GAAP ALERT

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Authored by Colin Parker and edited by Stephen Downes

#6/2024

NOVEMBER/DECEMBER 2024

COLIN'S CORNER

Busy end to 2024

A busy end to 2024, and much to consider as we head into 2025.

On the financial-reporting front, ASIC has issued its focus areas for 31 December balances – they are what the commission describes as it's *enduring focus* (read the same as for 30 June).

Unfortunately, life is not as simple as that – the economic and regulatory environments change. I miss the days when ASIC provided insights into domestic and international risks that preparers and auditors needed to consider.

What else is missing? You can start with revenue recognition, going concern, material accounting, policy information, and convertible financial instruments. All of which have occupied our time.

Sustainability and climate change, its subset here in Australia, are a mountain to climb. Financial reporting and climate changes are interrelated, and then there is the preparation of upcoming sustainability reports. The legislation and sustainability-reporting standards are in place. We are now seeing the ASIC view on enforcement, ethical, and assurance requirements coming into focus – as well resources to help.

Federal parliament saw the Christmas break or election dash with the passage of significant legislation affecting business, public practitioners, and auditors – *Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Amendment Act 2024*, *Privacy and Other Legislation Amendment Act 2024*, and the *Cyber Security Act 2024*, as well as significant penalties for intentionally underpaying employees' wages and entitlements.

On the governance front, the cyber-security governance principles have been refreshed, and ASIC has updated its guidance on insolvent trading. The commission is suing Rex and its directors over alleged serious governance failures. And it has announced its 2025 enforcement priorities.

APRA has some important messages on valuations and liquidity risk management – these have broader implications.

AFSL has several items of interest – licensees slow to act on reportable situations, poor oversight of authorised representatives, an example of a licence cancelled for failure to comply, and guidance on funds management.

Audit quality is never out of the news. Two auditors have run afoul of ASIC and NZ's FMA. The authority has also published its annual *Audit Quality Monitoring* report. Lessons to be learnt to maintain and enhance quality.

So, what to do? Understand and act on the relevant developments. Update corporate risk registers and audit plans. Seek expert assistance.

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FINANCIAL REPORTING

ASIC focus areas for 31 December financial reports

ASIC is urging directors, preparers of financial reports and auditors to be aware of the enduring and ongoing focus areas in its surveillance of financial reports for the year ending 31 December (see Appendix *ASIC's 'enduring' focus areas for financial reporting*).

Areas of focus for the upcoming reporting season include: impairment and asset values; provisions; subsequent events; and disclosures in the financial report and operating and financial review.

Commissioner Kate O'Rourke said: 'We have highlighted matters that require the most judgement and use of estimates as these areas have previously shown the highest rates of non-compliance.

'While these areas are emphasised, ASIC expects all reporting entities to ensure the reports are complete, accurate and informative.'

Ms O'Rourke said ASIC would also target, more broadly non-compliance with financial-reporting obligations.

'ASIC is aware that some formerly grandfathered large proprietary companies may not be lodging financial reports, despite being required to do so since years ending 31 December 2022 or 30 June 2023. We will be contacting a number of these entities and, in certain circumstances, may take action […] for failing to comply with their reporting obligations.'

This will also be the first financial year for December year-end reporters to prepare and lodge a consolidated-entity disclosure statement. ASIC will be monitoring them for compliance. The commission will also review reports by registrable superannuation entities with December year-ends.

For some entities, new sustainability and climate-reporting requirements will commence for financial years beginning on or after 1 January.

While the first cohort of reporters will be the very largest entities that report under Chapter 2M of the *Corporations Act 2001*, all entities subject to sustainability-reporting requirements should understand how the new requirements apply to them.

ASIC's surveillance project focusing on auditors' compliance with independence and conflicts-of-interest obligations will continue in early 2025. The commission encourages auditors to self-identify and self-report non-compliance.

A recording is available from **GAAPinar No.12** *Reporting and auditing considerations for 31 December reporters*, with Carmen Ridley and Colin Parker (17 December).

AASB standards operative and those not yet

The following amending accounting standards operated from 31 December:

- AASB 2020-1, AASB 2022-6, AASB 2023-3 *Classification of Liabilities as Current or Non-Current* (Amendments to AASB 101 *Presentation of Financial Statements*)
- AASB 2022-5 *Lease Liability in a Sale and Leaseback* (Amendments to AASB 16 *Leases*)
- AASB 2023-1 *Supplier Finance Arrangements* (Amendments to AASB 7 *Financial Instruments Disclosures* and AASB 107 *Statement of Cash Flows*)
- AASB 2024-1 *Supplier Finance Arrangements: Tier 2 Disclosures* amends AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, and
- AASB 2022-10 *Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (amendments to AASB 13).

The following standards have been issued but are not yet operative:

- AASB 18 *Presentation and Disclosure in Financial Statements.* 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. 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
- AASB 2024-2 *Classification and Measurement of Financial Instruments* (amendments to AASB 7 and AASB 9) and applies to annual periods beginning on or after 1 January 2026
- AASB 2023-5 *Lack of Exchangeability* (AASB 1, AASB 121 & AASB 1060) and applies to annual periods beginning on or after 1 January 2025
- AASB 2024-3 *Annual Improvements Volume 11* (AASB 1, AASB 7, AASB 9, AASB 10 & AASB 107) and applies to annual periods beginning on or after 1 January 2026, and
- AASB 2022-9 *Insurance Contracts in the Public Sector* applies to annual reporting periods beginning on or after 1 July 2026.

