GAAP ALERT

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Authored by Colin Parker and edited by Stephen Downes

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COLIN'S CORNER

It's EOFY, and much to do

This edition of *GAAP Alert* covers major Australian financial reporting, sustainability, governance, regulatory, ASX, AFSL, ethics, and audit developments for May–June.

A central theme is that regulators are sharpening expectations around judgement, disclosure, governance, cyber resilience, and accountability.

ASIC's 30 June financial-reporting focus remains on areas involving significant management judgement, including revenue recognition, impairment, financial instruments, provisions, expected credit losses, valuations, subsequent events, and meaningful entity-specific disclosure.

The commission is particularly focused on refreshed 30 June valuations, especially in private credit and private markets. It expects directors, trustees, auditors, and fund participants to challenge assumptions, use current and supportable inputs, and not wait for formal defaults before reassessing asset values and risks.

ASIC is also intensifying enforcement against late and non-lodgement of financial reports. Recent infringement notices against major retail companies reinforce that large proprietary companies and other reporting entities must meet lodgement obligations.

In not-for-profit reporting, AASB 1061 introduces a Tier 3 general-purpose framework for smaller NFP private-sector entities, effective from annual periods beginning 1 July 2029.

Sustainability reporting is improving, with ASIC observing better quantity, quality, consistency, and clarity in early mandatory climate disclosures. However, entities need to avoid misleading disclaimers, use reasonable and supportable climate-risk information, disclose assumptions and uncertainties clearly, avoid obscuring material information, and manage cross-references carefully.

ASIC's updated sustainability FAQs and IAASB materiality guidance reinforce the importance of audit, review, and assurance readiness.

Cyber and AI risks are now major governance concerns. Five Eyes agencies and ASIC urge boards and executives to reduce attack surfaces, patch faster, address legacy systems, strengthen identity controls, prepare incident responses, and manage third-party risks. The commission frames cyber resilience as a core licensing obligation, not merely an IT issue.

APRA is pressing banks, insurers, and super funds to integrate geopolitical risk into governance, risk management, capital and liquidity planning, stress testing, and crisis preparedness.

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Other developments include Payday Super from 1 July, DIN enforcement, AUSTRAC AML action, a new minimum wage, ASX's first supervision report, Keystone Asset Management proceedings, IESBA technology ethics guidance, auditor-independence enforcement, and revised AUASB prudential-reporting guidance.

GAAP Consulting welcomes Lara Gaede as team leader for its new Sustainability Implementation service, which supports clients with training, risk management, strategy, governance, KPIs, and reporting and assurance readiness.

Lara brings more than 30 years' experience across financial services, regulation, and professional services, helping organisations manage climate risk, sustainability strategy, regulatory change, and effective reporting.

We look forward to helping you with EOFY financial and sustainability reporting, auditing, and ethical challenges.

FINANCIAL REPORTING

ASIC's 30 June focus areas

In keeping with ASIC's enduring financial-reporting focus areas (see appendix), the commission will monitor financial-report preparers' major judgements. They are predominantly in revenue recognition, assessment of asset impairment, and recognition and measurement of financial instruments.

Refreshing 30 June valuations is a must-do, especially for private credit and across private investments generally. If valuations fail to reflect current conditions and incorporate verified accurate information the risk of misinformation and poor investor outcomes is higher.

ASIC expects professionals to challenge assumptions and refresh valuations to ensure that they are based on realistic and supportable inputs. They should ensure that financial reporting, audit, and assurance practices support 30 June valuations. Market participants should not wait for formal defaults before reassessing asset values and related risks.

In 2026-27, ASIC will review the financial reports of listed and unlisted companies, registrable superannuation entities, and managed investment schemes.

The commission will also review disclosures of companies that make provisions for decommissioning and site-restoration costs. The reviews will assess disclosures against new guidance issued by the AASB (illustrative example D of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*).

The commission reminds us that directors and superannuation trustees are primarily responsible for the quality of financial reports in accordance with the *Corporations Act 2001* and applicable Australian accounting 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 valuations, 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.

GAAPinar No.14 on 11 June addressed *Getting into the zone for 30 June reporters*, with Carmen Ridley and Colin Parker.

ASIC homes in on non-lodgements

Financial reporting misconduct, including the failure to lodge financial reports, is one of ASIC's 2026 enforcement priorities.

The commission has issued infringement notices to three companies operating major fashion and beauty retail businesses for allegedly failing to lodge financial reports by required dates.

Inditex Australia Pty Ltd, which retails under the Zara fashion brand, was fined $198,000 for failing to lodge a report for the financial year ending 31 January 2025.

