



COLIN'S

CORNER

## EOFY issues

Given the EOFY, much is happening on the financial-reporting front and elsewhere. Let me share some important tips and changes.

We have ASIC's enduring focus areas (see appendix), revenue being a new addition but no details. ASIC has tips on improving reporting, including the importance of accounting-policy position papers – take note. And then there is a reminder on lodgement.

While not mentioned by ASIC, the introduction of increased US tariffs will inevitably strain many businesses. Don't forget to examine potential impacts, both direct and indirect, on financial statements and how these may affect the auditor's approach.

Current and non-current classification can be tricky. Carmen Ridley, former AASB member, explains what is involved.

The sustainability-reporting and assurance crunch nears. There is new guidance on transition planning, greenhouse standards, and Scope 3 emissions.

As a by-product of regulatory guide 280 *Sustainability Reporting* we gain further insights into whether a Ch 2M entity has satisfied the corporate-size threshold.

The regulators have been busy.

APRA reinforced its expectations about super authentication controls and set expectations for super licensees.

ACCC has been very active. Captain Cook College was fined \$20 million for engaging in systematic unconscionable conduct. The parent company was fined \$10 million. The chief operating officer was fined \$400,000 and disqualified for managing corporations for three years.

ACCC is suing a gas 'greenwasher' for false and misleading representations in its *Love Gas* TV and digital-advertising campaigns.

ASIC continues to be tough on AFSL – seeking the appointment of receivers, fines for misleading statements about funds' investments, a licence cancelled and manager banned, and banning an adviser for 10 years. Much closer attention needs to be paid to compliance by licence holders and auditors.

Ethics changes can fly under the radar. There is a compiled code to check out.

ASIC has identified audit independence and conflict-of-interest issues, the findings to be released later. In the meantime, check your compliance.

ASIC has made suggestions to improve audit quality in its report 799 *ASIC's oversight of financial reporting and audit 2023-2024*. Please note its 'suggestions'. And the commission is to review more audit files.

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INSIDE GAAP  
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Auditors have run afoul of ASIC – CABD cancels an auditor's registration, a Perth auditor admits failures and surrenders registration, an EQCR has licence conditions imposed, and the Federal Court upholds an

auditor's cancellation. Risks to be managed and many lessons to be learnt.

On the horizon, a revised going-concern standard and changes to using the work of experts.

My colleagues and I have triaged the issues for you. Action those that are relevant. Let us know if we can assist.



## FINANCIAL REPORTING

### ASIC financial-reporting focus areas

The Australian Securities & investments Commission has published its audit and financial-reporting focus areas for FY 2025-26 and highlighted the progress of its surveillance programs.

ASIC reviews financial reports and audit engagements of regulated entities, including publicly-listed companies, other economically significant public interest entities, for example, large proprietary companies, grandfathered entities, and registered superannuation funds. No specific mention is made of Australian Financial Services Licensees.

'These surveillance programs aim to enhance the integrity and quality of financial reporting and auditing in Australia', said ASIC commissioner Kate O'Rourke.

'We expect all entities to provide reports and audits that are accurate, complete and informative.'

ASIC's focus areas remain unchanged (see Appendix: *ASIC's 'enduring' focus areas for financial reporting*) with one exception; revenue recognition has been added but no detail as yet. The commission will continue to focus on areas where significant judgement from preparers of financial reports is required. These include revenue recognition, asset valuation, and estimation of provisions.

ASIC cautions that 'financial-report preparers should take extra care when making such judgements, especially considering recent capital market volatility'.

In 2022, the financial-report lodgement exemption for grandfathered entities was lifted. ASIC now monitors compliance of these financial reports with the legislative requirements and applicable accounting standards.

Some companies have failed to lodge reports since the exemption was removed. ASIC will follow up non-lodgements with companies and, if necessary, take appropriate regulatory action.

'Many of these previously grandfathered entities are large companies and should be lodging financial reports. If the auditor is aware that a company is not complying with its lodgement obligations, [it] should inform ASIC through the appropriate channels', Ms O'Rourke said.

Registrable superannuation entities were required to lodge audited financial reports with ASIC for the first time in 2024. The commission is finalising its review of around half of all lodged RSE financial reports and five RSE audit files.

In 2025-26, ASIC will review the other half of the RSE financial reports as well as a selection of RSE audit files. The focus areas for RSE financial reports include the measurement and disclosure of investment portfolios, and disclosure of marketing and advertising expenses.

Sustainability reporting in accordance with AASB S2 *Climate-related disclosures* will be mandatory for Group 1 entities with financial years commencing on or after 1 January that:

- Are required to prepare an annual financial report under Chapter 2M of the Corporations Act
- Meet certain sustainability reporting thresholds, and
- Have not obtained sustainability-reporting relief from ASIC.

The commission said that 'impacted entities should begin work as soon as possible if they have not already implemented plans and procedures to meet the mandatory reporting requirements'.

ASIC will review 31 December sustainability reports as part of its 2025-26 program and share its observations with the market.

The commission stated that it will take a proportionate and pragmatic approach to supervision and enforcement as sustainability requirements are phased in. Preparers of sustainability disclosures should refer to regulatory guide 280 *Sustainability reporting* for more information.