A recording is available for **GAAPinar No.2** *AASB 101 to AASB 18 Presentation and Disclosure in Financial Statements – the changes*, with Carmen Ridley (7 November).

December year-enders must do a CEDs

Among annual financial-reporting obligations under chapter 2M of the *Corporations Act*, Australian public companies must include a 'consolidated-entity disclosure statement'. This is first financial year for December year-end reporters to do so.

A CED statement aims to enhance transparency around the tax residency of entities within a consolidated group.

The statement requires the following disclosures for each entity that was, at the end of the financial year, part of the consolidated group:

- The entity's name
- Whether the entity is a body corporate, partnership, or trust
- Whether the entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity
- Where the entity was incorporated or formed (if the entity is a body corporate)
- Where the entity is a body corporate with share capital, the percentage of the entity's issued share capital held directly or indirectly by the public company
- Whether the entity was an Australian resident or a foreign resident within the meaning of the *Income Tax Assessment Act 1997*, and
- If the entity was a foreign resident, a list of each foreign jurisdictions in which the entity was a resident for the purposes of the law of the foreign jurisdiction.

The existing directors' declaration will include a statement about whether, in the directors' opinion, the statement is *true and correct*.

For listed public companies, the chief executive officer and chief financial officer will also declare that the statement is true and correct.

ASIC has released information sheet 284 *Consolidated Entity Disclosure Statement*, which provides guidance for preparers to ensure that CEDs comply with requirements of the *Corporations Act 2001* and is consistent with the legislation's policy intent.

The sheet:

- Provides guidance on current developments, and
- Outlines what public companies need to be aware of when preparing their statements – reporting requirements, tax residence, true and correct, materiality, and audit and assurance.

CEDs are subject to audit. The Auditing and Assurance Standards Board has issued a bulletin *Audit Implications of the Consolidated Entity Disclosure Statement.*

A recording is available for the pop-up GAAPinar *Consolidated Entity Disclosure Statement – It's New and Operative Now*, with Colin Parker and Carmen Ridley (25 July).

Small foreign-controlled company fined $188k for lodgement failures

Optix Australasia Pty Ltd has paid $187,800 to comply with an infringement notice issued by ASIC.

The notice was issued because ASIC had reasonable grounds to believe that Optix, a small proprietary company ultimately controlled by South African listed company KAP Ltd, failed to lodge its financial reports with the commission for the year ended 30 June 2023 within the period specified under the *Corporations Act 2001*.

Optix reported to ASIC the alleged breach for FY23 and earlier years. ASIC understood that historical non-compliance issues were identified after KAP took control of Optix. It affected ASIC's enforcement action.

Specific reasons for the commission's concerns have been set out on the infringement-notices register.

AASB defers amendments to AASB 10 and 128

The Australian Accounting Standards Board has issued AASB 2024-4 to amend AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures,* deferring the mandatory effective date of amendments about the sale or contribution of assets between an investor and its associate or joint venture.

The amendments are to be applied for annual reporting periods beginning on or after 1 January 2028 instead of this January.

New version of AASB 1048 *Interpretation of Standards* issued

A new version of AASB 1048 *Interpretation of Standards* gives legal effect to amended versions of interpretations and updates references in other standards to amended interpretations and conceptual-framework pronouncements.

The new version applies to annual reporting periods ending on or after 31 December 2024.

SUSTAINABILITY REPORTING

ASIC seeks feedback on sustainability reporting

ASIC has released a draft regulatory guide on sustainability reporting.

From 1 January 2025, many large Australian businesses and financial institutions will need to prepare annual statutory sustainability reports containing climate-related financial disclosures.

Regulatory guide 000 *Sustainability reporting* includes guidance on who must prepare a sustainability report, how it will interact with existing legal obligations, and how ASIC will administer sustainability reporting. It includes specific guidance on ASIC's approach to granting relief from the regime and use of its new directions power.

The guide also addresses specific issues on contents of sustainability reports and sustainability-related financial disclosures outside the sustainability report.

ASIC commissioner Kate O'Rourke said: 'Our focus for this regulatory guide is to assist preparers of sustainability reports to comply with their obligations so that users are provided with high-quality, decision-useful, climate-related financial disclosures that comply with the law and the sustainability standards.

'We recognise that there will be a period of transition whilst entities build their capability, as reflected in the phasing in of requirements and modified liability provisions. During this transition period, we will take a proportionate and pragmatic approach to supervision and enforcement.'

ASIC is urging reporters to prepare for the new climate-disclosure regime.

The regulatory guide will be issued in early 2025.

A recording is available for **GAAPinar No.4** *New legislation and AASB standards on climate risk disclosures*, with Carmen Ridley and Colin Parker (14 November). There are also recordings from previous GAAPinars on sustainability in the GAAPinar library.

New guidance on aligning financial and sustainability reporting

The International Federation of Accountants has published guidance on coordinating financial and sustainability reporting.