H&M Hennes & Mauritz Pty Ltd, which retails under the fashion brand H&M, was fined $198,000 for failing to lodge a report for the financial year ending 30 November 2025.

Sephora Australia Pty Ltd, a beauty and personal-care retailer, was fined $198,000 for failing to lodge a report for the financial year ending 31 December 2024.

The three companies have lodged the outstanding reports.

ASIC commissioner Kate O'Rourke said that the infringement notices reinforced (the commission's) commitment to acting on late and non-lodgement of financial reports by large proprietary companies.

'Since announcing a broad surveillance focused on late lodgement and non-lodgement of financial reports in August 2025, ASIC has issued 24 infringement notices totalling over $4.5 million for alleged financial-reporting breaches.

'This, combined with court-imposed fines for failing to lodge financial reports and related governance obligations, should send a clear message to reporting entities that we are actively enforcing the financial reporting requirements and expect companies to comply.

'In line with our current enforcement priority, and through our targeted, data-driven surveillance, we continue to identify and investigate a number of companies that have lodged late or failed to lodge at all.

'ASIC will take appropriate action to ensure reporting entities are well aware of, and comply with, this important governance and disclosure obligation.'

As well as issuing 24 infringement notices, the commission has obtained court-imposed penalties, including more than $1.1 million in fines, of three public companies.

Large proprietary companies are obliged to prepare and lodge annual financial reports. 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
- The company and any entities it controls have 100 or more employees.

These criteria are to be determined by the application of accounting standards issued by the AASB. Such a determination can be challenging.

Other entities obliged to lodge financial reports include public companies, registered managed investment schemes, registrable superannuation entities, and small proprietary companies that are controlled by a foreign company.

The GAAPinar library contains a recording of *RG 34 Auditor Obligations: What auditors must report to ASIC and why you might need to act now*, with Carmen Ridley and Colin Parker (26 November 2025).

Bulky Tier 3 standard arrives

AASB 1061 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* focuses on information that 'matters most to users of smaller NFP financial statements, cutting unnecessary complexity'.

The result is a better proportioned general-purpose reporting option that helps smaller NFPs prepare financial statements more efficiently, freeing up time and resources to stay focused on mission and service delivery.

A package also includes AASB 2026-2, which amends Australian standards to extend the application of the *Conceptual Framework* and limit the ability of NFP entities to prepare special-purpose financial statements. It contains amendments to more than 30 standards and interpretations.

The new standards will be effective for annual reporting periods beginning on or after 1 July 2029, early application permitted.

The Australian Accounting Standards Board will continue working with regulators, legislative bodies, and relevant government agencies to support consistent and effective implementation across the NFP sector.

Private credit on notice over valuations

The private credit sector is facing its first real test. Tighter liquidity, emerging borrower stress, and signs of credit deterioration are testing valuations, governance, and investor disclosures.

ASIC is calling on funds to ensure that their 30 June asset valuations are current, accurate, and grounded in realistic assumptions.

ASIC expects boards, auditors, and participants across the private-credit eco-system, including responsible entities, trustees, and chief investment officers, to assess private credit and broader private market practices against the commission's 10 principles and lift standards where needed.

Poor practices in private credit remain a 2026 enforcement priority, and ASIC has said that it will act where conduct falls short.

Obligations cannot be outsourced. Participants must ensure that those involved in their funds – management value chains from origination through to audit – are meeting their responsibilities to support participants' obligations.

GAAPinar No.2 on 19 March addressed *Navigating AASB/IFRS 13 Fair Value Measurement*, with Carmen Ridley and Colin Parker.

ASIC's message is straightforward: participants should use this reporting cycle to challenge assumptions, refresh valuations, and lift practices in line with the 10 principles (listed in table below).

Private credit and private markets generally should refresh 30 June valuations. It they fail to reflect current conditions and incorporate verified accurate information there is a higher risk of misinformation and poor investor outcomes.

ASIC expects preparers to challenge assumptions to ensure that valuations are based on realistic and supportable inputs. Participants should ensure that financial reporting and audit and assurance practices support valuations. Market participants should not wait for formal defaults before reassessing asset values and related risks.

