



COLIN'S

CORNER

ASIC toughens up

It's been an interesting couple of months on several fronts. The Australian Securities & Investments Commission has been very active in its enforcement activities, particularly against auditors.

There have been three corporate restatements – over deferred tax assets, intangible assets, and impairment reversals. The companies concerned picked-up ASIC-inspired adjustments in their next set of financial statements. There were no other penalties.

Another company failed to lodge its accounts on time for three years and appoint the required number of company officers. Coming months will see what penalty the court imposes.

ASIC also concluded its court action over a continuous-disclosure breach that resulted in \$750,000 and the awarding of costs. The issue? Timely disclosure to the market of a significant impairment charge.

On another matter, a former director pleaded guilty to aggravated fraud and insolvent-trading charges over the collapse of a group of companies. He was sentenced to three years' jail for fraud.

Two former directors of an ASX-listed company were each charged with dishonestly using their position as directors. We await the court's decision.

Let's turn our attention to auditors.

A former auditor appeared in court over allegedly signing an independent auditor's report stating that a financial report gave a true and fair view of the group's financial position and financial performance and that it complied with the Corporations Act and with Australian accounting standards. ASIC alleges that this was false or misleading. Potential penalties are jail time and/or a fine.

The matter was adjourned to 2 June, and the auditor was released on bail. The auditing profession will be keenly watching the outcome.

This is the second case of criminal charges being laid against an auditor and the first for a false and misleading auditor's report.

Another auditor involved in the same audit as a contractor has had his registration suspended for 12 months plus other penalties and conditions.

On the SMSF front, 12 auditors were deregistered and conditions imposed on the registration of seven others. These actions are in addition to 18 SMSF auditors whom ASIC acted against because of their involvement in reciprocal audit arrangements.

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For corporate failures in particular, the spectre looms of criminal charges against auditors. SMSF auditors are being increasingly held accountable for compliance with the code of ethics and auditing standards.

These developments keenly focus attention on audit quality and better risk management. With 30 June reporting approaching, auditors are likely to be more sceptical about accounting outcomes and more demanding about evidence.

On reflection, is it just me or are auditors now more accountable than directors and others involved in the preparation of financial reports?



FINANCIAL REPORTING

Collection House adjusts deferred tax asset

Collection House Limited has derecognised a deferred tax asset of \$51.2 million.

A total of \$44 million was related to unused tax losses in its half-year financial report for the period ending 31 December.

The derecognition followed a review by the Australian Securities & Investments Commission of Collection House's financial report for the year ended 30 June 2021.

ASIC raised concerns about the asset recognition and the adequacy of related disclosures, including:

- 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 impacts on its business, which affected its assessment about the probability of future taxable profits, and made the adjustment.

ASIC had emphasised COVID-19's affects on 31 December 2021 financial reports and the need for directors and preparers to consider uncertainties about economies and markets when developing assumptions to support asset values.

The commission's financial-reporting surveillance program aims to improve quality and ensure legality. The approach supports investor confidence and the integrity of Australia's capital markets.

Oliver's Real Food drops asset values

Oliver's Real Food Limited has announced to the ASX that they will undo \$4.5 million of impairment reversals across 14 of its stores.

The decision follows ASIC's review of Oliver's financial report for the year ended 30 June 2021.

Oliver's will make the adjustments in its financial report for the half-year ended 31 December, resulting in a reduction to the book

value of its stores. Before adjustments, total assets on 30 June 2021 amounted to \$32.3 million.

Because of COVID-19, ASIC questioned Oliver's impairment reversals for three of its Victorian stores and assumptions about their future profitability.

ASIC was concerned that:

- 2021 sales had decreased from 2020
- Forecasted sales for a metropolitan Melbourne store did not adequately reflect the impacts of an extended lockdown that began shortly after the balance date, and
- Sales forecasts for the three stores did not sufficiently allow for the likelihood of a prolonged period of subdued trading conditions, which was Oliver's experience from previous lockdowns.

AASB 136 *Impairment of Assets* sets out the requirements for reversing impairment losses previously recognised against non-financial assets. As well as questioning impairment reversals recorded against the three stores, ASIC asked Oliver's to evaluate whether its concerns should be applied to its other stores.