Building Trust in Sustainability Reporting and Preparing for Assurance is a practical resource to strengthen governance and control to enhance the quality of sustainability information and disclosures.

It outlines steps to align sustainability and financial reporting in terms of quality, timing, and connectivity, and addresses challenges thrown up by sustainability reporting.

By implementing a systematic annual cycle of governance and control activities, companies can improve the quality and maturity of their data and reporting, reducing the likelihood of modified assurance conclusions and audit opinions.

The new guidance can be applied to the adoption of the IFRS *Sustainability Disclosure*

Standards issued by the International Sustainability Standards Board and jurisdictional requirements, including the European Sustainability Reporting Standards. Both sets of standards also emphasise the importance of transparency on governance, risk management, and internal controls to inform an assessment of the quality of a company's sustainability reporting.

International and local sustainability ethics coming

The International Ethics Standards Board for Accountants has approved two sets of standards that will underpin public trust in sustainability reporting and assurance:

- *The International Ethics Standards for Sustainability Assurance* and related revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)*, setting a global benchmark for ethical behaviour and independence in sustainability reporting and assurance, and
- Revisions to the code on *Using the Work of an External Expert*, establishing an ethical framework for evaluating the competence, capabilities and objectivity of external experts used by professional accountants and sustainability-assurance practitioners.

The equivalent Australian standards will be issued in 2025 by the APESB.

Sustainability-related risks and opportunities outlined

The International Financial Reporting Standards Foundation has published the 61-page guide *Sustainability-related risks and opportunities and the disclosure of material information.*

It is designed to help companies identify and disclose material information about sustainability-related risks and opportunities that could reasonably be expected to affect cash flows, access to finance and cost of capital over the short, medium, and long terms.

A key focus of the guide is to help companies understand how the concept of sustainability-related risks and opportunities is described in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, including how these can arise from a company's dependencies and impacts.

The guide highlights how companies applying ISSB standards can benefit when making materiality judgements for financial statements, particularly when applying IFRS accounting standards. It sets out a process that is closely aligned with the four-step process illustrated in the International Accounting Standards Board's *IFRS Practice Statement 2: Making Materiality Judgments.*

The guide also sets out considerations a company might make to drive connectivity between sustainability-related financial disclosures and a company's financial statements.

NZ climate-related insights

The NZ Financial Markets Authority has released *Climate-related Disclosures: Insights from our reviews* that provides key insights from reviewing 70 climate statements.

The report provides useful feedback for climate-reporting entities to improve climate-related disclosures.

It is primarily intended for climate-reporting entities, their directors, and other interested parties, such as assurance practitioners and advisers. While not directly intended for primary users of climate statements, they might also find it useful.

GOVERNANCE

Cyber-security governance principles refreshed

Digital-supply-chain risks, data governance and regulatory and legislative shifts are some of the key updates in a refreshed *Cyber Security Governance Principles.*

Since their release in October 2022, the principles, produced by the Australian Institute of Company Directors and the Cyber Security Cooperative Research Centre, have become the leading source of cyber-security governance guidance for Australian boards.

Given the scale and speed of changes in the cyber-security landscape, the updated principles reflect the evolving cyber-threat landscape and best-practice cyber-resilience strategies. New case studies are included.

AICD managing director Andrew Charlton and CEO Mark Rigotti said the principles had become the leading best-practice guidance for Australian directors when it comes to overseeing and managing cyber risks across organisations, large and small.

'Over recent years, global conflicts and the evolution of cybercrime have seen new threats emerge, and Australian boards are consistently placing cyber at the top of their agendas', they said.

Rachael Falk, CSCRC CEO, said cyber-security was of increasing importance and complexity for Australian organisations.

'Establishing good governance practices for cyber-security, including understanding the strength of existing risk controls, who are our key digital suppliers, and keeping abreast of new and emerging threats and risks is vital for directors', she said.

'These principles will help Australian directors build a strong understanding of what "good" looks like in relation to cyber governance and help keep Australian organisations and the community safer in our digital world.'

ASIC updates guidance on insolvent trading

ASIC has updated its regulatory guide for directors and their professional advisers on the duty to prevent insolvent trading and new guidance on safe-harbour provisions.

Updates to regulatory guide 217 *Duty to prevent insolvency trading: Guide for directors* follow industry consultation.

RG 217 provides guidance on understanding and complying with the duty to prevent insolvent trading.

Several developments have influenced the need for updates to RG 217, including the 2017 introduction of 'safe harbour' provisions under the *Corporations Act 2001* and recommendations from Treasury's *Review of the Insolvent Trading Safe Harbour* in 2021.

COMPLIANCE

Wages underpayment can earn jail time

From 1 January, intentionally underpaying an employee's wages and entitlements can be a criminal offence.

The Fair Work Ombudsman can investigate suspected criminal underpayment and refer suitable matters for prosecution. If a person is convicted of a criminal offence, a court can impose fines, prison time, and both.

There are protections for businesses to avoid criminal prosecution. They include the Voluntary Small Business Wage Compliance Code and cooperation agreements.

Other workplace changes starting from 1 January include:

- A significant increase to the maximum penalty for underpayment contraventions for a non-small business employer
- New definitions and minimum pay rates for entry-level classifications in some awards, and
- Changes to classifications and minimum pay rates for some employees in the aged-care sector.

