



COLIN'S

## CORNER

### So many potential traps

A big welcome to AASB 18 *Presentation and Disclosure in Financial Statements*. While its operative date is some time off, many entities, in particular listed, will give serious consideration to early adoption.

Listed entities' failure to lodge financial reports, disclaimers of audit opinions, and non-compliance with accounting standards has resulted in restrictions on capital raising.

New Zealand's Financial Markets Authority and External Reporting Board have produced a set of guides designed to help people understand entities' climate-related disclosures. These are well worth a look.

AI and cyber security continue to be hot topics. We note new resources for use by boards and auditors.

Directors are required to have a DIN, an identification number. Prosecutions have started for those that don't. Avoid the name and shame, a trip to court, and fines.

Companies continue to face compliance challenges, including over privacy, wages underpayments, and anti-money-laundering. The reach of the latter is also soon to be extended to tranche 2.

APRA has been very active – a new prudential handbook, updates of standards, calls for improved valuations, better data backups, and fines for data-deadline breaches.

The *Crimes Legislation Amendment (Combatting Foreign Bribery) Act 2024* comes into effect in September. It introduces a new corporate offence of failing to prevent foreign bribery under section 70.5A of the *Criminal Code Act 1995*. The new offence should find its way onto your risk register.

AFS licensees and auditors should reflect on recent ASIC actions – licences cancelled and suspended. Check out why.

The Accounting Professional & Ethical Standards Board has amended APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* for technology-related revisions. The amendments will be effective from 1 January.

Watch out, auditors, for long-association with your clients. Take note of ASIC's action.

Audit-quality is a never-ending quest. See what NZ's Financial Markets Authority has planned in its *Auditor Regulation and Oversight Plan 2024-2027*. We can learn from our cross-Tasman cousins.

My colleagues and I have triaged the issues for you. Action those that are relevant.

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## FINANCIAL REPORTING

### More profit-and-loss details required

The Australian Accounting Standards Board has issued AASB 18 *Presentation and Disclosure in Financial Statements* to improve how entities reveal their details, a particular focus being on information about performance in profit or loss.

AASB 18 will replace AASB 101 *Presentation of Financial Statements*.

The new requirements will enable investors and other statement users to make more informed decisions, including better capital allocation, that will contribute to long-term financial stability.

Key presentation and disclosure requirements are:

- Newly defined subtotals in the statement of profit or loss
- Management-defined performance measures, and
- Enhanced requirements for grouping information (that is, aggregation and disaggregation).

For for-profit entities (other than superannuation entities applying AASB 1056 *Superannuation Entities*) preparing Tier 1 general-purpose financial statements, AASB 18 applies to annual reporting periods beginning on or after 1 January 2027, earlier application permitted.

For not-for-profit private sector entities, not-for-profit public sector entities and superannuation entities applying AASB 1056, AASB 18 applies to annual reporting periods beginning on or after 1 January 2028, earlier application permitted.

The delayed date will allow the AASB to consult with stakeholders to assess whether AASB 18 should be amended.

AASB 18 incorporates IFRS 18 and makes consequential amendments to most of the AASB pronouncements.

### LPI Australia restates 2022 accounts

LPI (Australia) Holdings Pty Ltd has lodged its financial report for the year ended 31 December 2023 with restated FY22 comparative figures.

When LPI Australia lodged its 31 December 2022 report, it failed to consolidate Jones Lang LaSalle (Taiwan) Ltd, an entity in which it had a 100 per cent holding.

The report failed to include consolidated assets of \$57 million, liabilities of \$25 million, revenue (including reimbursements) of \$100 million and expenses of \$96 million, which resulted in users failing to get the entity's true financial position.

The Australian Securities & Investments Commission raised concerns with LPI that it had failed to comply with the requirements of AASB 10 *Consolidated Financial Statements*. As a result, the company agreed to restate its 31 December 2022 comparatives with the lodgement of its 31 December 2023 financial report.

ASIC expects report preparers to consider assessing control of related entities and the consolidation requirements of Australian accounting standards.

### Non-compliance with accounting standards restricts capital raising

ASIC has restricted Energy World Corporation Ltd from issuing a reduced-content prospectus for the next 12 months.

The commission was satisfied that EWC had contravened its financial-reporting obligations to comply with accounting standards.

