in 2020-3 apply to entities and financial statements in accordance with the application of other standards set out in AASB 1057.

Out with RDR and in with SD

AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* sets out a new, separate disclosure standard to be applied by entities reporting under Tier 2 of the differential reporting framework in AASB 1053. This standard applies to annual periods beginning on or after 1 July last year.

It replaces the *Reduced Disclosure Requirements* framework.

Interest-rate benchmark reforms

AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* amends AASBs 4, 7, 9, 16, 139. The standard applies to annual reporting periods beginning on or after 1 January last year.

It means that an entity:

- Will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate
- Will not have to discontinue its hedge accounting *solely* because it makes changes required by the reform if the hedge meets other hedge-accounting criteria, and
- Will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

Annual improvements operative

AASB 2020-3 *Amendments to Australian Accounting Standards – annual improvements 2018–2020 and other amendments* amends six standards. The standard applies to annual periods beginning on or after 1 January.

They are:

- AASB 1 *First-time Adoption of Australian Accounting Standards* (July 2015)
- AASB 3 *Business Combinations* (August 2015)
- AASB 9 *Financial Instruments* (December 2014)
- AASB 116 *Property, Plant and Equipment* (August 2015)
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (August 2015), and
- AASB 141 *Agriculture* (August 2015).

They arise from the IASB's issuing in May 2020:

- *Annual Improvements to IFRS Standards 2018–2020*
- *Reference to the Conceptual Framework (Amendments to IFRS 3)*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16),* and
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).*

Woodside increases restoration provision

As part of its financial-reporting surveillance program, the Australian Securities & Investments Commission has raised concerns about Woodside's offshore infrastructure assets.

They failed to be included for full removal in the company's restoration provision for the year ended 31 December 2020. The adequacy of related disclosures has also been questioned.

ASIC noted that Woodside Petroleum Limited had provided an extra $239 million for the restoration costs of decommissioning offshore oil rigs and associated infrastructure assets in its financial report for the year ended 31 December 2021. The increase was primarily due to the inclusion of costs for removing rigid plastic-coated pipelines.

Woodside has improved its disclosure about the basis for providing for restoration costs. It details:

- The types of offshore and onshore infrastructure assets for which full removal has been provided
- That full removal has not been provided for certain pipelines and infrastructure, parts of offshore platform substructures, and certain subsea infrastructure, and the reasons, and
- An indication of the additional costs if certain items for which full removal has not been provided for are not exempted from full removal by The National Offshore Petroleum Safety and Environmental Management Authority.

ASIC is continuing its inquiries as to why Woodside failed to allow in its financial reporting for the full removal of certain infrastructure assets.

Restoration obligations in the offshore oil-and-gas sector can be significant, and ASIC encourages directors to reassess the reasonableness of their financial-reporting obligations and the adequacy of disclosures.

The commission has previously emphasised the importance of ensuring that key assumptions underlying asset values and provisions are reasonable and supportable, and to disclose assumptions and uncertainties.

This topic was addressed at *GAAP Training's* **GAAPinar No.7** ***Getting provisioning right – best estimate, timely recognition, and much more***, presented by Carmen Ridley on 2 December.

Collection House adjusts deferred tax asset

Collection House Limited has derecognised a deferred tax asset of $51.2 million, of which $44 million related to unused tax losses in its half-year financial report for the period ending 31 December 2021.

Derecognition followed ASIC's review of Collection House's financial report for the year ending 30 June 2021.

As part of its financial-reporting surveillance program, ASIC raised concerns about the recognition of the deferred tax asset and the adequacy of the related disclosures, including concerns about:

- The strength of Collection House's evidence supporting assumptions about future profitability, and
- Whether existing uncertainties caused by COVID-19 and other negative factors were given adequate consideration in its probability assessment.

Collection House subsequently reviewed COVID-19's effects on its business, which affected its assessment about the probability of future taxable profits and made the adjustment.

ASIC has emphasised the continuing impact of COVID-19 on 31 December financial reports and the need for directors and preparers to consider uncertainties about economic and market conditions when developing assumptions to support asset values.