Recent changes to workplace laws have included changes to casual employment, a new right to disconnect, independent contractor changes, and new regulated worker rules.

AML/CTF

AML/CTF amendments come into effect

The *Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Amendment Act 2024* has received royal assent. The act amends its 2006 counterpart to ensure that Australia's AML/CTF regime can effectively deter, detect, and disrupt money-laundering and terrorism-financing.

The reforms (known as 'Tranche 2') represent a significant step forward in protecting the community from financial crime. The changes better address the evolving threats posed by money-laundering, terrorism-financing, financing the proliferation of weapons of mass destruction, and other serious and organised crime.

Both current and future reporting entities will need to prepare for new or changed obligations under the new AML/CTF laws.

From 1 July 2026, anti-money laundering and counter-terrorism financing law will be extended to certain services typically provided by accountants, real-estate agents and property developers, dealers in precious stones, metals, and products, lawyers, conveyancers, and trust and company-service providers.

Additional virtual asset-related services will also come under AML/CTF law from 31 March 2026.

REGULATORS & LEGISLATORS

ASIC's enforcement priorities

ASIC has announced its enforcement priorities for 2025, reflecting increased risks for consumers.

ASIC deputy chair Sarah Court said: 'Our 2025 enforcement priorities reflect the increased risks consumers are facing that are being driven by cost-of-living pressures. These priorities are about protecting Australians from financial harm and targeting the people who try to take advantage of them.

'We will focus on business models that are designed to avoid consumer-credit protections, and we will take action against those engaging in unlawful debt management and collection. We will also target conduct that exploits superannuation savings, with a particular focus on unscrupulous property-investment schemes.

'ASIC will continue to fiercely uphold the integrity of Australia's financial markets, and, to support this, we have established a new dedicated team to target insider trading.'

ASIC's enforcement priorities will focus on:

- Misconduct exploiting superannuation savings
- Unscrupulous property-investment schemes
- Failures by insurers to deal fairly and in good faith with customers
- Strengthening investigation and prosecution of insider trading
- Business models designed to avoid consumer credit protections
- Misconduct impacting small businesses and their creditors
- Debt management and collection misconduct
- Licensee failures to have adequate cyber-security protections
- Greenwashing and misleading conduct involving ESG claims
- Member-services failures in the superannuation sector
- Auditor misconduct, and
- Used-car finance sold to vulnerable consumers.

The commission has boosted investigations by 25 per cent and new civil proceedings by 23 per cent. It has had important enforcement outcomes across areas from greenwashing to crypto, predatory lending, high-cost credit, and insider trading.

ASIC's enduring priorities target:

- Misconduct damaging market integrity, including insider trading, continuous-disclosure breaches, and market manipulation
- Misconduct impacting First Nations people
- Misconduct involving a high risk of significant consumer harm
- Conduct targeting financially-vulnerable consumers
- Systemic compliance failures by large financial institutions
- New or emerging conduct risks within the financial system, and
- Governance and directors' duties failures.

APRA findings on valuations and liquidity risk management

The Australian Prudential Regulation Authority has released findings from a review into superannuation trustees' progress in implementing enhanced valuation-governance and liquidity-risk management requirements.

The findings will help trustees to align their practices with Prudential Standard *SPS 530 Investment Governance*, including in relation to using independent external asset valuations and the effective management of potential conflicts of interest in valuations.

As the proportion of unlisted assets continues to rise, addressing risks related to valuation governance and liquidity-risk management is a critical issue for the industry and a priority for APRA.

The review found that while trustee capability and approach have generally improved since APRA's 2021 review, a significant proportion of trustees still displayed material gaps in key areas. The findings indicated that 12 of the 23 registrable superannuation entity licensees require material improvements in either or both their valuation governance or liquidity-risk management to meet SPS 530's requirements.

In unlisted-asset valuation governance, particular weaknesses were observed in board oversight and conflict-of-interest management, revaluation frequency and triggers, valuation control, and fair-value reporting. In liquidity-risk management, particular weaknesses were observed in liquidity-stress triggers, unlisted asset liquidity risks, and liquidity action plans.

APRA deputy chair Margaret Cole said: 'These latest […] findings are concerning and indicative of the fact that many trustees have more work to do to lift their valuation and liquidity-risk management practices. APRA expects trustees to review these findings carefully and formulate appropriate remediation plans where needed.

'APRA will not hesitate to take further action where necessary to enforce the provisions of SPS 530 and related regulations, including the responsibilities of relevant accountable persons under the upcoming Financial Accountability Regime.'

More protection of Australians' privacy

The Office of the Australian Information Commissioner has welcomed the passing of the *Privacy and Other Legislation Amendment Bill 2024* as a significant step forward in advancing Australians' privacy protections.

The bill included significant measures, notably:

- The introduction of a statutory tort for serious invasions of privacy, giving individuals a route to seek redress for privacy harms in courts
- The expansion of the OAIC's enforcement and investigation powers, including new tiers of civil penalties and the ability to issue infringement notices
- A new mechanism to prescribe a 'whitelist' of countries and binding schemes with adequate privacy protections to facilitate cross-border data transfers, and
- A requirement that privacy policies contain information about substantially automated decisions that significantly affect individuals' rights and interests, including the kinds of decisions and personal information used.