EWC is building several liquefied-natural-gas projects and has overseas oil-and-gas exploration and evaluation assets. In its 30 June 2023 and 31 December 2023 (half-year) financial reports, the company's auditor had qualified its report about \$US921 million of these assets as it had been unable to obtain sufficient appropriate audit evidence to support assumptions used by EWC in its impairment models.

Qualified audit reports have been issued by EWC's auditors since 31 December 2018.

ASIC was satisfied that EWC had failed to comply with AASB 136 *Impairment of assets* in its FY23 and HY24 financial reports. Given the lack of reliable external evidence and high levels of estimation uncertainty and significant delays to projects, ASIC determined that key assumptions used in the impairment models were not reasonable and supportable as required by AASB 136.

ASIC's determination means that EWC will not be able to rely on issuing a reduced-content prospectus under section 713 of the *Corporations Act* and instead must issue a full prospectus to retail investors.

The commission considers that listed entities' ability to issue a reduced-content prospectus is a privilege dependent on compliance with the law. Financial reports must comply with accounting standards.

EWC is restricted from issuing a reduced-content prospectus until 21 May 2025.

### ASIC bans reduced-content prospectuses for three listed

ASIC has restricted XTC Lithium Ltd, My Rewards International Ltd, and Range International Ltd from issuing reduced-content prospectuses for 12 months after they failed to lodge financial and other reports in line with obligations.

The companies will be unable to rely on the reduced-disclosure rule under section 713 of the *Corporations Act* and instead must issue full prospectuses if they wish to raise funds from retail investors.

Lodging financial reports that have been audited in accordance with standards and on time is a fundamental obligation for listed companies. Where these obligations are not complied with, ASIC can make determinations to exclude them from relying on reduced-content prospectuses.

ASIC made the determinations under section 713(6) of the *Corporations Act*, because:

- XTC failed to lodge its financial report, directors' report, and auditor's report for the half-year to 31 December 2023 within 75 days
- MRI failed to lodge its financial report, directors' report, and auditor's report for the half-year to 31 December 2023 within 75 days, and failed to have its annual report for the year ended 30 June 2023 audited as required because the auditor's report included a disclaimer, indicating that the auditor did not form or express an opinion about the financial report, and
- RAN failed to have its lodged financial reports audited as required for the financial years ended 31 December 2022 and 31 December 2023 as well as its half-year financial report for 30 June 2023 because they included disclaimers, indicating that the auditor did not form or express an opinion about the respective reports.

The companies' securities are currently suspended from trade on the ASX.



## SUSTAINABILITY REPORTING

### Demystifying nature's impact on finance

The new *Nature-related Financial Disclosures: Frequently Asked Questions* by Chartered Accountants Australia and New Zealand and the Governance Institute of Australia responds to growing interest in the topic.

While there is a current focus on the effects of climate change, more than half of the world's total GDP of about US\$44 trillion is moderately or highly dependent on nature and its services.

The publication provides essential insights for businesses navigating this evolving landscape and offers guidance for institutions of all sizes to ensure that they know about good governance and global and domestic developments around nature-related disclosures.

The publication covers the definition of nature and topical areas such as biodiversity, the importance of nature to business, greenwashing, the Taskforce on Nature-

related Financial Disclosures, and other fundamental topics relating to nature and the role of business.

The publication also addresses queries on whether financial disclosures are mandatory, director obligations around disclosures, and how businesses can appropriately make environmental claims.

In June, Carmen Ridley and Colin Parker in **GAAPinar No.13** addressed *The latest on climate change reporting – it's here*. A recording is available in the GAAP Training library.

### New NZ climate guidance

New Zealand's Financial Markets Authority and External Reporting Board have produced a set of guides designed to help people understand entities' climate-related disclosures.

A *What You Need to Know* guide provides an overview for primary users of climate statements, journalists, and other intermediaries.

It includes information on:

- The purpose of disclosing climate-related information
- Key legislative requirements
- Key considerations and the context of information in climate statements, and
- The roles of the FMA, XRB, and relevant government agencies.

*Navigating Climate Statements* is a more detailed explanation of information disclosed in climate statements. Given that climate statements are new, the guide highlights the importance of topics such as uncertainty, comparability, and context when evaluating and judging the information they contain.



