GAAP ALERT

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COLIN'S CORNER

Busy end to 2025

A busy end to 2025, and much to consider as we head into 2026.

On the financial-reporting front, ASIC has reminded us of its *enduring focus* (read the same as for 30 June 2025).

It is not 'same old, same old' – businesses change as do economic and regulatory environments. I miss the days when the commission provided insights into domestic and international risks that preparers and auditors needed to consider.

The good news is that we need not negotiate any significant new or revised accounting standards.

Financial reporting of uncertainties can be challenging. Illustrative examples on how companies can apply accounting standards when reporting the effects of uncertainties in financial statements is timely and helpful.

Failure to lodge your financial report on time can prove costly. Also, auditors have tightened responsibility for reporting such breaches as well as other significant suspected contraventions under amendments made to RG 34 *Auditor obligations: Reporting to ASIC*. Be prepared for the commission's response.

Sustainability and climate change have arrived – group 1 entities must prepare sustainability reports that are subject to review. The AUASB has released draft review reports; APESB more ethical requirements. The CA ANZ *Sustainability Playbook* is a helpful resource.

ASIC has also announced its 2026 enforcement priorities. They include financial-reporting misconduct, including failure to lodge financial reports, and auditor misconduct.

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

The ANAO has issued a performance-audit report on ASIC's regulation of RCAs. This is likely to result in more transparency, broader audit surveillance, and more enforcement.

GAAP Alert newsletters throughout the year have also highlighted other issues you need to be aware of. Many of the topics covered have been further explored in the 27 sessions of our *GAAPinar* training programs. Great resources for your use.

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

INSIDE THIS ISSUE

FINANCIAL REPORTING

ASIC 'enduring' financial-reporting focus areas

The Australian Securities & Investments Commission has published 'enduring' audit and financial-reporting areas for FY 2025-26.

The commission's focus remains unchanged for 31 December balance dates (see Appendix: *ASIC's 'enduring' focus areas for financial reporting*).

ASIC reviews full-year financial reports of selected listed and other public-interest entities. This includes a sample of financial reports from registrable superannuation entities and large proprietary companies (grandfathered companies) that were formerly exempt from lodging audited financial statements.

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

The commission continues to focus on areas where significant judgement from report preparers is needed. These include revenue recognition, asset valuation, and estimation of provisions.

ASIC will continue to review 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 2001*
- Meet certain sustainability reporting thresholds, and
- Have not obtained sustainability-reporting relief from ASIC.

ASIC will review 31 December sustainability reports and share its observations with the market. The commission said that it would 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.

On 16 December, Carmen Ridley and Colin Parker presented their insights into these and related issues in **GAAPinar No.12** *Reporting and auditing considerations for December year-ends.*

Year-end reminders for 31 December 2025 and beyond

The only new requirement under Australian Accounting Standards that is effective for 31 December 2025 year-ends is an amendment to AASB 121 *The Effects of Changes in Foreign Exchange Rates.*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

Australian Sustainability Reporting Standards set out the sustainability-related and climate-related financial disclosures for sustainability reports/ general purpose financial reports.

Group 1 entities with a 31 December 2025 year-end are required by the Corporations Act to comply with AASB S2 *Climate-related Disclosures.*

The threshold for Group 1 entities are: 500+ employees, consolidated gross assets $1billion+, and consolidated revenue $500m+; and NGER reporters above NGER publication threshold 50,000 tonnes of carbon dioxide equivalence scope 1 and 2 emissions.

Entities may elect to apply the voluntary Standard AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information.*

The following accounting standards are effective for annual reporting periods commencing 1 January 2026

- Classification and Measurement of Financial Instruments – Amendments to AASB 9 and AASB 7
- Annual Improvements to AASB Standards
- Contracts referencing Nature-dependent Electricity – Amendments to AASB 9 and AASB 7.

AASB 18 *Presentation and Disclosure in Financial Statements* (for profit entities) is effective for annual reporting periods commencing 1 January 2027 (comparatives for 1 January 2026 for 31 December balancers) and not-for profit and superannuation entities version a year later.

Over $2.2 million in fines for alleged lodgement failures

ASIC has issued infringement notices to 12 large proprietary companies for allegedly failing to lodge their FY24 audited financial reports on time. The commission fined each company at least $187,000. Fines totalled more than $2.2m.

For those companies that have outstanding financial reports, ASIC's investigation remains open.

'Targeting financial-reporting misconduct including failure to lodge financial reports is an ASIC enforcement priority for 2026', said ASIC commissioner Kate O'Rourke.