AASB clarifies NFP examples

The Australian Accounting Standards Board has issued ED 318 *Illustrative Examples for Income of Not-for-Profit Entities and Right-of-Use Assets arising under Concessionary Leases*.

The exposure draft proposes amendments to illustrative examples in AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*.

ED 318 proposes amendments to an example in AASB 15 clarifying accounting for upfront fees and in AASB 1058 clarifying an analysis on recognising a financial liability.

The amendments are proposed to apply to annual periods beginning on or after 1 July.

A 'basis for conclusions' documents the AASB's proposed intention to retain the accounting-policy choice in AASB 16 *Leases* for not-for-profit private-sector lessees to elect to initially measure a class of concessionary right-of-use assets at cost or fair-value.

AASB staff FAQs for NFPs have been updated to include a flowchart helping them to work out the relevant Australian accounting standard for their income transactions.

Staff have also prepared a key-facts document that provides a high-level overview of NFPs' accounting-for-income.

AASB's releases position statement on EER

The AASB has supported the voluntary adoption of recommendations about extended external reporting made by the Task Force on Climate-related Financial Disclosures.

The move precedes the board's developing and adopting a framework for EER.

A board position statement provides direction for preparers seeking to take immediate action on emerging external reporting. The AASB seeks to promote consistency and comparability amongst entities undertaking EER.

The board believes the TCFD represents a suitable framework because:

- It is the most commonly adopted among entities undertaking EER
- It is the framework supported by many significant bodies, including the Australian Securities Exchange, ASIC, the Australian Prudential Regulation Authority, CPA Australia, and Chartered Accountants Australia & New Zealand
- It is the basis for (mandatory) EER standards being developed in New Zealand and promotes alignment with New Zealand's reporting practices, and
- It is the expected basis upon which the international standards board will develop new international sustainability-reporting standards.

Proposed legislation for RSEs

Proposed legislation on financial reporting and auditing for public-offer superannuation funds was introduced into federal parliament on 17 February.

The legislation would introduce reporting under the *Corporations Act 2001*, including requirements for compliance with accounting standards, a declaration by the registrable superannuation entity and lodgement of reports for the public record.

The amendments impose financial-reporting obligations on RSEs that are consistent with those of public companies and registered schemes.

An RSE is a regulated superannuation fund, an approved deposit fund, or a pooled superannuation trust, but does not include a self-managed superannuation fund.

Registration of RSEs is effected under part 2B of the *Superannuation Industry (Supervision) Act 1993*.

Schedule 2 of the bill amends the Corporations Act, the ASIC Act and the SIS Act to extend and adapt financial-reporting and auditing requirements in Chapter 2M of the Corporations Act to apply to registrable superannuation entities.

Financial-reporting requirements require an RSE licensee for a registrable superannuation entity to:

- Prepare and lodge with ASIC financial reports for each financial year
- Make the financial report, directors' report and auditor's report for each financial year publicly available on the entity's website
- Include details on how to access the financial report, directors' report and auditor's report for a financial year with the notice of the annual members' meeting, and
- Provide to a member on request the entity's financial reports for a specified financial year.

An RSE licensee must appoint an individual auditor, audit firm, or audit company to audit the entity and for the auditor to:

- Prepare an auditor's report of the entity's financial report
- Report specified matters to the relevant regulator
- Meet auditor independence and rotation requirements, and
- Prepare, lodge, and publish auditor-transparency reports, if required.

The new financial-reporting and auditing obligations and requirements apply from 1 July 2023.

Survey highlights investor views on goodwill accounting

The International Accounting Standards Board and the Financial Accounting Standards Board are re-examining goodwill accounting.

They are specifically measuring goodwill post-acquisition.

While the IASB is pursuing improved disclosures, the FASB is considering reverting to amortisation, which would have significant implications for US and global investors, given the size of goodwill balances across the world.

A survey of its members by the CFA Institute – the global association of investment professionals –demonstrated an almost unanimous preference for a unified global approach, a majority favouring improving disclosures over reverting to amortisation.