## GOVERNANCE

### Directors convicted for failing to have DINs

Two Western Australian directors have been convicted and fined \$5000 each for failing to comply with director-identification requirements.

Alexander Henry was convicted *ex-parte* on 3 May of contravening section 1272C(2) of the *Corporations Act 2001* for failing to have a director identification number. Mr Henry is a director of Global Material Solutions Australia Pty Ltd, Alex Henry Holdings Pty Ltd, Duke Shipping Containers Pty Ltd, and AII Australia Pty Ltd.

Luke David Mason was also convicted *ex-parte* on 3 May for the same offence. Mr Mason is a director of LDM (WA) Pty Ltd, and LDM Corporate Enterprises Pty Ltd.

Magistrate Crawford SM said that the new director IDs had been enacted for a proper public purpose and considerable efforts had been made by relevant government agencies to bring the accused's attention to the scheme and obtain compliance.

Mr Henry and Mr Mason were each fined \$5000 plus costs of \$171.71. The maximum penalty for an offence against section 1272C(1) of the act is 60 penalty units, a fine of \$18,780.

### New resources on AI

As more organisations adopt artificial-intelligence technologies and policymakers focus increasingly on regulating AI risks, the need for directors and boards to understand governance requirements of ethical and informed AI use is rapidly becoming an imperative.

AI has the potential to offer significant productivity and economic gains. But alongside the benefits lie potential risks.

Research suggests that boards face many challenges, including how to implement effective surveillance systems.

The Australian Institute of Company Directors has partnered with the Human Technology Institute at the University of Technology Sydney to produce a new suite of resources to help directors and boards navigate AI.

It contains:

- *A Director's Introduction to AI*, which lays the foundations for understanding AI concepts
- *A Director's Guide to AI Governance*, providing practical guidance for boards already using or planning to deploy AI within their organisations, and
- *AI Governance Checklist SME and NFP Directors*, which recognises the significance of small and medium-sized enterprises to the Australian economy and their specific needs.

By applying the 'eight elements of safe and responsible AI governance', the resources aim to guide organisations in deploying AI systems safely and responsibly and help them optimise their strategic and competitive advantage.

In May, Inbal Rodnay and Colin Parker provided their insights into artificial intelligence in **GAAPinar No.5 AI 101 – risks and opportunities posed to governance, accountants, and auditors in financial reporting**. A recording is available in the GAAP Training library.

## SMEs and NFPs get help on cyber security

The AICD and the Australian Information Security Association have released new guidance for small business and NFP directors to help them to strengthen their organisations' cyber resilience.

The *Cyber Security Handbook for Small Business and Not-for-Profit Directors* aims to avoid unnecessary complexity.

The guide applies across the SME-NFP landscape, not just to organisations involved in digital and technology-focused industries.

It covers:

- The role of a director in an elevated cyber-threat environment
- The fundamentals of cyber security, and
- How to develop internal policies and build a culture of cyber resilience.

The guide is intended to complement the detailed Australian Signals Directorate essential eight maturity model and other key cyber security guidance.



## COMPLIANCE

### Information commissioner takes Medibank to court

The Australian Information Commissioner has filed civil penalty proceedings in the Federal Court against Medibank Private Ltd about its October 2022 data breach.

The commissioner alleges that from March 2021 to October 2022 Medibank seriously interfered with the privacy of 9.7 million Australians by failing to take reasonable steps to protect their personal information from misuse, disclosure, and unauthorised access in breach of the *Privacy Act 1988*.

Privacy commissioner Carly Kind said, 'Organisations that collect, use, and store personal information have a considerable responsibility to ensure that [that] data is held safely and securely. That is particularly the case when it comes to sensitive data.'

'This case should serve as a wakeup call to Australian organisations to invest in their digital defences to meet the challenges of an evolving cyber landscape. Organisations have an ethical as well as legal duty to protect the personal information they are entrusted with and a responsibility to keep it safe.'

### Eagers Automotive companies back-pay \$16m

Australia's largest car dealership, Eagers Automotive Ltd, has back-paid more than \$16 million, including interest and superannuation to staff at five of its subsidiaries.

The subsidiaries have signed enforceable undertakings with the Fair Work Ombudsman.