'ASIC will continue to monitor and address lodgement failures, including taking regulatory action for ongoing non-compliance.

'We are stepping up enforcement action against financial-reporting misconduct and will continue to leverage a range of data sources to identify potential non-compliance, including notifications by auditors.'

'Large' proprietary companies must prepare and lodge financial statements and a director's report within four months after the end of a financial year unless granted relief.

A proprietary company is classified as 'large' if it meets at least two of the following criteria for a financial year:

- Consolidated revenue of the company and any entities it controls is $50 million or more
- Consolidated gross assets of the company and any entities it controls is $25 million or more, and

- Company and any entities it controls have 100 or more employees.

The amounts are determined in accordance with relevant AASB accounting standards.

Whether a company meets these criteria can depend on how a business is structured.

Seek advice on whether these criteria are met.

More breach reporting under updated RG 34

In September ASIC has reissued a regulatory guide to 'simplify' guidance on auditors' breach-notification and contravention reporting. The guide also reflects changes to the law. It applies to 31 December reporting for the first time.

Regulatory guide 34 *Auditor obligations: Reporting to ASIC* includes guidance on obligations to report:

- Suspected contraventions concerning sustainability reporting and audits of registrable superannuation entities, corporate collective investment vehicles, and compliance plans of retail CCIVs
- Attempts to unduly influence, interfere, and mislead an auditor
- Conflicts of interest, and
- An auditor's own suspected contraventions.

Examples of contraventions include:

Likely significant suspected contraventions	Unlikely significant suspected contraventions
• Insolvent trading and inability to continue as a going concern • Breach of accounting or sustainability standards • Modified audit or review reports • Fraud by officers or employees of the entity • Breach of general duties of officers and employees • Related-party transactions • Composition of the board of directors • Breach of the requirement to keep books and records • Non-lodgement of financial and sustainability reports • Ongoing breaches of the requirement to comply with a compliance plan	• Failure to assist the auditor – an isolated and relatively minor incident • Failure to correct an extract of particular – isolated failure to correct an extract of particulars in contravention of s346C

ASIC's position on non-lodgement of financial statements is worth examining. It will surprise many.

Suspected contraventions that are likely to be significant – non-lodgement of financial and sustainability reports (September 2025)	Non-lodgement of financial reports (March 2020)
'See: s319 and 320: ASIC considers that a suspected failure to lodge a financial or sustainability report is significant and should be reported to ASIC for listed entities or disclosing entities – if the report has not been lodged by its due date or for all other entities – if the report remains outstanding 28 days after its due date. Note 1: RSE auditors must notify ASIC if an RSE has failed to lodge a financial or sustainability report if the report has not been lodged by its due date. Note 2: For further information about sustainability reporting, see regulatory guide 280 *Sustainability reporting* (RG 280).'	'Where the auditor suspects a financial report has not been lodged by its due date, in contravention of s319 or 320, this contravention should be considered significant if the entity is a listed entity or a disclosing entity. In other cases, an auditor should consider the circumstances such as the likely users of the financial report and significance of the report to those users, the length of time the report has been late and any other relevant circumstances such as a proposed modification to the auditor's report.'

In our pop-up GAAPinar on 26 November, Carmen Ridley and Colin Parker shared their insights into *RG 34 Auditor Obligations: What auditors must report to ASIC and why you might need to act now.*

High-quality reports and audits needed

Directors and superannuation trustees are primarily responsible for the quality of their financial reports under the *Corporations Act 2001* and applicable Australian accounting and sustainability standards.

This includes ensuring that management produces high-quality and timely financial information supported by robust position papers with appropriate analysis and conclusions.

Appropriate experience and expertise should be applied in the reporting process, particularly in more difficult and complex areas, such as asset values, provisions, revenue arising from contracts with customers, capitalisation of expenditure, expected credit losses and other estimates, the impact of post-balance-date events, and disclosure.

The basis and circumstances related to management's judgements on accounting estimates and forward-looking information should be documented at the time and disclosed in financial reports.

Auditors have an essential role in the production of high-quality financial reports and are reminded to focus their attention and use their professional scepticism about elements of the financial report that require the greatest amount of professional judgement and estimation. Financial-reporting focus areas are important for auditors.

IASB issues examples on reporting uncertainties

The International Accounting Standards Board has issued illustrative examples on how companies can apply its standards when reporting the effects of uncertainties in financial statements.

The examples use illustrative climate-related scenarios, but underlying principles apply more broadly to all uncertainties.