The survey's findings are included in a new report, *Goodwill: Investor Perspectives, Improve Disclosures, Rather than Amortisation*.

Ninety-four per cent of investors wanted the IASB and FASB to co-ordinate their approach to measuring goodwill.

Most investors (58 percent), believed that impairment testing should be retained – rather than reverting to amortisation.

Seventy per cent of investors reported that present goodwill and impairment disclosures were useless. A significant 66 per cent wanted improvement in disclosures before any changes in impairment accounting, and 88 per cent wanted improvement in disclosures irrespective of any change in accounting.

Investors (75 percent) believed that goodwill was an asset, that it could have wasting and non-wasting elements (77 percent), and that it didn't necessarily decrease in value over time (53 percent).

Amortisation presumes that goodwill is a fully wasting asset, whereas impairment allows for wasting and non-wasting elements over time.

Investors recognised that timeliness of goodwill impairments could be improved (72 percent) but believed that impairment still provided decision-useful information, confirmed underperformance (73 percent), held management accountable (80 percent), and that eliminating impairment would result in a loss of information for investors (77 percent).

They believed that disclosures would facilitate greater transparency and improve timeliness of impairment testing by allowing investors to understand acquisition performance and hold management accountable.

Most investors (73 percent) were willing to bear the cost of impairment testing. While understanding amortisation would come with impairment testing, investors also recognised that amortisation would mute impairment testing, leaving it a costly compliance exercise.

While amortisation might be administratively convenient for preparers, it did not allow for discerning good and bad managers (61 percent), distorted financial metrics (63 percent), and did not provide decision-useful information for investment analysis.

Amortisation increased costs but provided no benefit or improvement in financial reporting for investors.

Investors wanted to see improved disclosures on:

- Valuation models and related estimates and assumptions
- Quantitative information on acquisition performance over time, relative to original business objectives
- Key common performance metrics used by management to monitor the acquisition
- Quantitative and qualitative information on deal performance, and
- More information on how boards assessed an acquisition's performance over time.

Investors supported the IASB approach and wanted enhanced disclosures.

GOVERNANCE

AAT upholds ASIC's O'Sullivan ban

The Administrative Appeals Tribunal has upheld ASIC's 2015 decisions concerning former Provident Capital Limited director Michael Roger O'Sullivan.

Mr O'Sullivan, of Mosman, Sydney, was banned from providing financial services for seven years and disqualified from managing corporations.

The AAT reduced Mr O'Sullivan's disqualification from five years to two years and nine months.

In reviewing ASIC's findings, the tribunal found that he:

- Failed to exercise due care and diligence in managing Provident's biggest loan (Burleigh Views), by deciding to describe its interest as earned and recoverable income instead of as being in arrears
- Made inadequate disclosures and misleading statements about debentures issued by PCL in a prospectus and information booklets
- Made inadequate disclosures and misleading statements about the Burleigh Views in reports to the debenture trustee, Australian Executor Trustees Limited
- Was involved in PCL making inadequate disclosures and misleading statements to AETL about Burleigh View's status, the status of the development approval, valuation information about the property, and the risk of a debt shortfall on any realisation of the property, and
- Failed to exercise due care and diligence and used his position improperly to gain advantages for himself in securing the release of a personal guarantee he had provided for a loan from PCL to a related company, Cashflow Finance Solution, of which he was a director.

Reforms to AGMs and electronic documents

About a million businesses will save around $450 million in red tape each year after the federal government passed legislation making permanent several temporary changes introduced at the height of the pandemic.

The *Corporations Amendment (Meetings and Documents) Bill 2021 amends the Corporations Act 2001* to allow companies and registered schemes to use technology to meet regulatory requirements about meetings, such as AGMs, distribute meeting-related materials and validly execute documents.