ASIC has updated information sheet 284 *Public companies to include a consolidated entity*

*disclosure statement in their annual financial report.* The update reflects recent legislative amendments that clarify the tax-residency-disclosure requirements where entities are resident in more than one jurisdiction as well as when an entity is an 'Australian resident' for the purposes of the consolidated-entity disclosure statement, including partnerships and trusts.

The update is relevant to public companies and applies to annual financial reports for financial years commencing on or after 1 July 2024.

In our last **GAAPinar** on 12 June, Carmen Ridley and Colin Parker shared their insights *Getting into the zone for 30 June reporters*.

### Current and non-current liabilities – what do we need to consider?

by Carmen Ridley, lead financial reporting and ethics presenter for GAAP Training

The strength of a balance sheet and whether current assets exceed current liabilities is used as an indicator of an entity's financial position.

Changes to AASB 101 *Presentation of Financial Statements*, which are effective for 30 June reporters for the first time from 2025, could cause the presentation of some liabilities to change and also provide users with more information about in-place covenants.

A current liability is one where the entity does not have the right to defer settlement for at least 12 months at the reporting date.

Let's look at the considerations for 30 June and beyond.

Do you or your client have any financing arrangements? If so, have you documented expiry date of the facility, conditions for any rollovers, covenants attached to the financing arrangements, and details of and dates of testing of covenants, and consequences of covenant breaches.

Where the covenants are tested on or before year-end, have they been met? If yes, then classify the liability using the traditional current and non-current rules. If no, then generally the liability is classified as current.

Where the covenants are tested after year-end, compliance with these covenants do not affect the presentation of the liability at year-end, however AASB 101 now includes the nature and description of these covenants and whether facts and circumstances might indicate that the entity will have difficulty complying with them.

When a covenant is breached at the reporting date, generally an entity does not have a right to defer settlement of the associated liability for at least 12 months, which means the liability must be presented as current.

If before year-end, the entity has received a waiver or period of grace from the financial institution, then this may not be the case.

A waiver effectively ignores the breach and therefore the liability can be presented in accordance with the usual requirements in AASB 101.

A period of grace provides time for an entity to try to solve the breach, to avoid presentation of the liability as current, and the period of grace needs to be at least 12 months after the reporting date.

Unless the waiver or period of grace is received before year-end, it will not affect the presentation of the liability, however disclosure of the receipt of the waiver and period of grace post year-end would be included as a non-adjusting event.

The disclosures requirements relating to covenants tested after the reporting period in AASB 101 are new and will require careful consideration.

Entities will need to ensure that the level of disclosure around the nature of covenants provides the relevant information to users without providing commercially-sensitive information.

Identification of facts and circumstances that may indicate that an entity will breach a future covenant can be challenging, however entities will need to consider current management accounts, budgets and forecasts and any expected cyclical results. AASB 101 also notes that if the covenants would not be met at year-end (even though it does not need to be) then this should be disclosed in year-end financial statements.

Audit planning and risk responses should be updated to reflect these financial reporting changes.

## New standards for 30-June reporters

New standards for 30-June reporters are:

- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements (AASB 2024-1 is Tier 2 version)*, and
- AASB 2022-10 *Amendments to Australian Accounting – Fair Value Measurement of Non-Financial Assets of Not-For-Profit Public Sector Entities*.

CA ANZ has updated its guide *Financial reporting and auditing in uncertain times*, which stresses key focus areas.

## ASIC's tips to improve reporting

Report 799 *ASIC's oversight of financial reporting and audit 2023-2024* summarised findings from 1 July 2023 to 30 June 2024. It highlighted areas where the quality of financial reporting and audits could be improved.

'Audit committees, directors, and preparers of financial reports have a critical [...] role in supporting quality financial reporting and audits and it is in their interest to support the audit process.'

Key building blocks to supporting high-quality outcomes include:

- High-quality and timely financial information supported by robust position papers with appropriate analysis and conclusions referencing relevant accounting standards
- Adequate resources, skills, and expertise being applied in the reporting process. Comprehensive contemporaneous position papers should support conclusions reached, particularly in areas that have significant estimation uncertainty and judgement (for example, asset values, revenue recognition and provisions)
- Clear, effective communication with the auditor addressing risks affecting the information in the financial report, and
- Robust auditor selection with accountable procedures, appropriate audit fees, and clear communication channels between the auditor and the audit committee.

## ASIC sues companies over non-lodgements

ASIC has taken action in the NSW Supreme Court against Liberty Primary Metals Australia, Tahmoor Coal, and Liberty Bell Bay (part of the GFG Alliance Group) for their failure to lodge annual financial reports.

GFG Alliance is a global group of businesses focused on industries that include steel, aluminium, and energy. GFG has had significant operations in Australia, including the Whyalla Steelworks in South Australia run by OneSteel Manufacturing Pty Ltd (which is currently in external administration), InfraBuild Australia Pty Ltd, Tahmoor Coal in New South Wales, and Liberty Bell Bay in Tasmania.

Large proprietary companies with a financial year ending 30 June are required to lodge their annual reports with ASIC by 31 October each year.

Liberty Primary Metals Australia and Tahmoor Coal have failed to lodge annual reports for the 2024 financial year. Liberty Bell Bay failed to lodge financial reports for years ending in 2021, 2022, 2023, and 2024.

The commission stated, 'it is important that these reports are lodged in a timely manner to assist creditors and other users of the annual reports in making informed decisions when dealing with large companies.'

ASIC is seeking orders over non-lodgement, costs, and other orders the court might decide.