Principle	Explanation
Stewards of other people's money	Responsible entities and trustees act as stewards of investor capital, ensuring that their decisions are fair and in investors' best interests
Organisational capability	Human, financial, and technological resources are adequate. Responsible entities and trustees operate efficiently, honestly and fairly
Transparency	Investors have access to timely, transparent information on investment strategy, exposures, valuations, risks, and fees
Design and distribution	Practices are fair, transparent, and appropriately targeted for investors
Fees and costs	Fair and transparent, giving investors and borrowers a clear view of total costs
Conflicts of interest	Identified, disclosed, and effectively managed or avoided
Governance structures	Processes and people promote sound decision-making, compliance, and accountability
Valuations	Are fair, timely, and transparent, with robust governance
Liquidity	Liquidity risk is effectively disclosed and managed, avoiding structural mismatches, with fair redemption terms aligned to portfolio liquidity
Credit risk	Credit risk is effectively managed across loan origination, portfolio construction, monitoring, impairment, default, and repayment

SUSTAINABILITY REPORTING

ASIC's early observations on sustainability reporting

ASIC has published observations on initial sustainability reports prepared under Chapter 2M of the *Corporations Act 2001* to assist entities ahead of 30 June.

The review considered whether the reports provided high-quality information useful for decision-making that complies with the act and AASB S2 *Climate-related Disclosures*.

It found a marked improvement in both the quantity and quality of climate-related financial information, particularly compared with earlier voluntary disclosures. The introduction of standardised requirements also appeared to promote consistency and improve information clarity. ASIC noted that tables and diagrams presented information well.

The review also identified opportunities for entities to enhance their sustainability reporting. The commission encouraged them to consider the following when preparing reports:

- Do not include disclaimers that conflict with the statutory framework and objectives of Chapter 2M, as these can mislead or confuse
- Use all reasonable and supportable information – covering past events, current conditions, and forecast future conditions – when identifying climate-related risks
- Disclose relevant judgments, assumptions, and measurement uncertainties clearly and effectively, ensuring that they are presented close to related information
- Avoid obscuring material climate-related financial information with additional disclosures
- When cross-referencing information outside the sustainability report, entities must ensure that they meet relevant requirements, and
- Remember that 'climate-related targets' under AASB S2 include legally-required targets, such as those set by the safeguard mechanism for greenhouse-gas emissions.

Final observations will be published in the second half of 2026.

ASIC has updated its *Sustainability reporting and audit relief decisions register* to include its decisions on individual relief applications. They number 13.

GAAPinar No.13 on 11 June addressed *Climate-related disclosures – key focus areas and lessons* from 31 December reporters, with Carmen Ridley and Colin Parker.

ASIC updates sustainability FAQs

ASIC has updated *20 FAQs: Review or audit of sustainability reports*. They contain guidance about the review and audit requirements of sustainability reports under the *Corporations Act 2001*.

They might help:

- Preparers understand their obligations about obtaining a review or audit of a report, the appointment/removal/resignation of auditors, and who can conduct a review or audit, and
- Auditors to understand their obligations under the act, such as stating an opinion on a report, what the auditor's report must contain, the extent to which modified liability settings apply to statements in an auditor's reporting on a sustainability report, and auditor independence.

A noteworthy FAQ is the 20th: 'What is ASIC's approach to supervision and enforcement?'

ASIC says: 'We will take a pragmatic and proportionate approach to supervision and enforcement as the review and audit requirements for sustainability reports under the Corporations Act are being phased in.

'We are more likely to commence an enforcement investigation where we see misconduct of a serious or reckless nature.'

IAASB releases FAQs on materiality for ISSA 5000

The International Auditing and Assurance Standards Board has released new FAQs to support implementation ISSA 5000 *General Requirements for Sustainability Assurance Engagements*.

The FAQs focus on the application of materiality in sustainability assurance engagements and are intended to promote consistent understanding and effective application of the concept under ISSA 5000.

The document explains how reporting entities and assurance practitioners apply materiality in the context of sustainability information, including:

- Understanding the information needs of intended users of sustainability information
- Addressing qualitative and quantitative disclosures
- Addressing double materiality considerations, when required, and
- Considering how materiality is applied throughout the engagement to support decision-useful sustainability reporting.

The FAQs also provide explanations and illustrative examples to help stakeholders better understand the application of the concept of materiality under ISSA 5000.

NZ climate reporting improves

The NZ Financial Markets Authority has released its 2026 report on climate-related disclosures, noting encouraging progress.

A growing maturity demonstrated by climate-reporting entities was not without areas needing improvement.

The report reviewed 62 climate statements from the second year of New Zealand's climate-related disclosure regime.

Many climate-reporting entities demonstrated clearer structures, an increase in greenhouse-gas-emission disclosures, improved articulation of governance and risk management, and an increasing recognition of material business risks driven by climate change.