Specifically, the reforms provide greater certainty and flexibility to companies and registered schemes by:

- Allowing them to hold physical and hybrid meetings, and if expressly permitted by the entity's constitution, wholly virtual meetings
- Ensuring that technology used for virtual meetings allows members to participate in the meeting orally and in writing
- Allowing them to use technology to execute documents electronically, including corporate agreements and deeds, and
- Allowing them to send documents in hard or soft copy and give members the flexibility to receive documents in their preferred format.

Governance Institute states its pre-election desires

With momentum building for a federal election, five key governance and risk-management issues need to be high on the agenda, according to the Governance Institute of Australia.

On behalf of its community of more than 43,000 professionals, the institute will be lobbying for real, meaningful change on:

- A clear net-zero roadmap for Australia
- The introduction of a national ICAC
- Further modernisation of the Corporations Act and Treasury portfolio laws
- A cybersecurity boost, and
- Reform of national fundraising laws.

ETHICS

APESB reissues quality management standard for non-assurance services

The Accounting Professional and Ethical Standards Board has reissued APES 320 *Quality Management for Firms that provide Non-Assurance Services* to focus specifically on non-assurance practices. The standard replaces APES 320 *Quality Control for Firms*.

APES 320 requires non-assurance practices to establish policies and procedures about a firm's quality management. The standard specifies that the elements of quality management are governance and leadership, professional standards, acceptance and continuance of client relationships and specific engagements, resources, engagement performance, information and communication, and monitoring and remediation.

Key changes include:

- Application to apply only to firms' non-assurance practices
- A high-level alignment of APES 320's elements to the components of the Auditing and Assurance Standards Board's ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* that will apply to Australian assurance practices, and
- A new definition of 'engagement output' to represent better non-assurance services' outputs.

The revised standard provides comprehensive requirements and guidance material, including the mandate to establish and maintain a 'quality management' system to replace the existing 'quality control'.

Extant APES 320 requirements have been maintained to minimise disruption. Firms may continue to use most of the existing policies and procedures with some modifications.

APESB's *Basis for Conclusions* provides a background to the reissue of APES 320. In addition, the APESB has developed a table 'mapping' the reissued APES 320 to the extant standard to assist firms in navigating changes and making appropriate modifications.

The reissued APES 320 will be effective from 1 January next year, early adoption permitted. Stakeholders can access the new standard on www.apesb.org.au.

'Mindset' changes take effect

'Mindset' amendments to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* came into force on 1 January.

The amendments include a new requirement for accountants to have an 'inquiring mind' when applying the conceptual framework. New guidance is provided on professional judgement, including on matters such as bias, and organisational and firm culture.

This topic was addressed in *GAAP Training's* **GAAPinar No.4 *Code amendments to promote the right mindset now operative***, presented by Colin Parker on 11 November.

IESBA proposes ethics changes

The International Ethics Standards Board for Accountants has released for comment proposed revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards).*

An exposure draft *Proposed Technology-related Revisions to the Code* seeks to enhance the code's relevance in an environment being reshaped by rapid technological advancements. Proposed revisions build on 'role' and 'mindset' changes, and revised NAS provisions that will become effective in December.

Proposed amendments will guide the ethical mindset and behaviour of professional accountants in business and in public practice as they deal with changes brought by technology.

Among other matters, the proposals:

- Draw special attention to the professional competence and confidentiality imperatives of the digital age
- Address the ethical dimension of professional accountants' reliance on, or use of, the output of technology in carrying out their work
- Further enhance considerations on threats from the use of technology as well as considerations about the complex circumstances in applying the code's conceptual framework
- Strengthen and clarify the International Independence Standards with respect to technology-related non-assurance services firms may provide to their audit clients or technology-related business relationships they may enter into with their audit clients, and
- Explicitly acknowledge that the IIS that apply to assurance engagements are applicable to assurance engagements on non-financial information, for example, environmental, social, and governance disclosures.

APESB will shortly begin its consultation on these proposals.

AUDIT

New and revised auditing standards for 2022

The following auditing and related standards come into force during the year.