## Statement on 'management commentary' revised

The International Accounting Standards Board has issued a revised IFRS practice statement 1 *Management Commentary*. It is effective for annual reporting periods beginning on or after 23 June, earlier application permitted. An earlier practice statement on the matter was issued 15 years ago.

The revised statement sets out requirements for management commentary and explains how they may be met. It is divided into:

- Part A sets out general requirements and guidance that apply to management commentary as a whole, and
- Part B sets out requirements and guidance in six specified areas of content to be included in management commentary.

The IASB intends that the revised statement will serve as a global benchmark for regulators in updating and developing their national requirements and guidance. It should also provide a comprehensive resource for companies to help meet investors' information needs.

The Practice Statement will facilitate better connections between financial statements and sustainability-related financial disclosures.

## IFRS 16 Leases being reviewed

The International Accounting Standards Board is requesting information as part of its post-implementation review of IFRS 16 *Leases*.

IFRS 16 aimed to improve information that companies provided about their lease arrangements. The standard was issued in January 2016 and came into effect three years later.

The review will evaluate whether IFRS 16 is broadly working as intended for investors, companies, auditors and regulators.



## SUSTAINABILITY REPORTING

### IFRS Foundation publishes guidance on disclosures about transition plans

The IFRS Foundation has published *Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2* as part of its commitment to supporting the implementation of IFRS Sustainability Disclosure Standards).

The guidance:

- Supports entities applying IFRS S2 *Climate-related Disclosures*
- Is designed to enable entities to provide high-quality information about their climate-related transition when applying IFRS S2, and
- Covers disclosures about transition plans, including both mitigation and adaptation efforts.

Although IFRS S2 does not require an entity to have a transition plan, it does require it to provide material information about the sustainability-related risks and opportunities that could reasonably be expected to affect its prospects. This includes information about climate-related transition because it relates to how an entity mitigates and adapts to the change.

The document:

- Explains that an entity's climate-related transition is a process through which the entity, in the context of its overall strategy, pursues targets, undertakes actions and deploys resources to respond to climate-related risks and opportunities
- Explains what it needs to disclose in applying IFRS S2, if the entity has a strategy for its transition to a lower-carbon and/or climate-resilient economy (for example, reducing its greenhouse gas emissions and adjusting its business model to become more resilient to climate-related physical risks), and

- Sets out guidance on disclosures about entities' climate-related transitions. The document complements materials provided by jurisdictions or others that set out requirements or recommendations to create transition plans and their contents.

Carmen Ridley and guest presenter Kaushik Sridhar in **GAAPinar No.7 (15 May)** addressed *Climate-related disclosure preparation – what preparers and auditors need to know*.

### Greenhouse-gas standards meet

The International Sustainability Standards Board has announced that the Global Sustainability Board has granted equivalence to IFRS 2 *Climate-related Disclosures* for entities preparing disclosures of greenhouse gas emissions under GRI 102, the new climate standard.

Sue Lloyd, ISSB's vice-chair, said: 'We welcome the publication of GRI's new *Climate Change and Energy Standards*.

'We are working together with the GRI to enhance the interoperability and efficiency of reporting using our respective standards. In this regard, we are delighted that the GRI have granted equivalence to IFRS S2 *Climate-related Disclosures* for disclosures of GHG emissions under *GRI 102*.

'This will enable companies to prepare just one set of GHG emissions disclosures in accordance with IFRS S2 to meet requirements in both standards. Beyond this, the two standards can be used together – assisting preparers in providing information to investors and a broader range of stakeholders about their climate-related impacts, risks and opportunities, in an efficient manner.'

Organisations that report using both *GRI 102* and IFRS S2 can use the equivalent IFRS S2 disclosures for Scope 1, Scope 2 and Scope 3 GHG emissions to meet *GRI 102* requirements.

To provide the equivalent IFRS S2 GHG emission disclosures, organisations reporting *in accordance with* or *with reference to* the GRI standards will have to:

- Measure their greenhouse-gas emissions in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (2004), and
- Include a reference to the location where the information for each of the disclosures can be found as per the *Publish a GRI content index* requirement in *GRI 1: Foundation 2021*.

### Understanding and navigating Scope 3 emissions

Chartered Accountants Australia and New Zealand has released *A Guide for Finance Professionals to Understand and Report Indirect Greenhouse Gas Emissions*.

It aims to help navigate one of the most complex areas of disclosure, Scope 3 greenhouse gas emissions. These are indirect emissions that occur across an entity's value chain.





## REGULATORS & LEGISLATORS

### Size matters

Regulatory guide 280 *Sustainability Reporting* provides further insights into whether a Ch 2M entity has satisfied the corporate-size threshold:

- If the entity has controlled entities, it entity should refer to AASB 10 *Consolidated financial statements*
- Total assets should be as reported in the stand-alone or consolidated statement of financial position – this is the same position for calculating assets under the value-of-assets threshold
- Revenue should be determined by the definitions of income and revenue provided in AASB 15 *Revenue from contracts with customers*. Depending on the business model, entities may also consider other accounting standards that give rise to recognition of revenue, such as AASB 9 *Financial instruments*, AASB 11 *Joint arrangements*, AASB 17 *Insurance contracts*, AASB 140 *Investment property*, and AASB 141 *Agriculture*, and
- A helpful starting point might be calculating the number of employees relevant to the definition of ‘employees and others providing similar services’ contained in Appendix A of AASB 2 *Share-based payment*.