As accompanying materials to IFRS accounting standards the examples do not have an effective date. However, companies would be expected to implement any change in their reporting on a timely basis.

In due course, the AASB is also likely to issue these examples.

High-quality valuation needed

The International Organization of Securities Commissions has issued a public statement on the *Importance of High-Quality Valuation Information in Financial Reporting.*

It emphasises the need for international consistency and quality of valuation information to provide investors with relevant and reliable financial information.

Financial statements may often contain elements that represent or are derived from valuations. As a result, it is important that issuers have robust and sound practices in place to support quality.

External auditors should apply sufficient procedures to assess an issuer's valuation information within its report as part of the financial-statement audit.

New insights into lease-accounting challenges

Chartered Accountants Australia and New Zealand has released IFRS 16 *Leases: What's Working, What's Not, and What's Next,* which looks at how IFRS 16 is being applied across the two nations.

The insights highlight what is working, where challenges remain, and what refinements could make a difference – from judgement calls and system limitations to disclosure practices and cost-benefit concerns.

While IFRS 16 has delivered improvements in transparency and quality, its complexity, cost, and reliance on judgement continue to challenge its effectiveness.

The following key themes were raised:

- Complexity and judgement are the most significant practical challenges, particularly in areas like lease term, discount rates, and remeasurement
- Comparability is undermined by diversity in application and presentation
- Costs of implementation and ongoing compliance are higher than expected
- Disclosures are more structured than under the preceding IAS 17 Leases, but their usefulness varies depending on how clearly and consistently it is presented
- Cash-flow presentation remains a sticking point, users calling for more intuitive classification and alignment with operational realities
- Misalignment with other standards, notably IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*, complicates application and can result in inconsistent outcomes, and
- Audit effort is significant, auditors reporting a lot of time spent on IFRS 16-related matters.

There was broad support for targeted improvements to clarify and simplify the standard, rather than overhaul it. Key recommendations included:

- Clarify judgement-heavy areas through targeted guidance and illustrative examples
- Improve disclosure requirements to support transparency and comparability. Reduce compliance burden by expanding practical expedients and simplifying reassessment triggers
- Refine transition guidance in future standard-setting projects, including longer lead times and clearer implementation support, and
- Further explore complex concepts that overlap with other standards, including lease-related cash flows, rent concessions, and sale and leaseback transactions.

Insights help smaller listeds improve their reporting

The UK Financial Reporting Council has published practical insights to help smaller listed companies improve the quality of their corporate reporting and make the most of their resources.

Thematic review: Reporting by the UK's smaller listed companies examines annual reports from 20 companies listed outside the FTSE 350, both on the Main Market and the Alternative Investment Market.

It focuses on four key areas where investors pay close attention and where the FRC has historically identified room for improvement:

- Revenue recognition – to ensure clear, company-specific accounting policies
- Cash-flow statements – to encourage accurate classification and consistency with other disclosures
- Impairment of non-financial assets – to enhance the transparency disclosure of assumptions and sensitivities, and
- Financial instruments – to tailor policies and risk disclosures to the company.

The review aims to help companies improve their reporting quality through better understanding of requirements and good practice and providing greater detail on the common triggers for FRC enquiries.

It includes hypothetical, illustrative examples based on real casework, contrasting good-quality reporting with less-informative disclosures.

While it supports smaller listed companies, auditors are also encouraged to use the report to understand the FRC's approach and focus areas. Audit committees and investors will also benefit from the review's findings to inform their challenges and engagement with companies to promote better quality disclosures.

IASB issues amendments on hyperinflationary currencies

The International Accounting Standards Board has issued amendments that clarify how companies should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one.

These narrow-scope amendments aim to improve the usefulness of the resulting information in a cost-effective manner. The amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.

The amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* are effective for annual periods beginning on or after 1 January 2027. Companies can choose to apply them earlier.

The AASB will issue these amendments in due course.

SUSTAINABILITY REPORTING

CA ANZ launches *Sustainability Playbook*

Chartered Accountants Australia and New Zealand has released its *Sustainability Playbook*, a practical guide designed to help accounting and finance professionals build the skills and confidence to navigate one of the most significant transformations in decades in corporate reporting.

From 1 January 2025, Australia introduced mandatory climate-related disclosures for large entities, with similar requirements already in place in New Zealand. The changes marked a new era for the profession, where sustainability was no longer a niche topic but a core capability.