Standard	Operative date
ASRS 4400 *Agreed-Upon Procedures Engagements*	Operative for agreed-upon-procedures engagements for which the terms of engagement are agreed upon on or after 1 January.
ASA 2021-4 *Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*	Operative for financial reporting periods commencing on or after 1 July 2021.
ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagement*	Systems of quality management in compliance with this ASQM are required to be designed and implemented by 15 December. The evaluation of the system of quality management is required to be performed within a year from 15 December.
ASQM 2 *Engagement Quality Reviews*	Effective for audits and reviews of a financial report for periods beginning on or after 15 December and other assurance and related-services engagements beginning on or after 15 December.
ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*	Operative for financial-reporting periods commencing on or after 15 December.
ASA 2021-1 *Amendments to Australian Auditing Standards*	Operative for financial-reporting periods beginning on or after 15 December.
ASA 315 *Identifying and Assessing the Risks of Material Misstatement* and related amendments to over 20 auditing standards by ASA 2020-1 *Amendments to Australian Auditing Standards*	Operative for financial reporting periods commencing on or after 15 December 2021.
ASA 2021-5 *Amendments to Australian Auditing Standards*	Makes amendments to the requirements, application, and other explanatory material of 13 auditing standards. The amendments represent editorial corrections. Operative for financial reporting periods beginning on or after 15 December 2021.

GAAPinar No.3 on 11 November addressed the ***Revised standard 'agreed-upon procedures' now operative***, with Chanelle Pienaar and Colin Parker.

Quality-management guidance

The International Auditing and Assurance Standards Board has released *First-time Implementation Guide for IAS 220 Quality Management for an Audit of Financial Statements*.

The guide is aimed at helping stakeholders understand the standard and properly implement its requirements.

Alongside previously released implementation guides for *International Standard on Quality Management (ISQM) 1 and 2*, the new guide will help stakeholders implement the IAASB's suite of quality-management standards.

The suite was released in December 2020 and comes into effect on 15 December.

The publications do not amend or override ISA 220 or ISQM 1 or 2, the texts of which alone are authoritative. The IAASB encourages practitioners to plan early for appropriate implementation, given the potential impact of the changes to firms' quality-management systems.

Conforming amendments remove actual or perceived inconsistencies between the IAASB's suite and quality-management standards. This will allow the IAASB's full suite to operate without confusion, which is especially crucial, given the importance of quality management.

It is anticipated that the Auditing and Assurance Standards Board will re-issue the guidance in an Australian context.

APESB amends the code for engagement quality reviews

The Accounting Professional & Ethical Standards Board has issued an amending standard to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* to expand section 325, which provides guidance on identifying, evaluating and addressing threats to objectivity that might arise about engagement and other quality reviewers and other appropriate reviewers.

The new guidance material also clarifies the interaction of long-association provisions with the requirements in ASQM 2 *Engagement Quality Reviews* (issued by the Australian Auditing and Assurance Standards Board).

The amendments align the code with international requirements issued by the International Ethics Standards Board for Accountants.

Amendments to APES 110 will be effective from 1 January 2023, early adoption permitted.

FAQs released on code's revised fee-related provisions

International Ethics Standards Board for Accountants staff has released a set of frequently asked questions on the code's recently revised fee-related provisions.

The publication is designed to highlight, illustrate, and explain aspects of the code's revised fee-related provisions to help in their application. It is intended to complement the *Basis for Conclusion* of the final standard and assist national standards-setters, professional accountancy organisations, and professional accountants in public practice.

The publication is also intended to assist regulators and audit-oversight bodies, the corporate-governance community, investors, preparers, educational bodies and institutions, and other stakeholders in understanding the revised standard and its application.

The revised standard addresses several topics, including threats to independence created by fees paid by an audit client (including fees for services other than audit), fee dependency, and transparency of fee-related information to those charged with governance.

It becomes effective for periods beginning on or after 15 December.

New independence rules for group audits proposed

The IESBA has released for comment *Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits.*

The exposure draft proposes revisions to establish provisions that comprehensively address independence considerations for firms and individuals involved in an audit of group financial statements.