The concepts of ‘revenue’, ‘assets’ and ‘employees’ have the same meaning as the equivalent concepts in s45A(3). They are used to determine whether a company is a large proprietary company under s45A(3).

### APRA reinforces expectations about super authentication controls

The Australian Prudential Regulation Authority has written to registrable superannuation entity licensee-board chairs, reinforcing expectations about information security and the implementation of robust authentication controls.

The action follows recent ‘credential-stuffing’ attacks that exposed persistent weaknesses in authentication practices across the superannuation industry. APRA has reminded entities of their obligations under prudential standard CPS 234 *Information Security* and outlined specific actions to assess and strengthen authentication controls.

APRA expects RSE licensees to complete a self-assessment of their information-security controls, ensure that multi-factor authentication or equivalent protections are in place for high-risk activities and privileged access, and notify APRA of any material control weaknesses or breaches.

Entities must also identify their accountable person(s) under the Financial Accountability Regime responsible for CPS 234 compliance.

### APRA’s expectations from super licensees

APRA has released a letter to registrable superannuation entity licensees setting out initial observations, examples of better practice, and areas for improvement to support compliance with legal duties and to achieve better outcomes for members.

APRA’s high-level expectations include:

- Robust decision-making approaches with clear links to strategic objectives and expected financial outcomes for members (for example estimated dollar-value benefit or saving)
- Comprehensive expenditure management with clear definitions and expectations, thresholds and approval requirements inclusive of a risk assessment
- Periodic monitoring that uses member outcomes, focused success measurements that show improved or declined financial outcomes for members, and acting on insights further to these metrics, and
- Reporting that is supported by evidence and data with clear links to member impacts.

RSE licensees are encouraged to review their practices, consider better-practice examples, and take action to address deficiencies.

APRA notes that updated prudential standard SPS 515 *Strategic Planning and Member Outcomes* and related guidance in practice guide SPG 515 *Strategic Planning and Member Outcomes* begin in July. The new SPG 515 notes APRA’s view that better practice is for RSE licensees to obtain an attestation from accountable senior-executive management on expenditure.

Where APRA identifies practices that fall short of legal requirements, the authority will use the full range of its powers to hold an RSE licensee accountable.

### ACCC sues gas ‘greenwasher’

The Australian Competition & Consumer Commission has alleged in the Federal Court that gas distributor Australian Gas Networks Ltd made false and misleading representations in its *Love Gas* TV and digital-advertising campaign.

The ACCC alleges that Australian Gas Networks misled millions of consumers when it represented, in ads that ran during 2022 and 2023, that the gas it distributes would be renewable within a generation.

The company failed to have reasonable grounds for making the claim about the future of gas, the ACCC alleged.

Advertisements ran on free-to-air television, streaming services, and on YouTube.

The ACCC is seeking declarations, penalties, costs, and other orders.

### College fined \$20 million for false claims

The Federal Court has fined vocational Captain Cook College \$20 million for engaging in systematic unconscionable conduct and \$750,000 for making false or misleading representations to students in connection with online diploma courses under the former VET FEE-HELP loan program.

The court also fined Captain Cook College’s parent company, Site Group International Limited, \$10 million. Site’s former chief operating officer Blake Wills was fined \$400,000. Wills and the Site Group were ‘knowingly concerned’ about Captain Cook College’s system of unconscionable conduct.

The court disqualified Mr Wills from managing corporations for three years.

Costs were ordered in favour of the ACCC.



## AFSL

## ASIC provides extra reportable-situations relief

ASIC has provided Australian financial services and credit licensees extra targeted relief under the reportable-situations regime.

The new relief:

- Exempts industry from reporting certain breaches of misleading and deceptive-conduct provisions and certain contraventions of civil penalties
- Extends the length of investigations that are reportable to ASIC from 30 to 60 days, and
- Clarifies that a report is taken to be lodged with ASIC if a licensee has submitted a breach report to the APRA that contains all the information it has requested.

ASIC has reminded licensees 'to ensure they have the systems and processes in place to identify, escalate, investigate, rectify, and capture incidents and breaches as part of their general obligations'.

On **May 29**, Colin Parker in **GAAPinar No.9** continued to share his insights *An introduction to AFSL regulatory requirements and audit guidance – Part 2*.

## ASIC wants receivers appointed to Australian Fiduciaries

ASIC has sought asset-preservation orders in the Federal Court and the appointment of receivers to Australian Fiduciaries Ltd and several related entities.

The application seeks to preserve assets of the scheme and obtain a clearer picture of the financial position of the company and its schemes while the commission continues investigating.

Australian Fiduciaries has failed to lodge audited financial statements or audited compliance plans for its registered managed-investment schemes for FY2024 and the first half of FY2025.

The commission contends that the company has also failed to keep investors updated on the status of their investments since May 2024.

ASIC is investigating concerns about:

- Inadequate management of conflicts of interest

- The ways investors were sold units in the schemes and how their funds were ultimately invested into a complex group of entities controlled by related parties
- Suspected failure by the company to conduct regular valuations of its schemes, and
- Loss of value in the underlying assets.

Since February 2020, around 600 Australian retail investors have invested about \$160 million into three managed investment schemes offered by the company, predominantly through their self-managed super funds. The company ceased distributing units in the schemes in September 2023.