EAL, formerly AP Eagers, is an Australian public company that operates automotive dealerships in all Australian states and territories as well as New Zealand.

In 2019, AP Eagers acquired Automotive Holdings Group Limited, a holding company for 19 businesses.

EAL self-reported the underpayments to the regulator in June 2021 after it initiated a review of the companies' payrolls after acquisition. Anomalies were found.

The self-report revealed that EAL subsidiaries unlawfully failed to pay in line with award progression, incorrectly classified employees, did not pay overtime, annual leave, and annual-leave loadings, did not pay for training, and failed to pay, as required, when employees were sent home due to lack of work. They also made unauthorised deductions.

On behalf of the five entities, EAL has back-paid 13,277 current and former employees \$16.2 million, including about \$12.1 million in wages, \$1.1 million in superannuation, and \$3 million in interest. The underpayments occurred between 2013 and 2021.

An extra \$1.9 million, including interest and superannuation, has been back-paid to 701 current and former employees of 14 other subsidiaries.

Under the EU, the five companies must also make a combined \$450,000 contrition payment to the Commonwealth's Consolidated Revenue Fund.

Fair Work Ombudsman Anna Booth said, 'Under the enforceable undertaking, the subsidiaries of Eagers Automotive Limited have committed to implementing stringent measures to ensure all their workers are paid correctly. These measures include commissioning, at their own cost, an independent auditor to check they are appropriately meeting all lawful entitlements.'

'In this matter, long-term breaches resulted from a lack of a consistent time and attendance system along with reliance upon manual paper timesheets and a decentralised

payroll system – plus a lack of awareness of workers' legal entitlements.

'It is also a good example of the importance of conducting thorough compliance checks when acquiring businesses, and implementing centralised, consistent compliance processes to avoid [...] issues.'

The EU also requires the five companies to engage an independent provider to operate an employee hotline for three months at their own cost, write to affected staff to tell them that the EU has begun, and give the FWO evidence of mechanisms in place to identify and rectify compliance issues associated with future acquisitions.

Ms Booth said the matter serves as a warning to all employers about what is at stake if they fail to ensure rigorous compliance with awards and enterprise agreements.

### Franchisor penalised \$1.44 million

The Fair Work Ombudsman has secured penalties totalling \$1.44 million against the franchisor of the '85 Degrees' brand in Australia for its 'systematic failure to ensure compliance within its franchise network'.

The penalties were the third highest ever secured by the FWO.

The Federal Court has imposed the penalties against 85 Degrees Coffee Australia Pty Ltd, which operated several outlets in NSW and the ACT and was also the head franchisor of several franchisee-operated outlets.

The FWO used in court for the first time responsible-franchisor provisions to reform the protection of vulnerable workers by holding a franchisor to account.

Justice Robert Bromwich found that '85 Degrees does not, and could not, dispute the FWO's accurate assertion that the facts demonstrate a systematic failure to ensure compliance within its franchise network'.



Justice Bromwich found that there had been ‘repeated contravening conduct by 85 Degrees itself and, later, in failing to take reasonable steps to prevent its franchisees doing more of the same’. The company had subsequently ‘abandoned its business

in Australia and is unlikely to resume that business’.

He said that ‘85 Degrees did not ultimately find a way of achieving compliance by its franchisees, but rather gave up and has not really tried to do so at all’.

Justice Bromwich found that general deterrence was of the utmost importance, saying that the risk of future contraventions by similar participants in the same industry is high and there was a need to impose a penalty ‘to deter other would-be contraveners, and especially other franchisors’.



## REGULATORS & LEGISLATORS

### New bribery offence

The *Crimes Legislation Amendment (Combatting Foreign Bribery) Act 2024* comes into effect in September and introduces a new corporate offence of failing to prevent foreign bribery under section 70.5A of the *Criminal Code Act 1995*.

The offence will apply where an associate of a corporation has committed bribery for the profit or gain of the corporation. A corporation will not be liable under the ‘failure to prevent’ offence if it can prove it had ‘adequate procedures’ in place to prevent its associates from committing foreign bribery.

Under the legislation, the attorney-general must publish guidance on steps to take to prevent associates from bribing foreign public officials.

Draft guidance to be published later in the year outlines fundamental elements to consider when implementing an effective anti-bribery program.