The proposals also address independence implications of the change in the definition of an engagement team – a concept central to an audit of financial statements – in the International Auditing and Assurance Standards Board's ISA 220 *Quality Management for an Audit of Financial Statements.*

Among other matters, the proposals:

- Establish new defined terms and revise several existing terms, including for application to independence in a group-audit context
- Clarify and enhance the independence principles that apply to individuals involved in a group audit and firms engaged in the group audit, including firms within and outside the group auditor firm's network
- More explicitly set out the process to address a breach of an independence provision at a component auditor firm, including reinforcing the need for appropriate communication among relevant parties and with those charged with governance of the group, and
- Align several of the code's provisions to conform to changes in the IAASB's quality-management standards.

APESB, the local ethics board, will begin soon its consultations on the proposals.

ASIC acts against reciprocal audit arrangements

To help protect the integrity of SMSF audits, ASIC has accepted voluntary cancellations or imposed conditions on the registration of several SMSF auditors.

The auditors practised reciprocal audit arrangements, which can create self-interest, familiarity, and threaten independence.

The move follows referrals to ASIC by the Australian Taxation Office of 18 SMSF auditors for contravening independence requirements under APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* because of their involvement in reciprocal audit arrangements.

In each case, two SMSF auditors audited each other's personal SMSFs. ASIC believes that there are no safeguards that can reduce the threats to an acceptable level and that the auditors should not have entered into the arrangements.

ASIC accepted voluntary cancellation requests from nine of the SMSF auditors and imposed extra registration conditions on the other nine. The extra conditions included:

- Restrictions on audits of their personal funds
- Independence reviews to be performed and declarations to be made to ASIC about their SMSF audit clients
- Extra education requirements on ethics and auditor independence, and
- A requirement to notify their professional association.

ASIC believed the impositions were appropriate considering the auditors' individual circumstances and the developments in guidance and practice since ending their reciprocal arrangements.

The commission concluded that 'it should now be clear to SMSF auditors that entering into reciprocal audit arrangements is an unacceptable breach of their independence requirements. ASIC will disqualify auditors for such breaches where appropriate.'

SMSF auditors must comply with auditor-independence requirements set by ARESB in APES 110. Auditors are required to identify, evaluate, and address threats to their independence.

Guidance on reciprocal SMSF audit arrangements is included in *APESB – Independence Guide – 5th Edition, May 2020,* which explains relevant independence threats and the lack of available safeguards.

TRAINING

Registrations open for 14 new GAAPinars

Beginning in April, our new sessions cover the very latest in financial reporting, auditing, ethics, SMSFs, and business risks.

GAAP Training explains the accounting standards that have challenged financial professionals. Our GAAPinars are crucial refreshers on key auditing standards (risk and compliance uppermost), SMSF issues, business risks (for example, underpayment and fraud) and many more topics.

You can't afford to miss them. Choose the sessions that best fit your business. And, bearing in mind the GAAPinars' reach, they offer huge value for money.

It can be challenging to identify the training topics you need. We've done that for you. Let's summarise the sessions and who should participate.

Topics	Audit team members	Other public practitioners and their team members	Accountants in commerce, industry and NFPs
Financial reporting			
The end of SPSFs for many (extended session)	●	●	●
Delving into troublesome revenue and leasing standards	●	●	●
Recap on the fundamentals of accounting for investments	●	●	●
Revisiting the accounting, disclosure, and audit of changes in foreign exchange rates	●	●	●
Time to address common financial-statement shortcomings	●	●	●
Auditing			
Planning the 2022 audit	●		
Key lessons in applying the audit risk standard	●		
Revised standard on fraud-and-corruption control	●	●	●
Auditing trust accounts, AFSL and other compliance engagements	●		

Topics	Audit team members	Other public practitioners and their team members	Accountants in commerce, industry and NFPs
Self-managed superannuation funds			
SMSF audit update for 30 June	●	●	
Business risks			
What's new with accounting, auditing, ethical standards and the regulators?	●	●	●
Updating employment law and its risks for directors, accountants and auditors	●	●	●
A legal view of contemporary business risks affecting directors, accountants, and auditors	●	●	●
Reporting and auditing considerations for 30 June	●	●	●

It all starts on Thursday 12 April. **Series registration closes on Thursday 24 March.** So register today!