'These new powers and functions come at a critical time, as privacy harms increase and the Australian community demands more power over their personal information', privacy commissioner Carly Kind said.

First *Cyber Security Act* passed

Passing of the federal government's cyber-security legislation marks a substantial step towards strengthening Australia's cyber defences and resilience.

New laws ensure that Australians can trust their digital products, help break ransomware business models, support Australian organisations through cyber-security incidents, and ensure that national cyber practices, policies, and procedures are improving.

The new laws include:

- Requirements that certain businesses report ransom payments, and
- The establishment of a Cyber Incident Review Board (CIRB) to conduct no-fault, post-incident reviews of significant cyber security incidents and make recommendations to aid in the prevention, detection, response, and minimisation of future cyber incidents.

The package also progresses reforms under the *Security of Critical Infrastructure Act 2018*.

ASX

ASIC sues Rex and its directors for serious governance failures

ASIC has begun legal proceedings in the Supreme Court of NSW, alleging that Regional Express Holdings Ltd (administrators appointed) engaged in misleading and deceptive conduct and contravened continuous-disclosure obligations.

ASIC will also allege that former executive chair Lim Kim Hai was involved in Rex's continuous-disclosure breach and that Mr Lim and former National-party politician John Sharp, Lincoln Pan, and Siddharth Khotkar, contravened their directors' duties.

ASIC will allege that Rex released a misleading ASX announcement on 28 February 2023 stating that Rex was 'optimistic the Group will have positive operating profits for the full FY23 barring any further external shocks'.

ASIC will allege that Rex did not have a reasonable basis for that claim for several reasons, including because it had incurred operating losses in the financial year and had not prepared a financial forecast for FY23 before issuing the announcement.

ASIC will contend that Rex breached its continuous-disclosure obligations by failing to disclose a material downgrade despite being aware when it issued the February ASX announcement that the company was unlikely to achieve an operating profit. Rex subsequently announced a downgrade on 20 June 2023, forecasting a $35 million operating loss for FY23.

ASIC chair Joe Longo said: 'Our case will allege serious governance failures at Rex. Rex's directors had a responsibility to take reasonable steps to ensure the company complied with the law and we will seek to hold them to account.

'We will allege four of Rex's directors breached their duties because they failed to take steps to ensure the market had accurate information about the company's financial performance.'

ASIC will allege that Mr Lim contravened his directors' duties between 28 February and 20 June 2023 by drafting and approving the 28 February announcement and failing to take steps to prevent Rex from breaching continuous-disclosure rules.

ASIC will also allege that the other three directors became privy to financial information from 14 April 2023 that should have led them to take steps to ensure that Rex updated the market on its situation before 20 June.

ASIC seeks leave to begin proceedings against Rex, even though it is in administration. While the commission will seek a declaration of contravention, it will not seek pecuniary penalties.

ASIC will seek declarations, pecuniary penalties, and disqualification orders against the four directors.

ASX deadlines are near

Listed entities are reminded of upcoming deadlines for periodic reports:

- Preliminary final reports (December year-end) – Friday 28 February
- Statutory half-year financial reports (except mining and oil-and-gas exploration entities) (June year-end) – Friday 28 February
- Statutory half-year financial reports for mining and oil-and-gas exploration entities (June year-end) – Friday 14 March
- Statutory audited annual accounts (December year-end) – Monday 31 March
- Annual reports (December year-end) – Wednesday 30 April for listed companies and Monday 31 March for listed registered schemes
- December quarterly reports for mining exploration, oil-and-gas exploration and commitments test entities – Friday 31 January, and
- An investment entity must notify net tangible assets of quoted securities within 14 days of the end of each month.

Listed entities are also reminded that a failure to lodge relevant documents on time (that is, by close of the Market Announcements Office on the due date) will result in an automatic suspension of the entity's securities under Listing Rule 17.5.

AFSL

Licensees slow to tell ASIC about reportable situations

Licensees in financial services and credit regulations are slow to tell ASIC about reportable situations, the commission has found.

The commission has reviewed the compliance of 14 licensees of different sectors and sizes who had low or no reportable situations. Findings have been released in *Reportable situations: Findings of ASIC's review and how licensees can improve compliance with the regime.*

As part of the review, ASIC has published insights, key questions, and a set of best-practice examples for licensees to reflect on and meet their obligations.

ASIC found that licensees needed to improve identification incidents and breaches and in their broader incident management and compliance and oversight arrangements.

'We have set out a range of prompts alongside our findings to help not just the review sample, but all licensees to strengthen their practices in critical areas', commissioner Kate O'Rourke said.

'We call on licensees to assess their own arrangements against the findings and prioritise where improvements may be required.'

The review revealed several poor practices:

- Licensees were generally slow to report to ASIC. The key driver of these delays was that they took a long time to identify breaches in the first place
- When ASIC reviewed why this was happening, it found that there were deficiencies in licensees' incident management, particularly how they identified, escalated, and recorded incidents
- Most licensees had gaps in how they monitored their own compliance with the regime, and
- Poor practices affected consumers. The failures to identify promptly breaches meant that licensees were very slow to rectify them and remediate customers.

ASIC is seeking compliance outcomes to address these deficiencies. The commission would take enforcement action where appropriate.