A principles-based document rather than a checklist of compliance, the guidance is designed to be of general application to corporations of all sizes in all sectors.

The obligation to implement anti-bribery procedures will be proportionate to an entity’s circumstances, including scale, location, and level of risk.

### APRA releases new prudential handbook

The Australian Prudential Regulation Authority has released a new *Prudential Handbook*, which consolidates the authority’s policy standards, guidance, and supporting information to allow users to understand and comply better.

The handbook has several categories, four ‘pillars’ being applicable to all industries and two dependant on industry. They are:

- Governance
- Risk management
- Recovery and resolution
- Reporting

- Financial resilience for the banking and insurance industry, and
- Business operations for the superannuation industry.

### APRA wants improved valuations

APRA considers that active and robust valuations with strong oversight and governance are critical elements within a registrable superannuation entity licensee’s investment-governance framework.

Based on a survey of unlisted asset-valuation governance practices that the authority conducted in late 2023, it expects RSEs to improve their practices.

Better practices that were observed across the majority of RSEs included:

- Checks and controls to ensure that valuations fell within an expected reasonable range with respect to external investment managers’ valuations and independent external valuers, and
- Unlisted asset valuations as an area of focus in internal audit plans.

However, there was room for improvement in some key areas, including:

- Use of revaluation triggers for ongoing and interim valuations
- RSEs that failed to have predefined triggers or did not describe clear triggers for revaluations
- Some unlisted assets failed to be valued at least quarterly as per SPS530 guidance, (for example, private equity, property and infrastructure), and
- The extent of board scrutiny of unlisted asset valuations.

APRA requires RSE licensees to have robust asset valuation governance framework that addresses risks on a timely basis. Inappropriate asset valuations, especially during periods of heightened market volatility, may materially impact prices applied to member transactions, member equity, and reported investment returns.

### Better data backups needed

APRA will continue a high focus on cyber resilience, ensuring that entities meet the requirements of CPS 234 *Information Security*.

Regulated entities are also encouraged to self-assess against sound information-security practices in guide CPG 234 *Information Security*.

The authority has seen weaknesses in data backups to protect against loss (refer to table below).

Observation	Guidance
Insufficient segregation between production and backup	Maintain sufficient isolation of backups from the production environment so that a compromise of it fails to flow on to backups. This should include access controls preventing any single account or person having permission to modify or delete both production and backup (refer CPG 234, paragraphs 44 and 45).
Insufficient control testing coverage and rigour to ensure backups are protected from compromise	Ensure that testing validates that backups are effective and protected from unauthorised access, modification, or alteration (refer CPG 234, paragraph 45 and attachment G).
Insufficient testing of capability to recover systems and data within tolerance levels from backups	Ensure that testing validates a backup coverage that will enable the recovery of critical business operations, as well as the technical capability to recover systems and data within tolerance levels (refer CPG 234 and Attachment G).

APRA expects regulated entities to review their backups against these common issues. If a review identifies gaps that could materially affect an entity’s risk profile and financial soundness, the authority may consider them notifiable weaknesses under paragraph 36 of CPS 234.

## APRA updates standards

APRA has updated standards on financial reporting and auditing.

The updates relate to the following standards and guidance and apply from 30 June:

- Prudential standard SPS 310 *Audit and Related Matters* (SPS 310) and prudential practice guide SPG 310 *Audit and Related Matters* (SPG 310) that has been withdrawn
- Prudential standard SPS 510 *Governance*, and
- Prudential standard SPS 520 *Fit and Proper* and prudential practice guide SPG 520 *Fit and Proper*.



AFSL

## Licence cancelled for systemic failures

ASIC has cancelled the Australian financial-services licence of Guildfords Funds Management Pty Ltd after it found significant, system failures of oversight and compliance.

ASIC found that Guildfords had failed to meet numerous obligations of the Corporations Act 2001 that arose mainly from its failure to supervise adequately authorised representatives. This led to unauthorised high-risk trading of derivative products, specifically contracts for difference that resulted in investor losses.