Jenika Phipps, manager of the authority's climate-related disclosures, says that organisations are making steady progress.

'Consideration of climate-related risks, particularly physical risks, remains important given climate change is already affecting New Zealand through more frequent and severe weather events', said Ms Phipps.

'This may translate into financial impacts through effects on assets and operations, or indirectly through impacts on customers, supply chains, or insurance availability.

'Our expectations for further progress are not intended to increase the volume or complexity of disclosures, but that CREs refine their approach to focus on information that is most relevant to primary users.

'This includes improving quality by ensuring appropriate data is used, enabling entities to move beyond general statements and provide clearer explanations of the material climate risks they face, how those risks arise, and the potential impacts on their business.'

The report identifies key areas for improvement in climate statements. They include:

Improvement	How
More specific physical-risk disclosures	Include clearer explanation of how climate hazards translate into risks, and which assets, operations or activities are exposed and vulnerable
Stronger data and analysis underpinning physical-risk assessments	Ensuring appropriate data is used so risks are not understated, overstated or misidentified, and physical-risk disclosures provide a reliable basis for decision-making
Clearer articulation of anticipated impacts	Have a direct link to well-defined material climate risks and improved distinction between risks and their impacts
Better linkage between risks and transition planning	A clearer disclosure of how targets and actions (or their absence) respond to identified material risks
Improved quality and completeness of greenhouse gas assurance disclosures	Compliance with assurance standards, and transparency over what information has been assured.

GOVERNANCE

Five eyes on AI and cyber security

AI is here. It lowers barriers for malicious actors, accelerates attacks, and narrows the window between vulnerability and exploitation. It also offers powerful tools to strengthen defence.

The Five Eyes cyber-security agencies here and in New Zealand, Canada, the UK and US urge leaders to:

- Understand and assess risk, readiness, and accountability
- Prioritise foundational cyber-security practices and controls
- Empower cyber leaders with authority and resources, and
- Stay actively engaged as threats and guidance evolve.

Success depends on getting the basics right, acting quickly, and making cyber security part of core business strategies. Those who delay face growing operational and strategic disadvantage.

Five Eyes has identified five actions. They are not new, but are urgent to reduce not only technical risk, but also operational, financial, and reputational exposure:

- **Reduce your attack surface:** Limit unnecessary system access and external connectivity. Challenge whether systems need to be exposed at all and isolate those that do not
- **Accelerate patching processes:** AI is shortening the time between vulnerability discovery and exploitation. Delays in patching increase risk, especially for operational systems with long update cycles. Prioritise security updates accordingly to manage risks
- **Address legacy systems:** Unsupported systems are easy targets. They are not just technical debt, they are strategic liabilities
- **Review and strengthen identity and access controls:** Limit who can access critical systems. Enforce strong authentication and regularly review permissions, and
- **Prepare for incidents before they happen:** Test response plans, train and prepare teams, and assume breaches will occur. Focus on fast containment and recovery.

GAAPinar No.6 on 30 April addressed *AI – ethical, governance, and audit risks*, with Carmen Ridley and Colin Parker.

REGULATORS

Get ready for geopolitical shocks, says APRA

The Australian Prudential Regulation Authority has written to banks, insurers and superannuation funds setting out its minimum expectations about their readiness for geopolitical shocks.

APRA has grown increasingly concerned in recent years about the potential for adverse impacts on the financial system from geopolitical shocks such as trade restrictions, sanctions, and armed conflicts.

Although most entities are aware of geopolitical risks, APRA and other agencies on the Council of Financial Regulators have observed common gaps in how entities confront them with practical risk management and crisis preparedness.

The gaps include:

- Actions by nation states to impose sanctions, restrict market access or reduce capital mobility are often not considered explicitly in business plans and credit, funding, and investment strategies
- Risk management is not keeping pace with rapidly evolving threats. These include personnel-related security risks and risks associated with disinformation campaigns that could undermine confidence in an entity's resilience
- Many boards are still developing the technical literacy needed to provide effective challenges to technology-related risks such as AI. Reliance on critical third parties, often overseas, makes it more challenging to manage risks, and
- Crisis preparedness exercises are not always strong enough to give boards and management confidence that the entity can withstand and respond effectively to a severe geopolitical shock.

APRA has written to its regulated industries setting out minimum expectations for geopolitical risk readiness in six key areas. These include enhancing preparation for non-financial and non-traditional risks such as foreign interference, insider threats, and cyber-attacks.