Circumstances and environments in which entities operate can change significantly from one reporting period to the next under COVID-19. Assumptions about the future should be reasonable and supportable, and, where relevant, account for events that occur after balance date.

Buddy Technologies writes down intangible assets

Buddy Technologies Limited has written down the intangible assets of its consumer-lighting business by \$44.8 million in its financial report for the half-year ended 31 December 2021.

ASIC had reviewed Buddy's report for the year ended 30 June last year.

As part of its surveillance, ASIC raised questions about Buddy's:

- Using optimistic forecasts of revenue growth to value goodwill (70 per cent for 2022) despite reporting negative growth in 2021, and
- The disclosure of operating segments,

where no goodwill had been allocated to the Consumer Business segment.

Buddy's write-down is a result of adopting significantly reduced forecasts of revenue growth rates.

As outlined in ASIC media release 21-342MR *ASIC highlights focus areas for 31 December 2021 financial reports under COVID-19 conditions*, key assumptions used to estimate asset values should be realistic in the light of actual performance and economic and market uncertainties.

These ASIC-inspired corporate restatements and other focus areas will be addressed by Carmen Ridley and Colin Parker in **GAAPinar No.14** on 9 June *Reporting and auditing considerations for 30 June*. You can book for it at www.gaaptraining.com.au.

Insurance standards amended

The Australian Accounting Standards Board has issued amendments to two standards that give insurers a transition option in comparing information on assets.

AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information* to provide insurers with a transition option relating to comparative information about financial assets presented on the initial application of AASB 17. The amendments relate to financial assets for which comparative information presented on initial application of AASB 17 *Insurance Contracts* and AASB 9 *Financial Instruments* has not been restated for AASB 9.

Applying the transition option would permit an entity to present comparative information about a financial asset as if the classification and measurement requirements of AASB 9 had been applied to it.

It enables insurers to reduce potentially significant accounting mismatches between financial assets and insurance-contract liabilities in the comparative period (or periods) and improve the usefulness of the comparative information in general-purpose financial statements.

The amendments apply to annual reporting periods beginning on or after 1 January 2023, early adoption permitted.

AASB consults on IFRS sustainability

The AASB is consulting on two of the International Sustainability Standards Board's IFRS standards.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* might form a separate suite of Australian sustainability-reporting standards.

Exposure draft 321 on IFRS S1 and S2 will aim to get feedback on the ISSB's work and inform the AASB on an approach to sustainability-related financial reporting in Australia.

The proposals contained in the ED 321 are not intended to affect an entity's compliance with Australian Accounting Standards.

Any future sustainability-related reporting requirements that the AASB might develop will be independent from but aligned with them.

Proposed guidance on NFP fair-value measurement

The AASB's exposure draft 320 aims to guide NFPs in implementing AASB 13 *Fair Value Measurement*.

Draft 320 *Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* also investigates whether the guidance should apply to NFP private-sector entities.

The proposed guidance relates to fair-value measurement of non-financial assets of NFP public sector entities not held primarily for their ability to generate net cash inflows (that is, assets held primarily for their service potential).

It proposes to clarify that, for the fair-value measurement of such an asset:

- If the entity needs to develop unobservable inputs it uses its own assumptions as a starting point and adjusts them if reasonably available information indicates that other market participants would use different data
- The circumstance in which market or other factors indicate that an alternative use to the entity's asset use is its highest and best use (referred to in AASB 13.29) is when the appropriate level of the entity's management is committed at the measurement date to a plan to sell the asset or to use the asset for an alternative purpose
- An entity is required to consider whether an asset use is physically possible, legally permissible, and financially feasible in accordance with AASB 13.28 only when the presumption in AASB 13.29 that an asset's current use is its highest and best use is rebutted, and
- If the cost approach is applied to measure such an asset's fair value it is assumed that the asset will be replaced in its existing location, even if it would be feasible to replace the asset in a cheaper location and all necessary costs intrinsically linked to acquiring or constructing the asset at the measurement date are included in the asset's current replacement cost because it should be assumed that the asset presently does not exist and all its components need to be replaced and its 'surplus capacity' that is necessary for stand-by or safety purposes is not identified as representing economic obsolescence.