## Equity Trustees fined for misleading statements about investments

Equity Trustees Ltd has paid \$56,340 to comply with three ASIC infringement notices.

The commission alleged that the company, as the responsible entity of the Artesian Green and Sustainable Bond Fund, made misleading statements about the fund's investments.

Between 10 April and 7 November last year, the fund's product-disclosure statement, target-market determination and website stated that the fund invested in green, sustainable, and 'social' corporate bonds. However, the fund had significant exposure to government and supranational counterparts that were inconsistent with its declared strategy and objectives.

ASIC's deputy chair Sarah Court said: 'A responsible entity must have measures in place for ensuring it complies with its obligations as an AFS licensee. These include having adequate governance controls and procedures to ensure that disclosures made in relation to investments by managed-investment schemes are accurate and [...] not misleading.

'ASIC's action should serve as a reminder to trustees that they need to ensure they take their investment governance responsibilities seriously.'

ASIC has provided advice in RG132 *Funds management: Compliance and oversight* for responsible entities on establishing compliance controls to address investment governance and other compliance obligations.

## Licence cancelled, manager banned

ASIC has cancelled the licence of Financial Services Group Australia Pty Ltd and permanently banned its responsible manager Graham Holmes.

The financial-services licence was cancelled after ASIC determined that the company had failed to:

- Take reasonable steps to ensure that two of its representatives provided financial product advice that was appropriate to the client's circumstances or in the client's best interests
- Have available adequate financial and human resources to provide the financial services covered by the licence and to carry out supervisory arrangements
- Maintain the competence to provide the financial services covered by the licence
- Lodge its financial statements and auditor's reports on time
- Lodge breach reports with ASIC, and
- Comply with a condition on its licence that required the company to have total assets that exceeded total liabilities in financial years 2022 and 2023.

ASIC found that Mr Holmes had been involved in the contravention of a financial services law by the company, including FSGA's failure to take reasonable steps to ensure that its representatives acted in the best interests of clients and gave them appropriate advice.

ASIC also found that Mr Holmes had accepted to be the company's responsible manager 'on paper' only and to receive fees when he knew he was not fulfilling his duties. ASIC therefore had reason to believe that Mr Holmes was not a fit and proper person to participate in the financial-services industry.

The responsible manager's role is derived from the obligation in s.912A(1)(e) of the *Corporations Act 2001* for AFS licensees to establish and maintain organisational competence to provide the financial services offered by the AFS licensee (see RG 105 *Licensing: Organisational competence*).

Individuals who are nominated by AFS licensees as responsible managers must have direct responsibility for significant day-to-day decisions about the financial services they provide.

## Adviser banned for 10 years

ASIC has banned former Sutherland Shire and Wollongong-based financial adviser, Glenda Maree Rogan, from providing financial services for 10 years.

ASIC found that Ms Rogan did not comply with financial-services law by engaging in misleading or deceptive conduct. ASIC also found that it had reason to believe that Ms Rogan was not a fit and proper person, was not competent to participate in the Australian financial-services industry and was likely to contravene a financial services law.

Between March 2022 and June 2023 while she was a financial adviser with the Fincare group of companies and an authorised representative of AFS licensee Private Wealth Pty Ltd, Ms Rogan transferred at least \$14.8 million of funds invested by clients, family, and friends to a cryptocurrency-based investment scam.

Ms Rogan made false statements to clients and engaged in conduct that misled them about the nature, risks, and liquidity of the investment to induce them to invest, including that it was a high-yield fixed-interest account, rather than cryptocurrency, which carried significant risk, and that clients were dealing with her in her capacity as a representative of Fincare.

Investors' funds were transferred to bank accounts held by Ms Rogan and her personal company, the majority of which were converted to cryptocurrency then transferred to various wallets nominated by the Financial Centre, purportedly a UK-based trading platform. The Financial Centre is listed on ASIC's Investor Alert List as an unlicensed entity that should not be trusted.

ASIC found that Ms Rogan would have had suspicions about the legitimacy of the Financial Centre from at least October 2022.

ASIC's investigation into Ms Rogan's conduct continues.



## ETHICS

### APESB issues code amendments

Accounting Professional & Ethical Standards Board Ltd has issued a new 'compiled' code for APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

The changes incorporate the following amending standards:

- Amendments to Part 4B *Independence for Assurance Engagements other than Audit or Review Engagements* of APES 110 (effective 1 July 2021)
- Amendments to APES 110 to *Promote the Role and Mindset Expected of Professional Accountants* (effective 1 January 2022)
- Amendments to APES 110 *Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers* (effective 1 January 2023)
- Amendments to fee-related provisions of APES 110 (effective 1 January 2023)
- Quality-management-related conforming amendments to APES 110 (effective 1 January 2023)
- Amendments to non-assurance services provisions of APES 110 (effective 1 July 2023)
- Revisions to APES 110 *Relating to the Definition of Engagement Team and Group Audits* (effective 1 January 2024)
- Revisions to APES 110 *Relating to the Definitions of Listed Entity and Public Interest Entity* (effective 1 January 2025)

- Technology-related revisions to APES 110 (effective 1 January 2025), and
- Revisions to APES 110 addressing tax planning and related services (effective 1 July 2025).

### Code amendments proposed for sustainability assurance

Earlier this year, the Auditing and Assurance Standards Board approved ASSA 5000 *General Requirements for Sustainability Assurance Engagements*. It was effective for assurance engagements on sustainability information from 1 January.