The *Sustainability Playbook* gives accounting and finance professionals practical guidance to build the sustainability capabilities they need. They include:

- Why sustainability matters, and how accountants are taking a leading role
- Actionable strategies to build capability, structure finance teams, and prepare for sustainable accounting and audit practices
- Learning opportunities and resources to support ongoing capability building, and
- Spotlighting real-world examples of sustainability in action, showing how accountants are helping organisations manage climate risk, unlock strategic opportunities, and create long-term value.

ISSB amends IFRS S2

The International Sustainability Standards Board has issued amended greenhouse-gas emissions-disclosure requirements in IFRS S2 *Climate-related Disclosures.*

The amendments respond to problems that companies identified in applying the standard.

They:

- Clarify that an entity is permitted to limit measurement and disclosure of scope 3 category 15 GHG emissions to financed emissions as defined in IFRS S2
- Permit the use of alternative classification systems – beyond the Global Industry Classification Standard – to disaggregate information about financed emissions
- Clarify the availability of jurisdictional relief from using the GHG protocol standard, if only part of an entity is required to use a different method for measuring GHG emissions, and
- Introduce a jurisdictional relief from using global warming potential values from the latest IPCC assessment report for converting GHG emissions.

The amendments are effective for reporting periods beginning on or after 1 January 2027, early application permitted.

The ISSB has also issued amendments to align financed emissions metrics in three SASB standards with corresponding amended requirements in IFRS S2.

It is likely that AASB will also issue these amendments.

> In **GAAPinar No.7** on 4 December, Carmen Ridley and Colin Parker spoke to the *Latest developments in climate-related disclosures for auditors and preparers.*

Proposed illustrative Corporations Act sustainability auditor's reports

The Auditing and Assurance Standards Board has released ED 03/25 *Proposed Australian Standard on Sustainability Assurance ASSA 2025-11 Amendments to ASSA 5000 General Requirements for Sustainability Assurance Engagements.* Comments were due by 3 December.

The exposure draft proposes adding four illustrative *Corporations Act* assurance reports to ASSA 5000:

- Year 1 – Review report of specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework)
- Year 1 – Audit and review report on specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework)
- Years 2 and 3 – Review report on a sustainability report prepared in accordance with the *Corporations Act 2001* (fair-presentation framework), and
- Year 4 – Audit report on a sustainability report prepared in accordance with the *Corporations Act 2001* (fair-presentation framework).

Matters on which feedback was sought included the form of auditors' conclusions/ opinions, an example inherent-limitations paragraph, and distinguishing auditors' reports from financial and sustainability ones.

The amendments will be released soon.

New illustrative assurance reports to support ISSA 5000

The International Auditing and Assurance Standards Board has published a new set of illustrative assurance reports to support implementation of sustainability-assurance standard 5000 *General Requirements for Sustainability Assurance Engagements.*

While ISSA 5000 includes four illustrative reports that reflect the standard's baseline requirements, the new publication provides more specific examples to help practitioners.

The examples illustrate how ISSA 5000 can be applied across a range of engagements. Five examples of assurance reports with unmodified assurance conclusions are:

- Assurance on sustainability disclosures aligned with IFRS S1 and S2, for both limited and reasonable assurance engagements
- Assurance on selected sustainability disclosures in an entity's sustainability report
- Assurance on sustainability disclosures prepared using multiple reporting frameworks, and
- Assurance engagements combining limited and reasonable assurance.

A further three examples of assurance reports with modified conclusions illustrate a qualified conclusion, a disclaimer of conclusion, and an adverse conclusion.

New assurance guide for climate-related disclosures

In collaboration with the Responsible Investment Association Australasia, CA ANZ has published a new guide for investors on assurance.

Navigating the Australian climate-related financial disclosure landscape: Guide to assurance for investors aims to help investors, as primary users, understand the assurance requirements linked to Australia's mandatory climate-related financial-disclosure regime.

REGULATORS & LEGISLATORS

ASIC announces 2026 enforcement priorities

Private credit practices, financial-reporting misconduct, insurance complaints and claims handling, and misleading pricing are among a range of new enforcement priorities that ASIC has unveiled for 2026.

ASIC deputy chair Sarah Court said the commission's 2026 enforcement priorities have been designed to protect consumers from financial harm and uphold the integrity of Australia's financial markets.

'We're doing more investigations, taking more matters to court, and securing record penalties', she said.

'In the last 12 months, we've doubled the number of new investigations and nearly doubled the number of new matters filed in court.