They also include an entity's preparation for traditional financial impacts through capital and liquidity planning as well as investment stress-testing for potential scenarios such as market closure, sanctions, and funding stresses.

APRA chair John Lonsdale said: 'Today's letter is a clear call to action as awareness is not enough. We need to see APRA-regulated entities integrate geopolitical risk into governance, risk management, and crisis-preparedness practices to strengthen their readiness for geopolitical shocks.

'Where APRA identifies heightened exposure, weak governance, or inadequate preparedness, we will take appropriate supervisory action to address these gaps.

'The expectations outlined in today's letter do not represent new prudential requirements. Rather, APRA seeks to ensure entities [to] use APRA's existing prudential standards to better integrate geopolitical risk into governance, risk management, and crisis preparedness.'

APRA will shortly write to a group of larger entities with heightened exposure to geopolitical shocks, asking them to complete a readiness assessment focusing on crisis preparedness, personnel, and political risks.

APRA begins Diversa probe

APRA has begun investigating Diversa Trustees Ltd's executive remuneration.

The probe will consider whether Diversa has complied with its regulatory obligations. In particular, APRA will investigate whether remuneration decisions were made in accordance with APRA's prudential standards and trustees' duties under the *Superannuation Industry (Supervision) Act 1993*.

APRA chair John Lonsdale said: 'Prudent remuneration practices play a critical role in driving sound governance and protecting the best financial interests of superannuation fund members.

'APRA expects superannuation trustees to ensure remuneration decisions reinforce accountability and appropriately reflect risk and performance outcomes, particularly in circumstances where member outcomes may have been adversely affected.'

The investigation will not consider whether Diversa is responsible for member losses arising from the collapse of First Guardian, which is the subject of ASIC proceedings in the Federal Court.

Pay-day super begins on 1 July

From 1 July, employers will be required to deposit employees' super into accounts within seven business days of payday. The Australian Taxation Office estimates that $6.25 billion worth of super went unpaid in the most 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 trying to pay contributions in line with pay cycles can fall into a low-risk category.

The federal government has published regulations supporting the implementation of Payday Super reforms.

The *Treasury Laws Amendment Payday Superannuation Regulations 2026* confirm the kinds of payments that do not attract super and the consequences of an employer voluntarily disclosing any missed payments.

They provide a reduced three day timeframe for superannuation funds to approve or reject contributions. This aims to ensure that contributions are allocated to a member correctly and earlier, including the resolution of errors.

The taxation office's first year transitional approach *Practical Compliance Guideline 2026/1* has been published. In 2026–27, employers will not be penalised if they are doing what they can to obey the new regulations as system and software upgrades are rolled out.

Directors fined for DIN non-compliance

Two New South Wales directors have been convicted and fined $10,000 each for failing to comply with director-identification obligations.

Adam Rana was convicted for contravening section 1272C(1) of the *Corporations Act 2001* for failing to have a director identification number. Mr Rana is a director of four companies operating in the construction and civil-works sector.

Joseph Tarzia, a director of 27 companies, many of which were in the construction industry, was convicted of the same offence.

Failing to have a director identification number is a strict liability offence, meaning liability arises regardless of intent. The $10,000 fines reflect the seriousness of the offence and serves as a deterrent.

ASIC has prosecuted 11 directors for failing to comply with DIN requirements, resulting in more than $40,000 in fines. Obtaining a DIN is a mandatory legal requirement.

AUSTRAC disciplines club over pokies

Finance-crimes watchdog AUSTRAC has ordered Bankstown District Sports Club Ltd to appoint an external auditor amid concerns that its anti-money laundering controls may not be strong enough to stop organised crime exploiting poker machines and gambling venues.

Made under section 162 of the *Anti Money Laundering and Counter Terrorism Financing Act 2006*, the order requires an independent auditor to assess whether the club is complying with its AML and counter-terrorism-financing obligations.

The audit will examine whether the club has:

- An effective, risk based AML/CTF program to identify, mitigate and manage money-laundering and terrorism-financing risks
- Conducted an appropriate assessment of the risks posed by its customers, services, and delivery methods, and
- Adequate systems to monitor customers and identify suspicious behaviour linked to money-laundering and terrorism financing.

The scope of the audit has been set by AUSTRAC and will be conducted at the club's expense.

The findings are aimed to help the club to strengthen its compliance and will inform AUSTRAC whether any further regulatory action is required.

The action forms part of AUSTRAC's regulation of the gambling sector, including civil penalty proceedings involving Mount Pritchard District and Community Club (Mounties), an enforceable undertaking with online wagering provider Sportsbet, and an enforcement investigation involving Tabcorp.