Lock in the dates for you and your team.

Register at www.gaaptraining.com.au or contact Andrew Parker for further information (0401 858 889 or andrew@gaaptraining.com.au).

Training riches

Looking for contemporary topics on financial reporting, business risks, ethics, and auditing?

Our extensive GAAPinar library is available at www.gaaptraining.com.au, giving easy access to sessions on financial reporting, auditing, ethics, self-managed superannuation funds, and business risks. Over 100 hours of CPD are just a mouse-click away.

From the November-December GAAPinar series check out:

- *Challenges in preparing first-time general-purpose financial statements,* with Carmen Ridley and Colin Parker (4 November)
- *Know your related parties,* with Carmen Ridley (25 November)
- Effectively auditing related-party transactions and disclosures, with Chanelle Pienaar and Colin Parker (25 November),
- *'Analytical procedures' – the whole story and better application,* with Chanelle Pienaar and Colin Parker (2 December), and
- *Latest NFP and ACNC developments and insights,* with Carmen Ridley and Colin Parker (16 December.

Our GAAPinar series are interconnected, topics often building on previous sessions and material planned for future ones. Previous GAAPinars are often relevant to the current reporting period. Don't forget them when planning your training program for 2022.

From the April-June GAAPinar series check out:

- *Special-purpose financial statements – stepping through the transition,* with Carmen Ridley and Colin Parker (13 May)
- *Preparing for the second year of leases,* with Carmen Ridley (15 April)
- *Fresh look at review-engagement standards,* with Colin Parker (29 April)
- *Checking on fraud-risk assessment,* with Colin Parker and Stephen Newman (22 April), and
- *30 June audit check-up – stocktakes and confirmations,* with Chanelle Pienaar and Colin Parker (20 May).

Our library has nine session on ethics training, which easily meets CA ANZ members' ethics CPD.

For previous subscribers, recordings have been provided. Access them as a refresher and show them to new team members. For those interested in past sessions, order online at www.gaaptraining.com.au.

INSIDE GAAP CONSULTING

Getting to know Stephen Downes

Stephen Downes is *GAAP Consulting's* communications director. He edits the company's written material, including newsletters, social media posts, marketing brochures, submissions and reports to clients.

A former section editor and feature writer at *The Age*, he is best-known for a long career as Australia's most fearsome restaurant critic. He is an enjoyable lunch and dinner companion.

In March last year, literary critic Peter Craven called Stephen's debut novel *The Hands of Pianists* an 'absolutely compelling' literary work by a 'born artist'. It equalled the four great prose fictions of German writer W. G. Sebald, he wrote in *The Weekend Australian*. (It seemed certain that Sebald would win a Nobel prize, but he died in a car accident in 2001.)

Arguably Australia's best cultural critic, Craven said that *Hands* had a 'tremendous capacity to capture shade and colour and cadence […]'. If you like reading Sebald, he said, 'you will feel as if you are witnessing his resurrection'. In other periodicals, Craven has called Stephen's book a 'masterpiece'.

In 2020, Stephen's short story *Last Meal* won the UK Fiction Factory's prize. Since 2018, he has entered five of his stories in UK competitions. All of them have been longlisted or shortlisted in the best UK contests, including the Bridport, Fish, and Bedford prizes.

A few of his food-themed non-fiction books have won Australian and international awards. *Advanced Australian Fare* (2002) won the inaugural Margaret Fulton prize for the Food Media Club's outstanding book. Three of Stephen's non-fictions books have been translated into a total of five languages. Among them is his best-selling *Blackie*, about the illness and death of his cat.

In 2019, Monash university conferred on Stephen a PhD in creative writing. His thesis examined how Sebald used the uncanny and nostalgia in his works.