'We've also worked hard to increase our criminal prosecutions, and seen lengthy sentences imposed for financial fraud offences.'

ASIC's new enforcement priorities are:

- Misleading pricing practices affecting cost of living
- Poor private credit practices
- Financial-reporting misconduct, including failure to lodge financial reports
- Claims and complaint-handling failures by insurers, and
- Holding those responsible to account for the collapse of the Shield and First Guardian Master Funds.

Continuing enforcement priorities are:

- Strengthening investigation and prosecution of insider trading
- Misconduct exploiting consumers facing financial difficulty, including predatory credit practices
- Unlawful practices seeking to evade small-business creditors
- Holding super trustees to account for member-services failures, and
- Auditor misconduct.

More than 40 investigators are probing the collapse of the Shield and First Guardian Master Funds. As one of ASIC's biggest and most-complex cases, it has a dedicated priority.

'We have been focused on returning available money to investors, and the next stage is holding those responsible to account for the Shield and First Guardian collapses', said Ms Court.

The commission's enduring priorities include protecting First Nations and vulnerable consumers, upholding market integrity, acting against systemic failures, and ensuring a fair, strong, and efficient financial system.

ASIC uncovers poor corporate whistleblower policies

ASIC has released report 827 *Insights from the ASIC Whistleblower Questionnaire: July 2024 to June 2025.* It reveals poor practices and policies.

It reviews the whistleblower status of 134 entities in 18 industries, examining how far companies have adopted better practices outlined in previous ASIC publications.

ASIC's review found:

- Significant variation in the 'maturity' of whistleblower practices
- Over a third of participating entities failed to provide a dedicated whistleblower web-page for raising concerns
- A quarter failed to provide regular staff training in their whistleblower programs, and
- More than half had not sought employee feedback on their whistleblower programs in the past year.

ASIC commissioner Alan Kirkland said: 'Whistleblowers play a crucial role in identifying and exposing misconduct that can harm customers, shareholders, companies, and the broader community.

'Without effective policies and programs to encourage whistleblowers to come forward, misconduct may otherwise go unreported and undetected.

'We encourage companies to benchmark themselves against the findings of the report and consider how they can improve their own whistleblower policies and practices.'

ASIC will continue to monitor whistleblower practices and engage with companies identified as having non-compliant or significantly less-mature practices.

Super to be paid with salary

Legislation to require employers to pay their employees' super at the same time as their salary and wages has passed parliament.

From 1 July, employers will be required to deposit employees' super into accounts within seven business days of payday.

While most employers do the right thing, the Australian Taxation Office estimates that $6.25 billion worth of super went unpaid in the recent financial year.

The new law will:

- Require employers to ensure super contributions are received by the employee's fund within seven business days of payday or they will be liable for the superannuation guarantee charge
- Help the Australian Taxation Office enforce the law and more quickly identify employers not making contributions, and
- Redesign the superannuation guarantee charge to be fit for purpose and make Payday Super work.

The ATO will monitor compliance for 12 months after the change. Its approach will differentiate between low and high-risk employers.

Employers that are making an effort to pay contributions in line with pay cycles can fall into a low-risk category.

Government proposes big DIN changes

The Federal Government has released exposure draft legislation, *Treasury Laws Amendment (Business Registries Stabilisation and Uplift) Bill 2025*, accompanying draft regulations and explanatory material that propose significant changes to the Director Identification Number regime.

The proposed reforms are intended to enhance the integrity of corporate data, address unlawful phoenix activity, strengthen regulatory oversight, and improve confidence in the accuracy of information held on the Companies Register.

The draft bill is open for consultation until 10 February.

FRAUD

ASFA launches scam-prevention aids

The Association of Superannuation Funds of Australia has launched a *Scams and Fraud Toolkit* and companion *Scams Policy Template* to help superannuation trustees strengthen their fraud and scam controls and respond to regulatory and community expectations about financial-crime prevention.

The resources bring together key legal obligations and prudential expectations that apply to trustees about scams and fraud, consolidating them into easy-to-read, practical reference points.

The toolkit:

- Maps the main legislative and prudential obligations that shape trustees' fraud and scam responsibilities
- Summarises prevention, detection, and response expectations for trustees under existing APRA and ASIC guidance
- Sets out common superannuation fraud and scam risks, such as unauthorised transfers, rollover fraud, and misuse of member credentials, along with indicative controls and reporting expectations, and

- Provides practical checklists trustees can use to test whether their risk management and settings adequately address fraud and scam threats.