New national minimum wage

The national minimum wage applies to employees who aren't covered by an award or enterprise agreement.

From 1 July, it will be: $1004.90 per week, or $26.44 per hour. The new amounts will apply from the first full pay period on or after 1 July.

ASX

First ASX supervision report released

ASX Supervision has released its first *Listed Entity Supervision Report*, its aim to provide an overview of the exchange's supervision and enforcement in FY26. It also provides an insight into the exchange's likely focus areas in FY27.

The report also includes updates to several topical rules matters including:

- Earnings surprises
- Committee composition
- Investor presentations
- Continuous disclosure and ramping, and
- Focus areas for disclosure by mining entities.

The ASX has made 20 referrals to ASIC. Corporations act issues covered can include a range of issues such as suspected insider trading, continuous-disclosure contraventions, misleading and deceptive conduct, directors' duties contraventions, and false and misleading statements to a market operator.

Listed entities and their advisers are encouraged to read the report.

AFSL

ASIC calls for boost in cyber resilience

In an open letter to industry, ASIC is calling on licensees and market participants to urgently strengthen their cyber-resilience measures, as AI models such as Anthropic's Claude Mythos intensify cyber risks.

ASIC directs entities to table the letter at their next board and risk-governance committee meetings.

While cyber-risk has always existed, misuse of emerging AI models could expose cyber-security vulnerabilities at an unprecedented speed, scale, and sophistication, it says.

The commission has urged entities to act now and not wait for advanced AI tools to improve cyber security to withstand AI-accelerated threats.

ASIC commissioner Simone Constant emphasised the need for urgent, focused action using a principles-based, 'model-agnostic' approach, reminding industry that cyber resilience must be treated as a core licensing obligation, not simply an IT issue.

Commissioner Constant said: 'Cyber risk has entered a new era. The advent of frontier AI models creates opportunity, but also materially increases risk, with the ability to expose vulnerabilities far faster than many realise.

'Entities need to have robust incident-response plans. Whether an entity faces a basic phishing attempt or a more sophisticated cyber-attack, the underlying cyber-risk management principles of govern, protect, detect, respond remain the same.

'Appropriate cyber-risk management starts at the leadership of licensees and participants. Boards and executives must ensure systems are tested, weaknesses are addressed early, and that action is taken before threats can be exploited.'

ASIC is urging entities to take the following steps:

- Reassess your cyber plans and refocus efforts on the most critical risks in today's threat environment
- Confirm your cyber risk, governance, and overall risk and decision-making frameworks. Consider the cumulative impact of interrelated vulnerabilities and facilitate clear decision-making and escalation at the pace necessary to manage risk
- Identify and protect critical assets and systems, with a clear understanding of what matters most to your business and customers
- Strengthen cyber security by regularly reviewing and validating core controls
- Minimise attack surfaces by reducing exposure of systems and services to untrusted networks
- Regularly review user access and reassess privileges to protect against unauthorised access. Insider threats are increasing and entities should monitor for warning signs and act to restrict access where concerns are identified
- Patch systems promptly, recognising that AI is accelerating discovery and exploitation
- Review and strengthen patch-management processes, considering challenges daily patching may present to identification, testing, and governance of critical updates
- Implement layered, defence-in-depth architectures that assume breach and restrict lateral movement
- Prepare for incident response by maintaining and exercising incident-response plans and playbooks, including business-continuity plans and identification of highest-priority services, channels, and platforms
- Actively manage third-party risks, particularly where services introduce concentration or systemic exposure, and
- Use AI for defensive purposes, where appropriate, including identifying vulnerabilities and securing software before release.

ASIC encourages entities it regulates to use practical guidance from trusted sources, including the Australian Signals Directorate, to strengthen cyber defences.

ASIC sues former Keystone executives over alleged Shield failures

Former Keystone Asset Management directors and compliance committee members put hundreds of millions of dollars of Australians' superannuation at risk by investing scheme funds in related entities and third parties without proper safeguards, ASIC alleges in Federal Court proceedings.

ASIC chair Sarah Court said the case reflects alleged failures in how hundreds of millions of dollars of Australians' super savings were handled and protected.

'Investors in managed investment schemes are entitled to expect that their investments will be carefully managed on their behalf but, in this case, ASIC alleges investors were exposed to conflicted arrangements and poor oversight.

'We allege hundreds of millions of dollars of superannuation was transferred to related entities without basic safeguards, exposing thousands of Australians to significant financial risk.