Consistent with the IAASB's ISSA 5000, ASSA 5000 required compliance with the new Part 5 of the IESBA code of ethics. Part 5 contains enhanced ethical requirements for sustainability assurance over public-interest entity general-purpose reports.

APESB has consulted on a proposal to update APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* to include Part 5 from 1 January 2026.

Amendments:

- Addressed possible practical matters arising on the initial application of Part 5 and provided audit firms adequate time to update their internal independence monitoring systems, and
- Provided more time for audit firms to update methodologies for ASSA 5000 by deferring its application.

Specifically, ASSA 5000 was amended as follows:

- Ethics – Applying the current APES 110 instead of Parts 1 to 3 of APES 110 and Part 5 of the IESBA code, and
- Effective date – Assurance engagements on sustainability information. For information in a *Corporations Act 2001* sustainability report, for periods beginning on or after 1 January 2025 and as at the end of that period, and for other engagements, as at a specific date on or after 31 December 2025 and for periods then ending but not commencing before 1 January 2025.

The AUASB will consider adopting any revised APES 110 that includes Part 5 from the APESB's effective date.

In **GAAPinar No.11** on 5 June, Carmen Ridley and Colin Parker discussed the latest developments on *Ethics Code – substantial amendments for sustainability assurance and reporting*.



## AUDIT

### ASIC to review more audit files

In 2025-26, ASIC will review more audit files. The commission will continue to select files in which financial information, or the financial report have been changed. Files in which a potential risk of material misstatement is uncovered will also be examined.

The commission will also select files based on other internal or externally available data and review a random selection of files from those it regulates.

ASIC is progressing its proactive, large-scale surveillance focused on auditor's compliance with independence and conflicts of interest under the *Corporations Act 2001*. The commission encourages auditors to self-identify and self-report non-compliance.

'Based on our data model, we considered potential independence issues in relation to over 100 audit engagements before targeting nearly 50 auditors for a more detailed review', Ms O'Rourke said.

'We intend to publish the outcomes of this surveillance later this year.'

### ASIC's suggestions to improve audits

In October 2024, ASIC released report 799 *ASIC's oversight of financial reporting and audit 2023-2024*, which summarised findings from its surveillance programs for the period 1 July 2023 to 30 June 2024.

It highlighted areas where the quality of financial reporting and audits could be improved.

'All audit firms (regardless of size) and auditors should carefully review the findings in this report and focus on these areas in future audits', the commission stated.

To support the delivery of quality audit services, firms should:

- Promote a strong culture focused on ethics, independence, and audit quality, with accountability at all levels from partners to staff
- Prepare transparency reports that are clear and concise and inform the market about a firm's audit quality
- Communicate to audited entities that they should present, analyse, and document their conclusions supported by relevant specific accounting standards, particularly in areas of judgement and estimation uncertainty

- Adequately resource audits with the right skills and expertise, including robust supervision and review, to identify and address contentious issues early and minimise deadline pressures
- Conduct effective quality reviews of audits using appropriately skilled engagement-quality reviewers
- Remediate findings to ensure sufficient audit evidence is obtained in future audits, and
- Address the root causes of audit findings, and develop, implement, continually monitor, and revise action plans to ensure that they are effective and sustainable.

### CADB cancels an auditor's registration

The Companies Auditors Disciplinary Board has cancelled the registration as a company auditor of Bradley Laurence Willot Taylor. Mr Taylor was the lead auditor of the financial statements of iSignthis Ltd for the financial year ended 30 June 2018.

The CADB found that Mr Taylor failed to conduct and perform adequately and properly the duties of an auditor in conducting the FY18 audit.

Failings included the assessment of risk of material misstatement of revenue, auditing of revenue, receipts and receivables, auditing of expenses, payments, creditors, and accruals, the auditing of related-party disclosure, steps taken about the auditor's responsibilities relating to fraud, and the auditor's report.

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 required standards can have serious consequences for investors and erode confidence in the integrity of Australia's capital markets.

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

### Perth auditor admits failures, surrenders registration

ASIC has accepted a court-enforceable undertaking from Perth-based David Makowa, who has surrendered his registration as a company auditor.

Over five years, Mr Makowa made errors in audit planning and responses, related parties, sampling, going concern, subsequent events, and audit evidence. In addition, there were matters per pertaining to the ASFL.

ASIC's attention was drawn to Mr Makowa following its investigation into Brite Advisors Pty Ltd.

Mr Makowa audited Brite's profit-and-loss-statements and balance sheets. Brite (in liquidation) was an Australian financial-services licensee. Mr Makowa provided opinions for financial years ending 30 June 2019 to 2022.

He admitted that he failed to conduct or perform the FY19, FY20, FY21 and FY22 audits adequately and in accordance with the Australian Auditing Standards and Standards on Assurance Engagements.

Sarah Court said: 'Confidence and trust underpin the role of company auditors and the independent assurance they provide. This trust is critical to maintaining the integrity of our capital markets and enabling investors to make informed decisions.

'Auditor misconduct is an enforcement priority for ASIC, and we will continue to investigate where we identify potential misconduct or non-compliance.'

### EQCR licence conditions imposed

ASIC has imposed conditions on the registration of company auditor Allan Facey of MNSA Pty Ltd.