The template:

- Brings together the core elements expected in a scams policy, including governance, prevention, detection, reporting, disruption, and remediation
- Aligns with emerging scams-prevention models and expectations of key regulators, and
- Clarifies the roles of boards, senior management, and accountable persons in overseeing scam risk and certifying the effectiveness of controls.

ASX

Continuous-disclosure breach admitted

Space, communications, and defence-systems manufacturer Electro Optic Systems Holdings Ltd has admitted breaching its continuous-disclosure obligations by failing to tell the ASX about a materially significant decline worth tens of millions of dollars in its 2022 annual revenue forecasts.

ASIC and EOS will ask the Federal Court to impose a $4 million penalty. The penalty is subject to court approval.

ASIC has separately begun proceedings against the former CEO and director of EOS, Ben Greene, for allegedly breaching his director's duties.

Upcoming periodic deadlines

Listed entities are reminded of upcoming deadlines for periodic reports:

- Preliminary final reports (December year-end) – Friday 27 February
- Statutory half-year financial reports (except mining, exploration, and oil-and-gas exploration entities) (June year-end) – Friday 27 February
- Statutory half-year financial reports for mining, exploration, and oil-and-gas exploration entities (June year-end) – Monday 16 March
- Statutory audited annual accounts (December year-end) – Tuesday 31 March
- Annual reports (December year-end) – Thursday 30 April for listed companies and Tuesday 31 March for listed registered schemes
- December quarterly reports for mining exploration, oil-and-gas exploration, and commitments-test entities – Friday 30 January, and
- An investment entity must notify the net-tangible-asset backing 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

Updated guidance on managing conflicts of interest

ASIC updated its regulatory guidance on managing conflicts of interest for Australian financial-services businesses.

The updated RG 181 *AFS Licensing: Managing Conflicts of Interest* sets out clear, principles-based guidance. It replaces guidance issued in August 2004.

Under section 912A(1)(aa) of the *Corporations Act 2001*, AFS licensees must have adequate arrangements in place to manage effectively conflicts of interest, except those that occur wholly outside a financial-services business.

RG 181 aims to help licensees fulfil their licensing obligations to have robust arrangements and tailored conflict management in place.

Key updates include:

- How the law applies to conflicts of interest, including the scope of the conflicts-management obligation and links to other related obligations
- The types of conflicts AFS licensees should identify and manage
- The need for robust, tailored arrangements to manage conflicts
- Practical steps for effective conflict management, and
- A non-exhaustive 'catalogue' of related legal obligations and information.

'Conflicts of interest aren't just ethical dilemmas', said commissioner O'Rourke.

'They pose real threats that erode trust, tarnish reputations, and cause lasting harm to consumers, investors, and the entire financial ecosystem.

'Effective conflict management is more than a regulatory checkbox — it's the cornerstone of trust in financial services.'

> In **GAAPinar No.5** on 20 November, Colin Parker presented *The AFS licence – what auditors need to know and do.*

ASIC issues key legal obligations for private credit funds

ASIC has released a catalogue summarising key legal obligations and regulatory guidance to help private credit-fund operators more easily identify and comply with regulatory obligations.

The catalogue provides a practical reference point and applies to operators of retail and wholesale private credit funds. It is also relevant to the broader funds-management sector.

ASIC intends to refresh regulatory guidance in 2026-2027 to consider private credit-surveillance findings, reflect current risks, and apply clearer guidance for wholesale funds.

Earlier this year, ASIC called on the private credit industry to lift its practices following expert observations of poor practices, the observations supported by November's *Private credit surveillance report: Retail and wholesale surveillance.*

Transitional relief for foreign financial-services providers extended

ASIC has extended by a year transitional relief for foreign financial-services providers. The relief exempts FFSPs from the requirement to hold an AFS licence when servicing Australian wholesale clients.

ASIC's sufficient-equivalence and limited-connection reliefs were due to expire on 31 March. Transitional relief will remain in place until 31 March 2027.

On 26 November 2025, the Australian Government introduced legislation for a new licensing-exemption regime for FFSPs under the *Treasury Laws Amendment (Genetic Testing Protections in Life Insurance and Other Measures) Bill 2025.* The new regime is due to begin 12 months after the bill receives royal assent.

FFSPs that have been granted a foreign AFS licence will be able to continue to operate in Australia.

ETHICS

APESB issues an updated code and prohibitions guidance

The Accounting Professional & Ethical Standards Board Limited has issued an updated code for APES 110 *Code of Ethics for Professional Accountants (including Independence Standards).*

It has also updated guidance to assist auditors, firms, accountants, sustainability-assurance practitioners, and other stakeholders to implement the code's prohibitions.