'These proceedings are about holding those we allege to be involved to account and sending a clear message that directors operating schemes of this kind must act in investors' best interests.'

ASIC is seeking civil penalties and disqualification orders against the former directors and costs.

ETHICS

AI, apply the ethics code says APESB

A recent Accounting Professional and Ethical Standards Board technical alert, *The ethical use of artificial intelligence by professional accountants*, reminds accountants of their ethical responsibilities when using AI. The alert is especially relevant during EOFY preparation and audits.

When using AI, members must continue to comply with their ethical obligations under APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

New principles-based technology provisions in the Code took effect on 1 January 2025. These amendments help ensure the Code continues to guide members' responsible use of technology, including AI tools, while upholding fundamental principles such as integrity, professional competence and due care, and confidentiality.

Following the Code's ethical principles can help reduce the risks associated with AI use.

Members must apply an inquiring mind to critically assess and verify information used or produced in professional activities, including AI-generated information.

Members should also disclose their use of AI tools and supervise and review that use when delivering professional activities, consistent with the principles of integrity, professional competence and due care, and professional behaviour.

IESBA releases Q&As on using technology

The International Ethics Standards Board for Accountants has issued *Snapshots Ethics and Independence Approach to the Use of Technology* to provide short, non-technical overviews of IESBA projects and initiatives through seven Q&As.

The snapshot is relevant here as APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* is based on the *International Code of Ethics for Professional Accountants* issued by IESBA.

The response to Q4 'What were the 2023 technology-related revisions to the Code?' is particularly noteworthy in the context of AI use by preparers and auditors. The key changes affected were:

Area	Affect
Professional competence and due care	Understand, be able to explain, and evaluate the technology you use, including keeping pace with technology-related developments relevant to your professional activities. Relying on opaque or unexplained outputs is not acceptable.
Inquiring mind	A prerequisite to understanding the source and relevance of inputs, and the sufficiency of technology outputs for the intended purpose. It applies to all professional accountants regardless of the activity undertaken.
Use of technology outputs	Applies whenever a professional accountant uses technology outputs whether internally developed, purchased, or third-party. Accountants must assess fitness for purpose, understand limitations and assumptions, evaluate data quality and potential bias, and determine the appropriate extent of reliance.
Automation bias	Automation bias is the tendency to favour outputs generated by technology even when contradictory information raises questions about their reliability. It is now explicitly named in the code as a bias that can impair objectivity and the proper exercise of professional judgment. The code requires accountants to be alert to this and other biases, and professional responsibility cannot be delegated to a machine.
Complex circumstances	The code includes guidance on managing complexity – defined as arising from the compounding effect of interactions among uncertain elements and interdependent variables and assumptions. Rapid digitalisation has made such circumstances more prevalent, and professional accountants must communicate inherent uncertainties to their organisation, firm, and users of their professional activities and remain alert to changes in facts and circumstances.
Confidentiality	Confidentiality obligations have been extended to cover the full data lifecycle: collection, use, transfer, storage, dissemination, and lawful destruction. The use of client data for purposes such as AI training requires proper authorisation, with clear boundaries around consent.
Independence	The independence standards have been reinforced to address risks specific to technology-enabled services: self-review threats, the risk of assuming management responsibility, and commercial dependencies that can arise when technology is used to deliver professional services to audit and assurance clients.

AUDIT

Auditor hands in registration over independence concerns

ASIC has accepted John Gordon Owenell's application to cancel his registration as a company auditor.

The commission was concerned about Mr Owenell's alleged failure to comply with auditor independence and conflicts of interest under the *Corporations Act 2001* and APES110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Mr Owenell's alleged failures were uncovered by ASIC's surveillance of auditor independence and conflicts of interest. It used data-driven analysis to detect a range of possible independence issues, outcomes revealed in report 817 *Building trust: Auditors' compliance with independence and conflict of interest obligations*.

ASIC's concerns arose from Mr Owenell's involvement in the audit of a large proprietary company (including as lead auditor and engagement partner) in circumstances where he:

- Previously held the position of company secretary for the client (between 1988 and 2003)
- Conducted internal audits for the company (between 2005 and 2007), and
- Audited the client for a consecutive period of 19 years (between 2007 and 2025).

The commission was concerned that these matters, particularly Mr Owenell's long association with the client, created significant self-interest and familiarity threats to auditor independence that were not appropriately addressed.

Commissioner Kate O'Rourke said: 'Auditor independence is fundamental to trust in Australia's financial reporting system. Auditors must avoid situations where their objectivity is compromised or could reasonably be seen to be compromised.'