The reportable situations regime is a key component of the financial services and credit regulatory frameworks. ASIC expects all licensees, regardless of size, to have robust systems and processes in place to ensure timely detection and reporting of non-compliance.

A recording is available for **GAAPinar No. 8** *An introduction to Australian Financial Services Licence regulatory requirements and audit guidance – Part 1*, with Colin Parker (5 December).

Sanlam admits to inadequate oversight of authorised representatives

The Australian arm of South African financial-services conglomerate Sanlam Group will need to have its compliance reviewed by an independent expert after an ASIC investigation.

It has admitted to breaching its licensee obligations and has agreed to a court-enforceable undertaking.

ASIC's investigation into Sanlam Private Wealth Pty Ltd uncovered concerns that the licensee had breached general obligations, including a failure to supervise adequately its many authorised and corporate representatives. Several CARs were fintechs that offered online trading platforms and crypto-based investment products that posed risks to retail clients.

ASIC deputy chair Sarah Court said: 'At one point, Sanlam had 42 CARs and 71 authorised representatives operating under its licence. Despite this, it had plainly inadequate resources and processes to ensure its diverse cohort of authorised entities complied with the law and to oversee those who used its licence to offer risky financial products to retail clients.

'Licensees like Sanlam must have robust compliance processes that are fit-for-purpose to ensure that those who operate under their licence comply with the law and don't place Australian investors at risk.'

Licence cancelled for failure to comply

ASIC has cancelled the Australian financial-services licence of Patrick Joseph due to his failure to comply with licence obligations. Mr O'Neill has not complied with the obligations to be a member of an external dispute resolution scheme, to lodge annual financial statements with ASIC for the financial years ending 30 June 2018 to 2023, and to pay outstanding industry funding levies to ASIC.

ASIC granted Australian financial services licence number 500004 to Mr O'Neill on 25 October 2017.

ASIC reissues guidance on funds management

ASIC has reissued regulatory guide 133 *Funds management and custodial services: Holding assets*, the latest guidance for financial-services licensees on asset-holding.

Licensees include responsible entities of registered managed-investment schemes and licensed providers of custodial services.

The latest RG 133 replaces guidance issued in June 2022. It revises updated references to relevant legislative instruments, including those that impose financial requirements, and good practices for crypto-assets holders (such as custodians of crypto-assets that are financial products), including maintaining robust information-security controls and risk management.

ETHICS

APESB issues a new code

The Accounting Professional & Ethical Standards Board Limited has issued a new APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* and updated guidance to assist auditors, audit firms, professional accountants, and other stakeholders with on implementing the code's prohibitions.

It incorporates the following amending standards:

- Amendments to Part 4B *Independence For Assurance Engagements Other Than Audit And Review Engagements* (effective 1 July 2021)
- Amendments to *Promote the Role and Mindset Expected of Professional Accountants* (effective 1 January 2022)
- Amendments *Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers* (effective 1 January 2023)
- Amendments to the *Fee-related provisions* (effective 1 January 2023)
- *Quality Management-related Conforming Amendments* (effective 1 January 2023)
- Amendments to the *Non-Assurance Services provisions* (effective 1 July 2023)
- Revisions to *Relating to the Definition of Engagement Team and Group Audits* (effective 1 January 2024)
- Revisions to *Relating to the Definitions of Listed Entity and Public Interest Entity* (effective 1 January 2025), and
- Technology-related revisions (effective 1 January 2025).

The board has also updated guidance on prohibitions applicable to auditors when performing audit and review engagements that will maintain their independence.

AUDIT

Auditors' responsibilities statements updated

The Auditing and Assurance Standards Board has updated on its website auditors' responsibilities statements to reflect changes arising from ASA 600 *Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)* that are effective for financial years ending 31 December.

An auditor's report should refer to the specific webpage that applies to the auditor's responsibilities applicable in the context of the engagement. When referring to the responsibilities statements the auditor needs to include the correct webpage link based on the type of engagement listed in the table on the AUASB website.

The existing auditor's responsibilities statements will remain on the AUASB website as auditor's reports issued before 31 December contain webpage links to them. Newly updated auditor's responsibilities statements will have new webpage links.

AUASB revises *Performance Engagements*

The AUASB has revised ASAE 3500 *Performance Engagements* to address key findings from a post-implementation review.

The revisions include:

- Expanding the scope of the standard to include requirements and application material for limited assurance engagements
- Revising the reporting requirements to be clearer and providing additional application material to promote consistency, and
- Using the term 'significance' instead of 'materiality' in the context of performance engagements, updating relevant requirements, and tailoring application material to assist with the concept's application.

ASAE 3500 deals with direct engagements in which an assurance practitioner evaluates a responsible party's performance against identified criteria. The standard is used primarily by state, territory and federal auditors-general for conducting performance engagements in the public sector. It may also be used in the private sector.

ASAE 3500 is operative for assurance engagements commencing on or after 1 April.

Auditor banned until 2026 over group-audit shortcomings

A NSW-registered company auditor will not be able to audit companies until June 2026 after the Companies Auditors Disciplinary Board found that he had failed to conduct or perform adequately and properly the duties of an auditor in conducting the group audits of Greensill Capital Pty Ltd and its subsidiaries.