ASIC's findings included that Guildfords did not:

- Comply with the financial-services laws in that it dealt in contracts for difference when it did not hold an AFS licence to do so and failed to report a reportable situation to ASIC
- Take reasonable steps to ensure that its representatives complied with financial-services laws and was involved in its representatives' unauthorised CFD trading. Guildfords released funds for CFD trading without checking that they would be used appropriately and in accordance with the law
- Take reasonable steps to ensure that its representatives complied with financial-services laws in that the company failed to have oversight over documents that included misleading or deceptive representations
- Comply with the conditions of its AFS licence as it failed to maintain measures to ensure compliance with the law and failed to maintain training registers of its representatives, and

## APRA fines data-deadline breaches

APRA has fined Equity Trustees Superannuation Ltd \$782,500 for failing to meet its legal obligations to report data.

ETSL breached the requirements of the *Financial Sector (Collection of Data) Act 2001* by failing to report data by set deadlines for two funds, AMG Super and Super Simplifier, under its trusteeship.

ETSL lodged nine reports 50 days late for AMG Super and six 38 days late for Super Simplifier for the quarter ended 30 September 2023.

APRA deputy chair Margaret Cole said that by issuing the fine APRA wanted to send a

clear message to industry of the importance of submitting data on time.

'We expect all entities to be compliant with our reporting standards to ensure APRA always has the most up-to date information to [...] monitor the safety and stability of Australia's banking, insurance and superannuation systems.'

Notwithstanding the highly outsourced nature of the superannuation industry, accountability for meeting regulatory obligations sat with trustees, she said.

APRA expects them to maintain appropriate surveillance of service providers, which includes ensuring that the provider is adequately resourced, she added.

- Did not have adequate arrangements to manage conflicts of interest.

## Licence cancelled for several failures

ASIC has cancelled the AFS licence of retail over-the-counter derivatives issuer XTrade. AU Pty Ltd after an investigation found that several vulnerable clients were encouraged to trade in CFDs when they could not afford to do so or had limited trading experience.

Some consumers made significant losses.

ASIC's investigation found that between June 2018 and September 2022, XTrade failed to comply with its general obligations as an AFS licensee and engaged in unconscionable conduct. The company:

- Did not take reasonable steps to ensure that its representatives complied with financial-services laws
- Did not have adequate arrangements for the management of conflicts of interest
- Failed to take reasonable steps to ensure that its retail product distribution was consistent with its target market determination, and
- Did not do all things necessary to ensure that financial services were provided efficiently, honestly, and fairly.

ASIC also found that XTrade put its own interests above those of its clients and did not act in good faith, falling short of expected standards.

The commission found that XTrade failed to prevent its representatives from engaging in misconduct over many years and failed to ensure that they underwent adequate training.

## Licence suspended over lodgement failures

ASIC has suspended the AFS licence of Airrails Pty Ltd for three months.

The commission found that Airrails failed to lodge its annual financial statement, auditor's report, and audit opinion for the financial year ending 30 June 2023 before the deadline and in compliance with its licence conditions.

Under the *Corporations Act*, ASIC may suspend or cancel an AFS licence if a licensee fails to meet its general obligations under s912A. This includes the obligation to comply with financial-services laws, including the requirement to lodge financial statements annually.

## Financial adviser banned and jailed

ASIC has permanently banned former Sunshine Coast financial adviser Brett Andrew Gordon from providing financial services and engaging in credit activities after he was convicted of fraud offences.

Mr Gordon was a financial adviser and director of Refocus Financial Group Pty Ltd. Between 2015 and 2018, he dishonestly used funds deposited by clients on property development, to pay personal debts and expenses, and Refocus business expenses.

Following an ASIC investigation, Mr Gordon pleaded guilty to nine counts of fraud totalling \$652,500 and was sentenced to six years imprisonment, parole eligibility after 18 months.



## ETHICS

### Technology-related code revisions

The Accounting Professional & Ethical Standards Board has amended APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* for technology-related revisions.

The revisions clarify the expected mindset

and behaviours of members when using technology. Material on fundamental principles of professional competence, confidentiality, and due care has been enhanced. Identifying and managing complex circumstances is a special focus.

The revisions also clarify independence requirements on whether technology-related non-assurance services can be provided to an

audit or assurance client.

They align with changes made by the International Ethics Standards Board for Accountants to the International Code of Ethics for Professional Accountants (including International Independence Standards).

The amendments will be effective from 1 January, early adoption permitted.