ASIC's inquiries in relation to Mr Facey began because of information received from New Zealand's Financial Markets Authority, which issued a public warning about Mr Facey's conduct as the engagement-quality control reviewer of Alliant Perpetual.

The commission was concerned that Mr Facey had not adequately and properly performed his duties in the audit of an ASX-listed-company's financial report for the year ended 30 June 2023.

ASIC had concerns that Mr Facey failed to gather and document sufficient appropriate audit evidence to support his opinion.

Responding to ASIC's concerns, Mr Facey proposed conditions be imposed on his company-auditor registration that the commission accepted would address the conduct.



Mr Facey will, at his own expense:

- Complete by 31 July an additional eight hours of continuing professional education about obtaining sufficient appropriate audit evidence and the preparation and assembly of audit documentation, and
- Engage an independent registered company auditor to review and report to ASIC on a root-cause analysis and remedial actions implemented because of ASIC's audit-file review, and three financial report audits by Mr Facey of public-interest entities for the year ended 30 June 2025.

If Mr Facey fails to comply with the conditions, ASIC may apply to the disciplinary board to cancel or suspend his registration.

'Company auditors are trusted gatekeepers who are crucial to providing confidence in the quality of financial reports. ASIC will consider audit quality concerns and take regulatory action when auditors fall short of the required standards' the commission said.

## Federal Court upholds auditor's cancellation

The Federal Court has dismissed an application by Reginald Lance Williams to overturn the decision of the Companies Auditors Disciplinary Board to cancel his registration as a company auditor.

Mr Williams has been ordered to pay ASIC's costs and the costs of CADB's proceedings.

Following an application by ASIC, the CADB cancelled Mr Williams's registration in December 2018. He had failed to conduct or perform adequately and properly his audit of the financial report of LM Managed Performance Fund for the year ending 30 June 2012.

Justice Melissa Perry found that:

- Mr Williams had not established any error of law or jurisdictional error by the CADB in making the decision to cancel his registration as a company auditor, and
- The CADB is 'properly regarded as an expert or specialist board and is therefore entitled to rely upon its expertise and specialised knowledge subject to the obligation to act in accordance with procedural fairness'.

## KAMs in focus

Chartered Accountants Australia and New Zealand has partnered with the University of Melbourne and the University of Queensland to examine the reporting of key audit matters of ASX-listed companies. They looked at 965 companies with balance dates between 31 December 2023 and 30 September 2024.

Key findings included:

- Auditors are most frequently flagging higher-risk areas such as asset impairment and revenue recognition in their reported KAMs
- Global and domestic economic uncertainty, interest-rate movements, and increasingly complex customer contracts are among the reasons auditors are pointing to asset impairment and revenue as higher-risk KAMS
- Companies across most sectors tend to have one or two key audit matters of a higher risk, which consume audit teams' most time, companies in the utilities and consumer-staples sectors on average having the most different key audit matters, and
- Despite many retailers operating online, there were few key audit matters reported by consumer staples and consumer discretionary companies' auditors relating to IT systems and controls.

## ATO's new guidance on SMSF audits

The ATO has made it easier for SMSF auditors to access information.

Guidance for SMSF auditors is now available on the refreshed *Auditing an SMSF* web page of ato.gov.

The page provides most of the guidance needed to understand auditor obligations, including the requirements for conducting an annual SMSF audit.

Key topics include:

- Verifying asset values
- Financial and compliance audits
- Auditor independence
- Reporting contraventions
- Dealing with rollovers and downsizer contributions, and
- Auditing an SMSF that is winding up.

In **GAAPinar No.10** on **May 29**, Shelley Banton presented the *SMSF audit update for 30 June*.

## Revised going-concern standard approved

The AUASB has approved the adoption of international standard ISA 570 *Going Concern*. ISA 570 applies for reporting periods beginning on or after 15 December 2026.

The revised standard significantly enhances auditors' evaluations of management's assessment about going concern. The standard includes new requirements for auditors to respond to identified risks of material misstatement related to going concern basis of accounting. The standard also strengthens auditors' reporting requirements.

The Australian version includes illustrative Corporations Act auditor's reports and a diagram of the *Auditor's Decision-Making Process for Going Concern*.

## Comments sought on using experts

The AUASB has released a consultation paper seeking public comment on the IAASB's exposure draft *Proposed Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project*.

## NZ approves less-complex audits

New Zealand's External Reporting Board has issued *ISA (NZ) for Audits of Financial Statements of Less Complex Entities*.

It is a stand-alone standard that can be used when auditing less-complex entities if an auditor decides an entity (or group) falls into the category as outlined in the standard's Part A.

It includes necessary requirements to achieve the same level of reasonable assurance as the full suite of ISAs in NZ but is tailored to the nature and circumstances of a less complex entity.

The standard applies to periods starting on or after 15 December, early adoption permitted.



## INSIDE GAAP CONSULTING

### Rob Mackay joins us

It's a pleasure to announce that Rob Mackay has joined *GAAP Consulting's* financial-reporting and sustainability team.

Rob has deep expertise in AASB and IFRS standards and he is highly regarded within the technical accounting profession. He is a fine problem-solver and has superb ability to troubleshoot technical accounting and reporting issues.

Over the past decade, he has worked regularly with the ASX and other large private corporate and public-sector entities, engaging with CFOs and boards on technical implications of complex accounting transactions, financial structuring, and ASIC's regulatory investigations.