ASIC deputy chair Sarah Court said: 'Auditors are a critical part of the governance framework and are in a unique position to identify and limit misconduct. The failure of auditors to meet the standards required of them can have serious consequences for investors and erode confidence in the integrity of Australia's capital markets.

'Auditor misconduct was recently announced as a 2025 enforcement priority for ASIC and we will continue to act against auditors who fall short in meeting the standards required.'

The auditor was also ordered to provide various undertakings to ASIC, and to pay ASIC's costs of $375,000.

A recording is available from **GAAPinar No.6** *Understanding the revised ASA 600 Audits of a Group Financial Report (Including the Work of Component Auditors) – Part 2*, with Colin Parker and Chanelle Pienaar (21 November). A recording of Part1 can be found in the GAAPinar library at www.gaaptraining.com.au.

FMA cancelled NZ licence of Sydney-based auditor

The Financial Markets Authority has cancelled for three years the New Zealand licence of a Sydney-based auditor to conduct FMC audits in New Zealand.

The decision stems from the audit of former FMC reporting entity Alliant Perpetual's financial statements for the year ended 31 January 2022.

Following a review of Alliant Perpetual's financial statements and auditor's report for the year ended 31 January 2022, the FMA opened an investigation into the audit and found that that the auditor did not:

- Obtain sufficient evidence to support the existence and valuation of Alliant Perpetual's investments
- Perform a thorough evaluation of management's assessment of Alliant Perpetual as a going concern
- Perform the audit with professional scepticism, particularly when assessing the valuation of the investments
- Take responsibility for the overall quality of the audit by completing the audit before an engagement-quality control reviewer had performed an objective evaluation of significant judgements of the engagement team
- Obtain external confirmation when assessing Alliant Perpetual's cash at bank, and
- Obtain reasonable assurance that Alliant Perpetual's financial statements were free from material misstatements.

The FMA found that that the auditor also did not comply with the conditions of his licence by failing to notify the FMA that he had accepted other audit engagements which he had not previously undertaken. He also failed to provide the FMA with details of a separate ASIC review of his work.

FMA head of auditing Jacco Moison, said: '(The auditor's) conduct fell materially short of the reasonable care, diligence, and skill expected and included serious breaches of auditing and assurance standards.

'The breaches are serious because they were systemic. Although the investigation focused on the 2022 audit of Alliant Perpetual, the broader circumstances illustrate a poor compliance history on the auditor's part. Poor auditing practices, especially in respect of FMC reporting entities, can cause real investor harm and erode the public's confidence in capital markets.'

A registered building society, Alliant Perpetual was struck off the register in September 2023.

FMA publishes *Audit Quality Monitoring Report*

The FMA has published *Audit Quality Monitoring Report 2024* that summarises its findings from quality reviews done between 1 July 2023 and 30 June 2024.

As well as providing a snapshot of the performance of registered audit firms during the review period, the report provides information for directors and auditors to assist with achieving and maintaining audit quality.

A recording is available for **GAAPinar No.3** *Further audit-quality lessons for the audit team*, with Colin Parker and Jessica-Anne Saayman (14 November).

INSIDE GAAP CONSULTING

GAAPinar series 2 recordings available

Recordings are available of *GAAP Training's* November-December *GAAPinars*. They cover the very latest in auditing, financial, and sustainability reporting, SMSF, and business risks. Ethical issues are discussed in several sessions.

Let's summarise the sessions and who should participate (table on right).

The 14-session first series of *GAAPinars* for 2025 starts on Thursday 3 April.

Topics	Audit team members	Other public practitioners and their team members	Accountants in commerce, industry and NFPs
Auditing			
Further audit-quality lessons for the audit team	●		
Understanding the revised ASA 600 *Audits of a Group Financial Report (Including the Work of Component Auditors)* – Part 2	●		
An introduction to Australian Financial Services Licence regulatory requirements and audit guidance – Part 1	●		
Revisiting the fraud risk – governance and audit perspectives	●		
Financial and sustainability			
AASB 101 to AASB 18 *General Presentation and Disclosure* – the changes	●	●	●
Refreshing our understanding of share-based payments and employee benefits	●	●	●
Getting back to the basics of financial instruments – Part 1	●	●	●

Continued on next page

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?

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Use the *GAAPinars* as a 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.

Topics	Audit team members	Other public practitioners and their team members	Accountants in commerce, industry and NFPs
Self-managed superannuation funds			
Contemporary SMSF compliance and audit issues	●	●	
Business risks			
What's new with accounting, auditing, ethical standards, and the regulators?	●	●	●
New legislation and AASB standards on climate-change reporting	●	●	●
Latest NFP and ACNC developments and insights	●	●	●
Reporting and auditing considerations for 31 December reporters	●	●	●

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, preparation of accounting policy position papers 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), engagement quality review and root-cause analysis 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)

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 an innovative 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).

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.