## AML

### SkyCity fined \$67m

The Federal Court has fined SkyCity Adelaide Pty Ltd \$67 million after AUSTRAC launched civil proceedings against it for breaches of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

The court also ordered SkyCity to pay the transaction monitor's costs of \$3 million.

SkyCity's AML/CTF programs failed to meet the requirements of the act, it found. The casino also failed to carry out appropriate customer due diligence.

SkyCity admitted that its contraventions made it vulnerable to criminal exploitation and exposed the Australian community and the financial system to the risk of money-laundering and terrorism-financing.

SkyCity's failure to comply with the AML/CTF act over many years allowed high-risk customers to move millions of dollars through

the casino in ways that made the funds' source and ownership unclear.

SkyCity also provided services through high-risk channels and to high-risk customers without appropriate risk-based controls.

It failed to carry out required checks on 121 customers, including when SkyCity knew customers were the subject of law-enforcement interest, or where there were indications that some posed a higher risk of money-laundering.

The casino also failed to establish an appropriate framework to ensure adequate board and senior-management oversight of its AML/CTF programs.

### AML/CTF Tranche 2 approaching

The attorney-general has announced a second consultation on reforming Australia's AML/CTF regime. The attorney-general's

department will release consultation papers outlining detailed proposals for reforming the regime.

Proposed reforms extend the legislation to certain high-risk or 'tranche 2' services. They include the work of lawyers, accountants, trust and company service providers, real-estate agents, and dealers in precious metals and stones.

The reforms also aim to:

- Simplify and modernise the regime in line with international standards and best practice
- Reduce complexity and regulatory burden on industry
- Ensure that the regime responds to the constantly evolving threat environment, and
- Harden Australian businesses against exploitation by organised criminals.



## AUDIT

### AUASB to revisit consolidated-entity disclosure statements

The Auditing and Assurance Standards Board has decided not to issue a bulletin on audit implications of consolidated-entity disclosure statements until there is greater clarity on reporting requirements. The AUASB will revisit the matter at its 17 July meeting.

### ATO releases SMSF revisions

The Australian Taxation Office has released a revised SMSF independent auditor's report

that must be used by SMSF audits completed on or after 1 July.

In part B *Compliance Statement*, a reference to ASQC 1 has been replaced by ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services*.

Section 35C(6) of the *Superannuation Industry (Supervision) Act 1993* requires that an SMSF independent auditor's report in the approved form be prepared by an SMSF auditor and given to the fund's trustees within 28 days after they have provided relevant documents.

### Auditor's registration cancelled over familiarity

ASIC has accepted a court-enforceable undertaking from registered company auditor Robert Johnson and Canberra audit firm Hardwickes.

Following an ASIC investigation, Mr Johnson admitted that he had failed to ensure that the audit of property-development company Consolidated Builders Ltd was conducted in accordance with ethical requirements outlined in the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Mr Johnson audited Consolidated Builders for 32 years. The long association created a familiarity threat to his independence. The firm also provided various non-auditing services to Consolidated Builders, which further undermined Mr Johnson’s independence.

The firm also admitted that it failed to establish and maintain a system of quality control to ensure that its personnel complied with required auditing and ethical obligations.

Mr Johnson has undertaken to cancel his registration as a company auditor and will not re-apply.

The firm resigned as Consolidated Builders’ auditors in March 2024 and will engage an independent expert to conduct a review of its audit practices.

The review will focus on the design, implementation, and operation of the firm’s

quality management in accordance with ASQM 1 *Quality Management for Firms*. The firm will be required to report to ASIC on a remedial-action plan.

ASIC’s deputy chair Sarah Court said, ‘Misconduct by gatekeepers such as auditors is an enforcement priority for ASIC in 2024. Independence is a fundamental duty of an auditor and we will continue to take action where registered company auditors fail to meet their independence requirements’.

**How NZ’s FMA aims to improve audit quality**

NZ’s Financial Markets Authority has published its *Auditor Regulation and Oversight Plan 2024-2027*.