AUASB revises prudential-reporting guidance

The Auditing and Assurance Standards Board has revised guidance statement GS 002 *Audit Implications of Prudential Reporting Requirements for Registrable Superannuation Entities*. The revised GS 002 replaces a version issued in January 2014.

Changes include:

- Updating for a revised APRA Prudential Standard SPS 310 *Audit and Related Matters* and other relevant changes in prudential standards
- Updating for new and amended AUASB standards issued since January 2014, including ASAE 3150 *Assurance Engagements on Controls*
- A new Appendix 1 *Risk identification and assessment* on considerations for identifying and assessing risks for audits of financial reports, and
- An illustrative auditor's report that replaces the previous APRA-approved form.

INSIDE GAAP CONSULTING

Welcome Lara Gaede, our new team leader in – sustainability implementation

It's my pleasure to welcome Lara Gaede to the *GAAP Consulting* team to help meet your sustainability needs.

Under Lara's leadership, we're offering a new service that we've called 'sustainability implementation'.

It will deliver training and advice in risk management, strategy, governance, KPIs, reporting, and assurance readiness.

Lara is a sustainability expert with more than30 years of experience spanning financial services, regulation, and professional services.

She has built and led high-performing sustainability practices across leading global firms, combining deep technical expertise in sustainability, financial reporting, securities regulation, and governance with practical commercial advice.

Her work focuses on helping firms and organisations navigate the complexities of climate risk, sustainability strategy, regulatory change, and effective reporting.

She is a fellow of Chartered Accountants (Canada), a Chartered Financial Analyst, and a holder of governance designations from both Australia and Canada.

Updated litigation and risk-management service offering

GAAP Consulting has updated its service offering for litigation and risk-management engagement briefs.

Led by Colin Parker, the service draws on 25 years' experience providing independent and consulting expert support in complex matters involving financial reporting, auditing, professional ethics, fraud and alleged professional negligence.

Colin has advised on more than 50 litigation and risk-management matters, acting for both plaintiffs and defendants.

Supported by the *GAAP Consulting* team, the offering provides law firms, regulators, auditors and clients with technically rigorous, independent and practical support across complex and high-stakes disputes.

Want to know more? Please contact me.

GAAPinars series 1 recordings available

GAAP Training's current 14-session program has concluded. Recordings of the sessions are available at the *GAAP Training* website.

Our 12-session second series starts on 5 November.

Questions about the *GAAPinars* and tailored training are answered by Andrew at andrew@gaaptraining.com.au.

More training riches on demand

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?

Check out the 'on-demand' sessions in *GAAP Training's* extensive library of more than 180 topics.

The library includes the most recent sessions. More than 280 CPD hours are just a mouse-click away at www.gaaptraining.com.au. Use the *GAAPinars* as a refresher and to bring new members up to speed.

How we can help

GAAP Consulting can help you with:

- **Financial and sustainability reporting** – advice and implementation of new and revised standards, preparation of accounting policy position papers, pre-issuance review of financial and sustainability statements, and financial statement preparation
- **Sustainability implementation** – risk management, strategy, governance, KPIs, reporting and assurance readiness
- **Risk management** – as either an independent or consulting expert, help with enquiries from regulators and accounting bodies, and with managing litigation risks
- **Audit quality** – advice on auditing and ethical standards, ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* systems' compliance, audit file inspections, root cause analysis, and ASQM 2 *Engagement Quality Reviews*
- **Training** – face-to-face and web-based (*GAAPinars*) training on standards, legislative developments, and business risks as well as client briefings on contemporary issues (www.gaaptraining.com.au), and
- **Information services** – 'white-label' use of proprietary content from *GAAP Alert* and *NFP Risks* newsletters to enhance brand awareness and expertise to existing and potential clients. We can also help with better communication in tenders, client communications, and internal manuals, and
- **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.

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.

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
- **Lara Gaede** (sustainability – risk management, strategy, governance, KPIs, reporting and assurance readiness) – Sydney
- **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:

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

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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 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 must be sufficiently detailed for users to understand the judgements applied.
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. A listed entity must disclose sustainability-related financial information, including climate-related financial information, in the OFR if this is information that members reasonably require to make an informed assessment of the entity's operations, financial position, business strategies and prospects for future financial years. For further information about disclosing sustainability-related financial information in the OFR, refer to paragraphs 119 to 129 of ASIC Regulatory Guide 280: *Sustainability reporting*. ASIC's Regulatory Guide 247 *Effective disclosure in an operating and financial review* provides further guidance on OFR 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*).