Colin Parker
GAAP Consulting

Contact Us

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

Colin Parker
Principal, *GAAP Consulting*
Head of the GAAP Consulting Network
Email colin@gaap.com.au
Mobile 0421 088 611
Website www.gaap.com.au

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APPENDICES

Appendix: ASIC's 'enduring' focus areas for financial reporting

Area	Consideration
Impairment of non-financial assets	Goodwill, indefinite useful life intangible assets and intangible assets not yet available for use must be tested for impairment annually. Entities adversely impacted in the current environment may have new or continuing indicators of impairment that require testing for other non-financial assets. The appropriateness of key assumptions supporting the recoverable amount of non-financial assets. The valuation method used for impairment testing should be appropriate, use reasonable and supportable assumptions, and be cross-checked for reliability using other relevant methods. An entity's market capitalisation will generally not represent an appropriate fair-value estimate for its underlying business but may be useful as an impairment indicator or in a valuation cross-check. Share prices may reflect transactions of relatively small proportionate interests as part of an investor's strategy for a share portfolio. Businesses may be sold in illiquid markets with few potential participants. A business acquirer may seek synergistic benefits or make significant changes to a business. Values from applying the ratio of market capitalisation to revenue for other entities to the entity's own revenue will generally be more appropriately used in valuation cross-checks. Information may be dated and the limitations in using an entity's own market capitalisation may apply. Other entities must have closely comparable businesses, products, markets, cost structures, funding, and so on. Disclosure of estimation uncertainties, changing key assumptions, and sensitivity analysis or information on probability-weighted scenarios.
Values of property assets	Factors that could adversely affect commercial and retail property values should be considered, such as changes in office space requirements of tenants, on-line shopping trends, future economic or industry impacts on tenants, and the financial condition of tenants. The lease-accounting requirements and the impairment of lessee right-of-use assets.
Expected credit losses on loans and receivables	Whether key assumptions used in determining expected credit losses are reasonable and supportable. Any need for more reliable and up-to-date information about the circumstances of borrowers and debtors. Short-term liquidity issues, financial condition and earning capacity of borrowers and debtors. Ensuring the accuracy of ageing of receivables. Using forward-looking assumptions and not assuming recent debts will all be collectible. The extent to which history of credit losses remains relevant in assessing ECLs. Whether possible future losses have been adequately factored in, using probability-weighted scenarios, as necessary. Disclosure of estimation uncertainties and key assumptions. ECLs should be a focus for companies in the financial sector. Financial institutions should have regard to the impact of current economic and market conditions and uncertainties on ECLs. This includes assessing whether there are significant increases in credit risk for particular groups of lenders, the adequacy of data, modelling, controls, and governance in determining ECLs, and disclosing uncertainties and assumptions.
Financial-asset classification	Financial assets are appropriately measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. Criteria for using amortised cost include whether both: • Assets are held in a business model whose objective is to hold the assets to collect contractual cash flows, and • Contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding.
Value of other assets	The net realisable value of inventories, including whether all estimated costs of completion and necessary to make the sale have been considered in determining net realisable value. Whether it is probable that deferred tax assets will be realised. The value of investments in unlisted entities.
Provisions	The need for and adequacy of provisions for matters such as onerous contracts, leased property make-good, mine-site restoration, financial guarantees given and restructuring.
Subsequent events	Events should be reviewed as to whether they affect assets, liabilities, income or expenses at year-end or relate to new conditions requiring disclosure.

Area	Consideration
Disclosure – general considerations	Directors and preparers should put themselves in the shoes of investors and consider what information investors would want to know. Disclosures should be specific to the circumstances of the entity and its businesses, assets, financial position, and performance. Changes from the previous period should be considered and disclosed.
Disclosures in the financial report	Uncertainties may lead to a wider range of valid judgements on asset values and estimates. The financial report should disclose uncertainties, changing key assumptions and sensitivities. This will assist investors in understanding the approach taken, understanding potential future impacts and making comparisons among entities. Entities should also explain where uncertainties have changed since the previous full-year and half-year financial reports. The appropriate classification of assets and liabilities between current and non-current categories on the statement of financial position should be considered. That may have regard to matters such as maturity dates, payment terms, and compliance with debt covenants.
OFR disclosures	These should complement the financial report and tell the story of how the entity's businesses, results, and prospects are affected by economic and market conditions, and changing circumstances. The overall picture should be clear, understandable, and be supported by information that will enable investors to understand the significant factors affecting the entity, its businesses, and the value of its assets. The OFR should explain the underlying drivers of the results and financial position, as well as risks, management strategies, and prospects. All significant factors should be included and given appropriate prominence. The most significant business risks at whole-of-entity level that could affect the achievement of the disclosed financial performance or outcomes should be provided, including a discussion of environmental, social, and governance risks. The risks will vary depending upon the nature and businesses of the entity and its strategies. An exhaustive list of generic risks that might potentially affect a large number of entities would not be helpful. Risks should be described in context – for example, why the risk is important or significant and its potential impact and, where relevant, mitigation factors within the control of management. Climate-change risk could have a material impact on the prospects of entities and needs to be disclosed. Cyber-security risks could have a material impact for many entities and require disclosure.
Non-IFRS financial information	Any non-IFRS profit measures (i.e. measures not in accordance with all relevant accounting standards) in the OFR or market announcements should not be presented in a potentially misleading manner (see regulatory guide 230 *Disclosing non-IFRS financial information*).
Disclosure in half-year reports	Disclosure will also be important for half-year financial reports and directors' reports. Half-year reports should disclose information on significant developments and changes in circumstances since the last full-year report.