The plan sets out how the FMA aims to improve the audit quality of Financial Markets Conduct reporting entities by

- focusing on the following key areas:
- Overall governance of audit firms and the culture modelled by its leadership
  - Audit firms’ internal and external quality reviews
  - How audit quality is considered in the performance assessment of staff and leaders
  - How the audit firm conducts root-cause analysis when assessing the underlying cause of audit-quality findings
  - Audit firms’ plans to address findings from internal and external reviews and how they are monitored
  - Compliance with audit and assurance standards in key areas of audit files selected for review, and
  - The performance of accredited bodies in executing front-line regulatory functions.



INSIDE GAAP CONSULTING

Get informed about CEDS

Much uncertainty and controversy exist with consolidated-entity disclosures since the passage in April of the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Act 2024*.

Confirm what you know and find out what you don’t on 25 July at our **pop-up GAAPinar Consolidated Entity Disclosure Statement – its new and operative now** (12.00 – 1.00pm). Join Carmen Ridley and Colin Parker by registering at [www.gaaptraining.com.au](http://www.gaaptraining.com.au).

April-June GAAPinars conclude

GAAP Training’s April-June, 14-session GAAPinar series has drawn to a close.

We covered the very latest in financial reporting, auditing, ethics, SMSFs, and business risks, with a particular focus on the 30-June reporting season. Recordings of the GAAPinars are available.

It can be challenging to identify the training topics you need. Let’s summarise the sessions and who should participate.

Find out more at [www.gaaptraining.com.au](http://www.gaaptraining.com.au).

Another 12 sessions are coming in November and December, starting on November 7.

Topics	Audit team members	Other public practitioners and their team members	Accountants in commerce, industry and NFPs
Auditing			
Planning the 2024 audit	●		
Deep dive into ASA 315 – business model, governance, accounting framework – and implementation issues	●		
The fundamentals of ASA 540 Auditing Accounting Estimates and Related Disclosures	●		
Group audit standard – starting the journey of revised ASA 600 – Part 1	●		
Financial and sustainability			
Contemporary financial-reporting issues that require your attention now	●	●	●
Understanding the basics of corporate income tax	●	●	●
Fundamentals of AASB 112 Income Taxes and related Interpretations	●	●	●
Focus on goodwill accounting and impairment	●	●	●
The latest on climate change reporting – it’s here	●	●	●
Self-managed superannuation funds			
SMSF audit update for 30 June	●	●	
Business risks			
What’s new with accounting, auditing, ethical standards, and the regulators?	●	●	●
AI 101 – risks and opportunities posed to governance, accountants and auditors in financial reporting	●	●	●
The legalities of contemporary business risks affecting directors, accountants, and auditors	●	●	●
Reporting and auditing considerations for 30 June	●	●	●



## More training riches on demand

Looking for contemporary training in financial reporting, business risks, ethics, and auditing? Want to hear from the experts – Carmen Ridley, Chanelle Pienaar, Jessica-Anne Saayman, Stephen Newman, Shelley Banton, and Colin Parker?

Check out the on-demand sessions in *GAAP Training's* extensive library of more than 110 topics.

Use the *GAAPinars* as a team-members' refresher and to bring new members up to speed.

More than 150 CPD hours are just a mouse-click away at [www.gaaptraining.com.au](http://www.gaaptraining.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), EQR services, 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](http://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 the brand awareness and expertise of existing and potential clients

**Improving communication skills** – we 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. We can also help you to prepare formal and informal talks, speeches, and seminars, 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](http://www.reportfraud.org.au)).

The *GAAP Consulting* members and their areas of expertise and locations are:

- **Colin Parker** (financial reporting, audit, ethics, and risk management) – Canberra

- **Carmen Ridley** (financial reporting and ethics) – Melbourne
- **Stephen LaGreca** (financial reporting, audit, and risk management) – Sydney
- **Chanelle Pienaar** (audit and risk management) – Brisbane
- **Jessica-Anne Saayman** (audit and risk management) – Brisbane
- **Shelley Banton** (self-managed superannuation funds) – Newcastle
- **Andrew Parker** (training, marketing, and event management) – Melbourne, and
- **Stephen Downes** (client communications) – Melbourne.

We use the services of Stephen Newman, corporate lawyer, Hope Earle, Melbourne, when matters have a legal aspect.

Contact Colin 0421-088-611 or [colin@gaap.com.au](mailto:colin@gaap.com.au).



**Colin Parker**  
*GAAP Consulting*

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