The guidance is proposed to be applied prospectively.

The AASB seeks comments on whether the guidance should be applicable also to NFP private-sector entities.

AASB releases staff paper on intangible assets

A new AASB staff paper aims to catalyse discussion on an information gap concerning intangible assets.

Intangible Assets: Reducing The Financial Statements Information Gap Through Improved Disclosures focuses on disclosures about unrecognised internally-generated intangible assets, having regard to costs and benefits.

The paper considers:

- A spectrum of possible disclosures, whether of a financial (cost or fair-value) or non-financial (quantitative, non-quantitative and narrative) nature, or a combination of all or some that might be made in financial statements
- The types of entities that should be subject to the disclosures
- Whether the disclosures should be mandated or encouraged, and
- How a standard-setting project could be structured to achieve timely improvements to disclosures.

As a first step, the paper concludes that consideration could be given to making improvements to the present approach to disclosures about unrecognised internally-generated intangible assets by publicly-accountable for-profit private-sector entities.

Last May saw Carmen Ridley and Colin Parker in **GAAPinar No.9** address *Refreshing our knowledge of AASB 138 Intangibles*. A recording can be purchased from the GAAPinar library.



GOVERNANCE

Path to net zero proposed

The Governance Institute of Australia has launched a new guide designed to be used as a roadmap towards net-zero emissions.

Aimed at boards and management, the guide responds to recent major international climate-policy developments, significant shifts in expectations about organisations' taking action – including disclosing climate risks – and concerns about a lack of firm action at a national level.

The guide will help organisations big and small to act on climate change, said the institute's CEO Megan Motto.

'Many organisations still do not see climate change as an immediate threat,' she said.

'But recent extreme weather [...] has confirmed that climate and climate risk management need to be front of mind for every organisation. And this mindset shift needs to happen immediately.'

Ms Motto said the guide was designed for

senior managers' and directors' use as they build climate into their organisations' strategies.

'Engaging the board is the first step in setting up effective climate governance,' she said.

'You will need a business case, and this must follow a review of how the organisation's priorities and risks may be impacted by climate change. Individual business units who will be tasked with carrying out the board's plan must be educated as the next step.'

The institute believes that key steps towards net zero are:

- Governance – orchestrating the climate change conversation. How do you embed climate into the core of an organisation?
- Strategy – planning for net zero. How do you deal with the challenges related to transitioning to net zero?
- Expectations – managing legal and stakeholder expectations. How do you manage expectations on climate disclosure and action among evolving legal expectations? and
- Reporting – selecting a framework. How

do you select a reporting framework that addresses stakeholder needs?

‘Do not put this off,’ said Ms Motto. ‘Organisations need to recognise that the time to act is now. There can be no delay.’



REGULATORS & LEGISLATORS

Griffin Coal charged

ASIC has alleged that Griffin Coal Mining Company has failed to meet its financial-reporting obligations. The commission also alleges that the company fails to have appointed the required number of company officers.

Griffin Coal was first charged in June 2021 for failing to lodge two annual financial reports. ASIC alleges that Griffin Coal failed to lodge annual reports within the deadlines for financial years ending 31 March 2018 and the three following years.

The commission further alleges that, between 28 September 2018 to 6 December 2021, Griffin also failed to meet the legal requirement to have at least one director living in Australia.

As a large proprietary company, Griffin is required by law to provide ASIC with financial reports and meet minimum officeholder requirements. The rules promote investor confidence and support the integrity of Australia’s financial system.

The matter has been adjourned to 20 May.

Failure to lodge full-year financial reports is a breach of section 319(1) of the *Corporations Act 2001*. The maximum penalty for an offence committed on or after 1 July 2017 is \$126,000. The maximum penalty for an offence committed on or after 13 March 2019 is \$252,000.

Failing to meet minimum officeholder requirements is a breach of sections 201A(1). The maximum penalty for an offence committed on or after 1 July 2020 is \$42,000.

Rio Tinto fined over continuous-disclosure breach

The Federal Court has fined Rio Tinto Limited \$750,000 after finding the mining company contravened its continuous-disclosure obligations.