The new code incorporates 11 amending standards issued up to July 2025, including the most recent amending standard for *Sustainability Assurance and Reporting and the Use of External Experts* (effective 1 January2026).

APESB has also updated guidance on prohibitions applicable to audit, review, and sustainability-assurance engagements to maintain their independence.

APESB issues clarification in respect of the sustainability auditor

ASIC issued frequently-asked questions in September, including one addressing whether the same auditor needs to be appointed for both financial and sustainability-reporting audits.

The FAQ notes that registrable superannuation entities must have the same auditor for both.

If the reporting entity is a company, a registered scheme, or a retail corporate collective investment vehicle, however, the auditor of a sustainability report need not be the same as the auditor of a financial report.

Following the issuance of ASIC's FAQs, the AUASB also issued an FAQ outlining practical implications, including challenges of using the same or separate lead auditors and audit firms.

Until APESB issues an amending standard to revise footnotes, the code should be read in conjunction with FAQs issued by ASIC and the AUASB.

AUDIT

CADB cancels auditor's registration over EQR breaches

The Companies Auditors Disciplinary Board has cancelled the registration of Sydney company auditor Sam Danieli, director of A. D. Danieli Audit Pty Ltd, after an application brought by ASIC following an investigation.

Mr Danieli has applied to the Administrative Review Tribunal for a stay and review of CADB's decision.

ASIC's investigation uncovered many alleged systematic breaches of the auditing standard on engagement-quality reviews by Mr Danieli in his capacity as an engagement partner.

The CADB found that Mr Danieli failed to discuss with engagement-quality reviewers before signing and dating audit reports in five ASX-listed companies audited in each of FY23 and FY24. Engagement-quality reviews of 10 audits were never completed.

The CADB determined that Mr Danieli repeatedly and without justification breached his duties as an auditor, and that he knew or ought to have known what was required of him, particularly as he was reminded by third parties of his obligations. He persisted in breaching them.

The CADB found that Mr Danieli's conduct was serious and prolonged and he is not a person of the character who can be relied upon to comply with mandatory auditing standards.

ASIC sues BDO Audit and lead auditor over false or misleading reports

ASIC has begun civil penalty proceedings in the Federal Court against BDO Audit (WA) Pty Ltd and its director Dean Just alleging that they made statements in audit reports that made the reports materially false or misleading.

They also failed to take all reasonable steps to ensure that the audit reports were not materially false or misleading.

BDO Audit audited ASX-listed tech company Dubber Corporation Limited, the holding company of a group including Dubber Pty Ltd. Mr Just was the lead auditor at the time of the alleged contraventions.

ASIC alleges that BDO Audit and Mr Just failed to take all reasonable steps to ensure that audit reports lodged with ASIC for financial years ending 30 June 2020 to 30 June 2022 were not materially false or misleading.

In each of the reports, BDO asserted that:

- In BDO's opinion, the financial report gave a true and fair view of Dubber Group's financial position
- BDO had conducted the audit in accordance with the Australian Auditing Standards, and
- BDO believed the audit evidence obtained was sufficient and appropriate to provide a basis for that opinion.

ASIC alleges that Dubber's financial reports were materially misstated and that the audits had not been conducted in accordance with the Australian Auditing Standards.

ASIC deputy chair Sarah Court said: 'We consider BDO Audit and Mr Just acted outside of the auditing standards, and we allege misleading reports were submitted to ASIC.

'Auditor misconduct continues to be a key enforcement priority for ASIC.

'Confidence and trust are fundamental to the role of company auditors, and critical to maintaining the integrity of our markets and enabling investors to make informed decisions.'

On November 13 in **GAAPinar** Colin Parker and Chanelle Pienaar presented the *Latest insights into audit quality – lessons for your audit team.*

ASIC alleges banned SMSF auditor continued to audit

Kristian John Convery of Melbourne has been charged with acting as an SMSF auditor for four tax agents and 56 entities while being disqualified under the *Superannuation Industry (Supervision) Act* following an ASIC investigation.

ASIC disqualified permanently Mr Convery from 15 May 2024.

The commission alleges that between June 2024 and January last year Mr Convery continued to act as an SMSF auditor despite knowing that he was disqualified.

It alleges that between July 2024 and January 2025, Mr Convery created a series of false documents, namely a letter and 47 SMSF audit reports, for the purposes of their being accepted as genuine by other parties or for obtaining a gain.