Stephen is among very few people who can turn any old bag of words into simple, clear, correct English. His knowledge of grammar and syntax is peerless. He campaigns against 'multiple', a meaningless American import that has recently invaded our language. Lazy journalists and writers use it when they have a choice among 'few', 'many', and 'several'. You will not read the word 'multiple' in anything Stephen writes or edits.

He tries to get to the gym two or three times a week, loves travelling with his wife of several decades, and is about to enter a period in which he will have to teach a grandson and granddaughter the greatest respect for what he calls our 'exquisite' mother tongue.

Stephen (stephendownes616@gmail.com) can help you to communicate better, editing and rewriting professionally your tenders, client communications, and internal manuals. They'll be clearer, simpler, more powerful and easier to read and to understand. He can also help you to prepare formal and informal talks, speeches and seminars.

Edition 31 of NFP newsletter released

GAAP Consulting's December-quarter edition of its *NFP Risks and Compliance* newsletter has been released. It contains more than 20 news items under nine headings.

Governance
- AICD governance study released
- Manage your fraud risk
- Whistleblower-policy mandate began 1 January

Compliance
- Red Cross to back-pay $25m
- NFPs underpay workers
- Deadline extended for Senate underpayment report
- ROC begins proceedings against CFMMEU executive

ACNC activities
- ACNC urges use of self-audit tool
- Investigating charity concerns
- Charity leaders need to get involved
- New search features connect donors to charities
- Many charity directors need DINs
- Governance standard 3 unchanged
- PBI decision by AAT

Financial-reporting insights
- ASIC highlights disclosures and assessments for 31 December
- ACNC urges charities to comply
- Helping NFPs with best-practice reporting

Ethics
- Mindset changes begin

Fundraising
- Raise funds within the law
- At last – fundraising reform on national agenda

Deductible-Gift Recipients
- DGR challenges
- Legislative instrument registered

Governments
- NSW poker machine money-laundering inquiry launched
- South Australia looks at changing lottery rules

Audit
- Revised agreed-upon procedures standard operative

Find number 31 at www.gaaptraining.com.au and register there for further editions.

A white-label version has been circulated to accounting-firm subscribers.

Using it aims at helping accounting firms keep their current and potential NFP clients informed. It helps enormously when auditors can demonstrate expertise, knowledge, and experience. At last count, there were about 600,000 NFPs in Australia, including more than 60,000 charities … a great market for accountants and auditors.

From our professionally-edited content you can:
- Create your own masthead and style
- Delete material that is not relevant, or of less relevance, to your client base and potential clients
- Rearrange the order of news items
- Change a heading, and
- Add news items that are specific to your firm to give the newsletter a personal touch.

Would you like to get the *GAAP Consulting* newsletter or enquire about the white-label version? Contact Colin 0421-088-611 or colin@gaap.com.au

How we can help

As well as our advisory services on the interpretation of accounting, auditing and ethics standards, *GAAP Consulting* can help you with:

- **Financial reporting** – implementation of new and revised accounting standards and pre-issuance reviews of financial statements
- **Risk management** – quality-assurance reviews of audit files and risk-management systems (under auditing and ethical standards rules), EQCR services and help with enquiries from regulators and accounting bodies, and managing litigation risks
- **Training** – face-to-face and web-based (*GAAPinars*) training on standards, legislative developments and business risks as well as client briefings on contemporary issues. There is also an extensive library of *GAAPinars* (www.gaaptraining.com.au)
- **Information services** – use of proprietary technical content from *GAAP Alert, Special GAAP Reports,* and *NFP Risks and Compliance* newsletters to enhance your brand awareness and expertise to existing and potential clients, and
- **Whistleblowing service** – *ReportFraud* is a cutting-edge fraud-protection tool you need to have. It's designed to safeguard your organisation from fraud, bribery and corruption 24 hours a day, seven days a week. It allows whistleblowers to report unethical activity safely and – most importantly – anonymously (www.reportfraud.org.au).

Colin Parker
GAAP Consulting

Contact Us

Should you require any further information about the services provided or our team, please contact:

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