In December 2010, Rio Group announced a takeover offer for ASX-listed Riversdale Mining Limited and completed it in August 2011 at a cost of more than US\$4 billion. Following the acquisition, Rio delisted

Riversdale and renamed its assets to Rio Tinto Coal Mozambique.

On 17 January 2013, Rio Group announced that it expected to recognise a non-cash impairment charge of approximately US\$14 billion (post tax) in its 2012 full-year results, which included about US\$3 billion concerning RTCM.

The court found that between 21 December 2012 and 17 January 2013, Rio Tinto failed to disclose material information to the Australian Securities Exchange, which included that RTCM mining assets were no longer economically viable as long-life, large-scale, tier-one coking-coal resources.

ASIC deputy chair Sarah Court said, ‘Rio Tinto had obligations to the market to keep it adequately informed about its mining projects overseas. When Rio Tinto was aware of information that Rio Tinto Coal Mozambique was no longer economically viable as a long-life, large-scale, [...] coking-coal resource, the market should have been properly informed in a timely manner.’

‘The core of ASIC’s case against Rio Tinto was its continuous-disclosure breach and we are pleased the matter has been finalised with a penalty ordered.’

Rio Tinto was ordered to pay ASIC’s costs. The court also ordered, with the consent of the parties, that ASIC’s claims against two former Rio officers, Tom Albanese and Guy Elliott, be dismissed, the parties bearing their own costs.

The maximum penalty for a single breach of continuous-disclosure laws (sub-section 674(2) of the *Corporations Act*) when Rio Tinto contravened was \$1 million. The maximum penalty has since increased.

Former Kleenmaid director gets jail term

Former Kleenmaid director Andrew Eric Young has pleaded guilty to aggravated fraud and insolvent-trading charges over the collapse of the Kleenmaid group of companies.

Mr Young was sentenced to three years’ jail for fraud to be suspended after 336 days, which

have already been served, and six months’ jail for insolvent trading with immediate release on a recognisance.

Mr Young pleaded guilty to one count of aggravated fraud by dishonestly causing \$330,000 to be withdrawn from a Kleenmaid company bank account two days before administrators were appointed. He transferred the funds to a bank account held by a company in which he held an interest and from which he and his wife could benefit.

He also pleaded guilty to one ‘rolled-up insolvent trading count’ involving five debts incurred by EDIS Service Logistics (one of the Kleenmaid companies) with CEO Global Logistics for supply services. The debts were incurred at a time when EDIS Service Logistics could not pay its debts, and Mr Young was acting as a de facto director of the company.

He had served 336 days in custody following an earlier conviction and sentencing on 19 charges.

Upon sentencing, Judge Byrne, QC, remarked that the timing of Mr Young’s plea and lack of prior offer to do so indicated his lack of remorse and that despite character references, in the hour of need Mr Young showed himself to be a man of greed.

The charges against Mr Young arose out of Kleenmaid’s collapse. The group’s consolidated debts amounted to about \$96 million, which included \$26 million owed to customers who had paid deposits on white goods that failed to get delivered.

Capital Mining directors charged with 22 dishonesty offences

Peter James Dykes and Peter Alan Torney, former directors of previously ASX-listed Capital Mining Limited, appeared in Perth Magistrates Court each charged with dishonestly using their position as directors.

Capital Mining, incorporated in April 2003, was an ASX-listed company based in Perth exploring for gold, base metals, platinum, nickel, uranium, and other rare metals in Australia and Ireland. Capital Mining was removed from the ASX on 7 December 2018.

Following an ASIC investigation into Capital Mining's activities, it was alleged that Mr Dykes and Mr Torney contravened directors' duties by co-authorising payments from Capital to related companies Poipu Bay Pty Ltd, Coolabah Capital Pty Ltd, Tencecece Pty Ltd, and Belling Pty Ltd, financially damaging Capital Mining.

Mr Dykes allegedly dishonestly used his position as a director of Capital Mining 13 times between October 2015 and April 2016, resulting in himself or others gaining an advantage of \$1,641,325.

Mr Torney allegedly dishonestly used his position nine times between October 2015 and April 2016, resulting in himself or others gaining an advantage of \$1,005,325.

The matter was adjourned.

A director commits an offence under the *Corporations Act* if he or she is reckless or dishonest. Mr Dykes was charged with 13 counts of contravening s184 of the act while Mr Torney was charged with nine counts.