The maximum penalty for making a false document with the intention that it be accepted as genuine carries a maximum penalty of 10 years' imprisonment.

The maximum penalty for falsifying documents with the intention of obtaining a gain is seven years.

The maximum penalty for acting as a superannuation auditor under the SIS Act while knowingly being disqualified under s130F is two years' imprisonment.

FMA publishes annual audit-quality report

The New Zealand Financial Markets Authority has published its latest *Audit Quality Monitoring Report.*

The 2024-25 report hopes to improve audit quality, highlighting areas of strength as well as those where extra focus and improvement is needed.

FMA head of audit, financial reporting, and climate-related disclosures Jacco Moison, said: 'The focus for this year's reviews was on whether firms appropriately designed and performed procedures to test the effectiveness of their quality-management systems as well as how they comply with auditing and assurance standards for the number of audit files reviewed'.

The report highlighted key considerations to further enhance audit quality. There were three main findings:

- Auditors did not always obtain sufficient evidence to verify the accuracy and completeness of related-party disclosures in financial statements
- Although firms successfully implemented the new Professional and Ethical Standard 3 that requires firms to have good systems of quality control, the operational effectiveness of quality management needs improvement, and
- Variable remuneration for CEOs and senior managers (for example, performance-based bonuses) can create incentives and pressures that increase the risk of management override of controls and fraud. Auditors should enhance documentation on how they assess and respond to these risks.

The report also provides insights into early observations on mandatory assurance reports for climate statements and the overseeing of overseas licensed auditors and registered audit firms.

ANAO performance audit report on ASIC's regulation of RCAs

The Australian National Audit Office has released its performance audit report on ASIC's *Regulation of Registered Company Auditors.*

The audit assures parliament that ASIC's regulation of registered company auditors is effective. The Joint Committee of Public Accounts and Audit for the 2024–25 Annual Audit Work Program identified it as a priority.

In relation to audit quality the ANAO concluded:

'ASIC's supervision of audit quality is based primarily on a small number of individual audit surveillances targeted at higher-risk entities. There is limited follow-through of quality issues identified in these surveillances other than reporting thematic findings to industry annually. ASIC has not implemented procedures for using the audit deficiency reporting process established by legislation in 2012.

'As a result of these factors, ASIC's visibility of audit quality or the impact of its own regulatory actions is narrow. ASIC has taken administrative and criminal enforcement action in the last five years; 88 per cent of cases with an enforcement result related to failure to pay levies or submit mandatory annual reporting rather than issues of audit quality or professional misconduct.'

The ANAO made two related recommendations which ASIC agreed:

- Recommendation no. 4 – 'The Australian Securities and Investments Commission reviews and improves its registered company auditor surveillance activities to ensure surveillance activities are risk-based, data driven and achieve their intended outcomes. This includes reviewing if the allocation of surveillance resources between individual audit file surveillances and thematic surveillances is the most effective allocation to achieve its outcomes.'
- Recommendation no. 5 – 'The Australian Securities and Investments Commission monitor report on whether registered company auditors follow through on voluntary commitments to take remedial action in response to audit surveillance activities; and implement procedures for the audit deficiency process established by the *Australian Securities and Investments Commission Act 2001.*"

ASIC's responses foreshadow changes:

- '[ASIC will] measure and report on the outcomes of our regulation of registered company auditors and review our auditor surveillance activities [as they] represent an opportunity for ASIC to continue to evolve and enhance its regulation of auditors.'
- 'We will review our surveillance of registered company auditors to ensure we are continuing to undertake surveillance activities that are risk-based, data driven and achieve o§ur intended outcomes. We will develop and report on measures to demonstrate how we are achieving our outcomes for registered company auditors. We will also commence reporting on the actions auditors propose to take in response to our surveillance findings ….'

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

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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)
- **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.

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.

- **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)
- **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

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APPENDIX

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

Area	Consideration
Revenue	Directors, RSE trustees and auditors should review an entity's revenue recognition policies to ensure that: • Revenue and deferred revenue are recognised in accordance with the substance of the underlying transactions and the satisfaction of performance obligations • Judgements and assumptions used in revenue models are appropriate and reasonable, and • Disclosure of revenue policies is not boilerplate and is appropriate for each material revenue stream.
Impairment of non-financial assets	Goodwill, indefinite useful life intangible assets, and intangible assets not yet available for use must be tested annually for impairment. 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	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.

Area	Consideration
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.
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. This 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.