Rob has carried out many engagements that require the modelling of detailed calculations, such as in lease accounting, share-based payments, derivative valuations, corporate valuations, purchase-price allocations, impairments, and consolidations.

Our financial and sustainability team is led by Carmen Ridley, with impeccable support from Colin Parker, Stephen La Greca and now Rob Mackay.

### Help coming on position papers

ASIC has made repeated references to the importance of position papers to support key accounting decisions. Help is coming with our publication *Why and How of Accounting Policy Position*, by lead author Rob Mackay.

To obtain a copy please contact Colin 0421-088-611 or [colin@gaap.com.au](mailto:colin@gaap.com.au).

### More training riches on demand

Our 14-session *GAAPinar* series has just concluded, we provided the latest insights

into auditing, financial and sustainability reporting, ethics, SMSF, and business risks.

We covered current financial-reporting issues, including revenue, going concern, and cash-flow statements. The journey continued with a focus on audit quality. Sessions detailed how to use experts' advice, testing, going concern, business risks and AFSLs.

Missed a session? Check out what is 'on-demand' in *GAAP Training's* extensive library of more than 160 topics. The library has already been updated with the most recent sessions.

More than 250 CPD hours are just a mouse-click away at [www.gaaptraining.com.au](http://www.gaaptraining.com.au).

Our 12-session November-December *GAAPinar* series starts on 6 November. In the meantime, tailored training can be provided – contact [andrew@gaaptraining.com.au](mailto:andrew@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** – financial statement preparation, 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](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.

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

- **Colin Parker**, aka the 'gate-keeper' (financial reporting, audit, ethics, risk management, and host of the *GAAPinar* training series) – Canberra (contact Colin 0421-088-611 or [colin@gaap.com.au](mailto:colin@gaap.com.au))
- **Carmen Ridley** (financial and sustainability reporting and ethics) – Melbourne
- **Robert Mackay** (financial and sustainability reporting) – Melbourne
- **Stephen La Greca** (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.



**Colin Parker**  
*GAAP Consulting*

### Contact Us

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

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This communication provides general information current at the time of release. It is not intended that the information provide advice and should not be relied on as such. Professional advice should be sought prior to actions on any of the information contained herein.



## APPENDICES

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

Area	Consideration
<b>Impairment of non-financial assets</b>	<p>Goodwill, indefinite useful life intangible assets and intangible assets not yet available for use must be tested annually for impairment.</p> <p>Entities adversely impacted in the current environment may have new or continuing indicators of impairment that require testing for other non-financial assets.</p> <p>The appropriateness of key assumptions supporting the recoverable amount of non-financial assets.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Disclosure of estimation uncertainties, changing key assumptions, and sensitivity analysis or information on probability-weighted scenarios.</p>
<b>Values of property assets</b>	<p>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.</p> <p>The lease-accounting requirements and the impairment of lessee right-of-use assets.</p>
<b>Expected credit losses on loans and receivables</b>	<p>Whether key assumptions used in determining expected credit losses are reasonable and supportable.</p> <p>Any need for more reliable and up-to-date information about the circumstances of borrowers and debtors.</p> <p>Short-term liquidity issues, financial condition and earning capacity of borrowers and debtors.</p> <p>Ensuring the accuracy of ageing of receivables.</p> <p>Using forward-looking assumptions and not assuming recent debts will all be collectible.</p> <p>The extent to which history of credit losses remains relevant in assessing ECLs.</p> <p>Whether possible future losses have been adequately factored in, using probability-weighted scenarios, as necessary.</p> <p>Disclosure of estimation uncertainties and key assumptions.</p> <p>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.</p>
<b>Financial-asset classification</b>	<p>Financial assets are appropriately measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss.</p> <p>Criteria for using amortised cost include whether both:</p> <ul style="list-style-type: none"> <li>• Assets are held in a business model whose objective is to hold the assets to collect contractual cash flows, and</li> <li>• Contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding.</li> </ul>
<b>Value of other assets</b>	<p>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.</p> <p>Whether it is probable that deferred tax assets will be realised.</p> <p>The value of investments in unlisted entities.</p>
<b>Provisions</b>	<p>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.</p>
<b>Subsequent events</b>	<p>Events should be reviewed as to whether they affect assets, liabilities, income or expenses at year-end or relate to new conditions requiring disclosure.</p>

Area	Consideration
<b>Disclosure – general considerations</b>	<p>Directors and preparers should put themselves in the shoes of investors and consider what information investors would want to know.</p> <p>Disclosures should be specific to the circumstances of the entity and its businesses, assets, financial position, and performance.</p> <p>Changes from the previous period should be considered and disclosed.</p>
<b>Disclosures in the financial report</b>	<p>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.</p> <p>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.</p>
<b>OFR disclosures</b>	<p>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.</p> <p>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.</p> <p>The OFR should explain the underlying drivers of the results and financial position, as well as risks, management strategies, and prospects.</p> <p>All significant factors should be included and given appropriate prominence.</p> <p>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.</p> <p>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.</p> <p>Climate-change risk could have a material impact on the prospects of entities and needs to be disclosed.</p> <p>Cyber-security risks could have a material impact for many entities and require disclosure.</p>
<b>Non-IFRS financial information</b>	<p>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).</p>
<b>Disclosure in half-year reports</b>	<p>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.</p>