At the time of the alleged offending, the maximum penalty for a breach of s184 was 2000 penalty units or imprisonment for five years or both.

ASIC seeks CCIV feedback

ASIC has released a consultation paper seeking industry feedback on its proposed licensing requirements for corporate collective investment vehicles.

A CCIV is a new type of company limited by shares. The corporate director of a CCIV is responsible for operating the business.

CCIVs share similar characteristics to some other internationally recognised investment structures. They are designed to increase the international competitiveness of Australia's managed-funds industry.

Licensing requirements will come into effect on 1 July, when the CCIV regime begins.

Consultation paper 360 *Corporate collective investment vehicles: Preparing for the commencements of the new regime* contains proposals on a range of licensing-related matters, including how ASIC will:

- Assess Australian financial-services (AFS) licence applications from corporate directors seeking to operate a CCIV
- Assess AFS licence applications from persons seeking to provide financial-product advice on and/or deal in CCIV securities, and
- Administer the licensee obligations that will apply to CCIV corporate directors.

CP 360 also includes proposed updates to five licensing-related regulatory guides. ASIC intends to release the updated regulatory guides before 1 July to give entities adequate time to prepare for the provision of CCIV-related financial services before the new regime begins.

The Corporate Collective Investment Vehicle Framework and Other Measures Act 2022 implements the legislative regime for CCIVs through amendments to the *Corporations Act*

2001, the *Australian Securities and Investments Commission Act 2001*, and the *Personal Property Securities Act 2009*.

ASIC will be responsible for licensing corporate directors and registering CCIVs as well as providing guidance to assist corporate directors to comply with their licensee obligations and other requirements in the Act.

Listing-rules revision on the way

The ASX has released a consultation paper on enhancing listing rules.

Proposed enhancements to the ASX Listing Rules Continually improving the reputation and integrity of the ASX market seeks feedback on proposed enhancements to the rules dealing with:

- The issuance of securities by listed entities, including the rules relating to security purchase plans, pro rata issues and material placements
- The financial-reporting framework for listed entities
- Admission of an entity to the official list and the quotation of its securities
- Transactions by listed entities with persons in a position of influence
- Lodgement of documents by listed entities with the ASX for release to the market, and
- Miscellaneous matters.

Final rule amendments should be released in the third quarter and take effect on 1 December.



ETHICS

APESB seeks referral-source provisions feedback

The Accounting Professional & Ethical Standards Board Limited is seeking feedback on amended proposals for the referral-source dependency provisions in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

The amended provisions have been developed in light of a range of stakeholders' views and suggestions on them. Many submissions followed exposure draft 03/21 *Proposed Amendments to Fee-related provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* issued in May 2021.

Key revisions include introducing a 30 per cent threshold and a five-year cumulative period to allow existing and new firms a reasonable time

to address threats, and a new requirement to clarify actions to be taken if the fee dependency on a referral source continues past five years.

IESBA revises PIE

The International Ethics Standards Board for Accountants has revised the definition of a public-interest entity and other provisions of the code.

The revised provisions broaden the categories of PIEs whose audits should be subject to additional independence requirements to meet stakeholders' heightened expectations concerning auditor independence.

'The concept of a PIE is central to the application of the IIS and determines how far an auditor must go in meeting the fundamental requirement to be independent,' said IESBA chair Gabriela Figueiredo Dias.

'The revised definition and related provisions represent the third pillar in our package of measures to significantly strengthen auditor independence in the public interest following the release of our revised non-assurance services and fees standards last year.'

To recognise diversity in jurisdictional contexts, the IESBA has taken the novel approach of expanding the PIE definition globally while providing guidance to regulators, national standard-setters and other relevant local bodies on tailoring the broad definition to cope with jurisdictional specificities.

Among other matters, the revisions also:

- Articulate an overarching objective for additional independence requirements for audits of PIEs' financial statements

- Provide guidance on factors to consider when determining the level of public interest in an entity
- Replace the term 'listed entity' with a new term 'publicly traded entity', providing a definition of the latter term
- Recognise the essential role local bodies responsible for the adoption of the code play in naming entities that should become PIEs in their jurisdictions, encouraging them to refine PIE categories and adding other relevant categories, and
- Introduce a transparency requirement for firms to disclose publicly the application of independence requirements for PIEs.

The IESBA worked on the revisions with the International Auditing and Assurance Standards Board, given that some terms and concepts are common to both boards' standards. The IAASB is considering several matters relevant to its standards arising from the finalisation of the IESBA's PIE provisions, including whether and how to address the transparency requirement.

The revised PIE definition and related provisions become effective for audits of financial statements beginning on or after 15 December 2024. Early adoption is permitted and encouraged.

The IESBA is also releasing several conforming amendments to the code following the IAASB's suite of quality-management standards issued in December 2020. These conforming amendments will be effective as of 15 December.

The APESB will issue amendments to local ethical standards in due course.



AUDIT

Former auditor of Big Un Limited charged

The former auditor of Big Un Limited has appeared in Perth Magistrates Court charged with making a false or misleading statement in his independent auditor's report of the company for the financial year ended 30 June 2017.

As lead auditor, he allegedly signed an independent auditor's report stating that the company's financial report gave a true and fair view of the group's financial position and performance for the year ending 30 June 2017 and that it complied with the Corporations Act and with Australian accounting standards. By signing the report, ASIC alleges that the lead auditor made a false or misleading statement.

Big Un was placed in a trading halt and suspended from quotation in February 2018. In August 2018, administrators were appointed and Big Un was removed from the ASX. ASIC's investigation continues.

An ASIC statement read, 'Auditors are important gatekeepers to the market and play a key role in ensuring that financial statements are accurately stated so that investors can rely upon them when making decisions to invest in a company.'

The maximum penalty for a breach of s1308(2) of the Corporations Act when prosecuted on indictment is five years' imprisonment or a fine of \$42,000, or both. The hearing was adjourned to 2 June and the lead auditor was released on bail.

He voluntarily cancelled his registration as a company auditor in October 2020.

Auditor's registration suspended over Big Un

The Companies Auditors' Disciplinary Board has suspended for a year the registration of a former member of Big Un Limited's audit team.

He was involved in the audit of Big Un Limited's 2017 financial statements. He participated in the 2017 audit as a member of the audit engagement team, working under the supervision of the lead auditor.

The audit team were engaged to manage the day-to-day audit activities despite one of the partners being the company secretary of Big Un. The CADB found that the auditor should have been aware of this conflict of interest, which affected his and the firm's independence.

The board also found that the auditor failed to meet relevant audit benchmarks when he accepted accounting records at face value without obtaining additional evidence. He signed off on audit working papers without providing appropriate audit evidence. As a result, he failed to identify issues that were likely to affect Big Un's viability.

In making its decision, the CADB said, '... [The] failures are not insignificant, and the 12-month suspension of his registration as a company auditor reflects that.'

The auditor undertook with ASIC an extra 45 hours of professional education. He also agreed that his first three company audits following the completion of his suspension would be subject to peer review.

The CADB acknowledged the auditor's undertakings, as well as his cooperation with ASIC, including his agreement to pay \$95,000 towards ASIC's costs. The CADB considered that a suspension was appropriate because of these factors.

ASIC acts against 19 SMSF auditors

ASIC has acted against 19 SMSF auditors since 1 July last year.

The commission deregistered 12 SMSF auditors and imposed additional conditions on the registration of seven others. For seven of the deregistered, ASIC chose to accept voluntary cancellations as negotiated outcomes.

The actions resulted from breaches of obligations including auditing and assurance standards, independence requirements, and registration conditions or because ASIC was satisfied that an individual was not fit and proper to remain registered.

Thirteen of the auditors had breaches identified and referred to ASIC by the Australian Taxation Office. ASIC identified issues with the other six.

ASIC commissioner Sean Hughes said, 'SMSF auditors play a fundamental role in promoting confidence and instilling trust in the SMSF sector, so it is crucial that they adhere to ethical and auditing standards. ASIC will continue to take action where the conduct of SMSF auditors is inadequate and fails to meet the requisite standards.'

These actions are in addition to 18 SMSF auditors whom ASIC acted against because of their involvement in reciprocal audit arrangements.

In **GAAPinar No.13**, Shelley Banton will cover SMSF developments in *SMSF audit update for 30 June*. Book your place at www.gaaptraining.com.au.

AUASB reviews ASAE 3100

The Auditing and Assurance Standards Board is reviewing ASAE 3100 *Compliance Engagements* through targeted outreach sessions with key stakeholders.

ASAE 3100 was issued in February 2017 in clarity format. The standard replaced a counterpart of 2008.

ASAE 3100 is linked to ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued in May 2017. ASAE 3000 is based on the revised international equivalent standard issued by the IAASB in 2013.

In **GAAPinar No.8** (5 May), Channele Pienaar and Colin Parker provided their insights into *Auditing trust accounts, AFSL and other compliance engagements*. While compliance-reporting frameworks vary, the assurance to be provided by auditors falls under ASAE 3100 *Compliance Engagements*. A recording can be purchased from the GAAPinar library.

Group-audits standard revised

The International Auditing and Assurance Standards Board has released revised ISA 600 *Special Considerations—Audits of Group Financial Statements (Including the Work of Component*

Auditors) – 103 pages plus conforming amendments and the basis for conclusions.

The revised standard addresses special considerations that apply to audits of group financial statements. Group audits are often more complex and challenging than single-entity audits because a group might have many entities and business units across several jurisdictions. Component auditors might also be involved.

The revised standard becomes effective for audits of group financial statements for periods beginning on or after 15 December 2023.

‘ISA 600 (revised) is a significant step forward to enhance the consistent performance of quality group audit engagements and thereby supports users’ interests and broader financial stability,’ said Tom Seidenstein, IAASB chair.

‘Group audits is an area identified by regulators requiring attention. The changes in the standard build off other recent IAASB revisions, such as the revisions to the quality-management standards, and should enhance audit quality by strengthening the accountability of group auditors and clarifying the interactive relationship between group and component auditors.’

ISA 600 (revised) includes a robust risk-based approach to planning and performing a group audit. The approach focuses the group auditor’s attention on identifying and assessing the risks

of material misstatement of a group’s financial statements and designing and performing further audit procedures to respond to the risks.

It also recognises that component auditors can be, and often are, involved in all phases of the group audit. The standard furthermore promotes a clear, proactive and scalable approach for group audits that can be applied to today’s evolving group audit structures.

Guidance on fraud

The IAASB has provided guidance illustrating the relationship between international auditing standard 240 *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*, and other ISAs when planning, performing, and reporting an audit engagement. It also illustrates how ISA 240 is applied in conjunction with the full suite of ISAs.

The guidance is relevant in Australia, as we comply with IASs. The Australian equivalent to ISA 240 is ASA 240 of the same title and requirements.

In **GAAPinar No.6** on 26 April, Dean Newlan and Colin Parker shared their experience with the *Revised standard on fraud-and-corruption control*. A recording can be purchased from the GAAPinar library.



TRAINING

GAAPinars series begun

Our April-June *GAAPinar* program is off and running, 14 new sessions covering the very latest in financial reporting, auditing, ethics, SMSFs, and business risks. Recordings are available.

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, wages 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	●	●	●

Register for the series, download a recording 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.

Our library has nine sessions 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

Edition 32 of NFP newsletter released

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

Governance

- Changes to NFP tax exemption
- Super guarantees for all
- New rules for meetings and documents give flexibility
- You might need a director ID
- Guidance for board secretaries
- Report examines how NFPs use financials
- NFPs' indirect costs fail to get funded

ACNC

- Updating charities' work
- Health check aims to improve boards
- Know how to campaign and lobby legally
- AEC rules on charities' campaigning
- AAT upholds Angel Loop's barring
- So you want to become a charity

- AAT backs ACNC decision
- Fifteen charities revoked
- Governance standard 3 unaltered

Financial reporting insights

- Charity thresholds change
- Proposed amendments to NFP revenue standards

Fundraising

- New reporting guidelines announced

Deductible Gift Recipients

- Treasury seeks feedback on new DGR category

Public Ancillary Funds

- PAF guidelines amended
- Moves to reduce red tape

Governments

- Report on wages underpayment released

Find number 32 at www.gaaptraining.com.au and register there for further editions.

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

Using helps 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

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