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CORNER

Challenges for all

This *GAAP Alert* highlights a very active regulatory environment across financial reporting, sustainability disclosure, governance, wages compliance, market disclosure, financial-services licensing, ethics, and audit quality. A central message is that regulators are increasingly focused on accountability, timely reporting, reliable disclosure, and stronger governance systems.

The AASB has amended AASB 128 to clarify when certain entities may measure investments in associates and joint ventures at fair value through profit or loss. The amendments apply from annual periods beginning on or after 1 January next year, with a later start date for some not-for-profit and superannuation entities.

ASIC is intensifying enforcement of lodgement obligations. Three Mainfreight Group companies were fined a combined \$594,000 for failing to lodge financial reports on time, while Hudson Global Resources was fined \$270,000 for missed reporting obligations. The key takeaway is that companies should confirm whether they must lodge financial reports, identify applicable deadlines, and schedule audit and board approvals early.

Growing attention to the quality and usefulness of corporate reporting is in the crow-hairs. The UK FRC has issued guidance on applying materiality to help reduce unnecessary complexity in annual reports, while separate FRC research finds AI use in corporate reporting is increasing but remains cautious, especially in areas requiring professional judgement.

Sustainability reporting continues to evolve. The federal government has released voluntary guidance on climate-related transition planning. It has also proposed that changes to climate-related financial disclosures include changes to assurance rules, clearer guidance on key concepts, and reduced supply-chain information burdens.

Governance is another strong theme. ASIC and APRA are warning financial-market entities to move from awareness of AI risks to practical action, particularly as 'frontier' AI increases cyber-threat speed and sophistication. Boards are encouraged to address cyber fundamentals, response planning, third-party dependencies, and industry collaboration before crises occur.

The AICD has updated guidance on AI governance and stakeholder engagement. New director-ID requirements will apply from 1 July next year, requiring companies to provide director identification numbers to ASIC in relevant reports and updates.

Workplace compliance remains a major risk. Peabody Energy has back-paid nearly \$5 million and committed to improved compliance systems.

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ASIC enforcement dominates. McPherson's was found to have breached continuous-disclosure laws after failing to correct promptly earnings guidance. Netwealth admitted due-diligence failures relating to First Guardian, with more than \$100 million paid to affected investors. Fiducian was fined

\$7.3 million over misleading ESG claims. ASIC also suspended GFA Capital Markets' AFS licence and highlighted stronger financial requirements for responsible entities from 2027.

Audit and ethics standards are tightening together with enforcement. The APESB has revised guidance on audit-partner and sustainability-assurance rotation, IESBA has issued guidance on ethical risks from

emerging technologies, ASIC has sued Auditeo over alleged First Guardian audit failures and reminded registered company auditors of their responsibilities. The ATO's SMSF auditor program will focus on valuation evidence, independence, high-risk auditors and audit-file quality.

The *GAAP Consulting* team will explore these issues and much more in our upcoming *GAAPinar* series.



FINANCIAL REPORTING

AASB clarifies investments standard

The Australian Accounting Standards Board has amended AASB 128 *Investments in Associates and Joint Ventures* to clarify which entities are eligible to measure investments in associates and joint ventures at fair value through profit or loss.

AASB 2026-3 aligns AASB 128 with AASB 9 *Financial Instruments* rather than applying the 'equity' method.

The amendments clarify the meaning of a 'similar entity' for venture-capital organisations, mutual funds and unit trusts. They are permitted under AASB 128 to use the fair-value measurement option.

Amendments clarify that 'similar entities' include those whose main business activity is investing in particular types of assets as described in AASB 18 *Presentation and Disclosure in Financial Statements* (para. 49(a)).

AASB 2026-3 *Amendments to Australian Accounting Standards – Fair Value Option for Investments in Associates and Joint Ventures* applies to annual reporting periods beginning on or after 1 January next year.

It applies for not-for-profit and superannuation entities using AASB 1056 *Superannuation Entities* to annual reporting periods beginning on or after 1 January 2028. Earlier application is permitted.

ASIC fines three firms \$594,000

The Australian Securities & Investments Commission has fined three companies \$594,000 for failing to lodge financial reports on time.

The companies are part of supply-chain logistics operator Mainfreight Group. The missed deadline was 31 March 2025.

Mainfreight Distribution Pty Ltd, Owens Group Australia Pty Ltd, and Mainfreight Holdings Pty Ltd were each fined \$198,000 for failing to lodge reports by the 31 July 2025 deadline.

The fines are part of ASIC's surveillance and enforcement of reporting compliance.

The specific reasons for ASIC's concerns are set out on the Infringement Notices Register.

ASIC commissioner Kate O'Rourke said that the notices should serve as a warning for companies required to lodge financial reports for the year ended 30 June 2026.

'ASIC's action sends a clear message to reporting entities that we are actively enforcing the financial reporting requirements and expect companies to comply', she said.

'We have issued infringement notices to companies across a range of sectors including retail, hospitality, and now logistics. All of these companies play a significant role in our economy and should be complying with their financial reporting obligations.

'We remind companies required to lodge financial reports that they must generally lodge within four months after the end of the financial year. Disclosing entities and registered schemes generally have three months.

'Reporting companies should act now to ensure their FY26 financial reports are prepared, audited and lodged with ASIC on time. We will take appropriate action to ensure reporting entities comply with their governance and disclosure obligations.'

ASIC has issued 27 infringement notices totalling more than \$5 million for alleged financial-reporting breaches since commencing broad surveillance in August 2025.

Ms O'Rourke said: 'We will continue our targeted, data-driven surveillance to identify and investigate companies that have lodged late or failed to lodge at all, in line with our current enforcement priority focusing on financial reporting misconduct.'

Companies should check whether they are required to lodge financial reports, confirm their applicable lodgement deadline, and ensure audit and board approvals are scheduled early enough to meet deadlines.

Recruiter Hudson fined \$270,000 for reporting breaches

Recruitment firm Hudson Global Resources (Aust) Pty Ltd has been fined \$270,000 for failing to meet financial-reporting obligations.

As a large proprietary company, Hudson is required to lodge audited financial reports with ASIC for financial years 2022, 2023 and 2024.

Companies should check whether they are required to lodge financial reports, confirm their applicable deadline, and ensure audit and board approvals are scheduled early enough to meet it.

Failure to lodge with ASIC full-year financial reports is a breach of sections 319(1) and 1311(1) of the Corporations Act.

FRC guides on materiality in reporting

The UK's Financial Reporting Council has published *Applying materiality in corporate reporting* to support boards, preparers, and investors in the application and assessment of materiality within corporate reporting.

The FRC recognises that annual reports have become longer and more complex as reporting requirements have expanded and stakeholders have sought additional information.

Its insights are intended to help companies, investors, and other stakeholders by acting as prompts to stimulate thinking and build a clearer understanding of how materiality can be considered in practice.

They are structured into four sections. Why does materiality matter? Frequently asked questions on applying materiality in corporate reporting. Process for applying materiality. Further information.

AI use in reporting is cautious

New FRC research suggests that using artificial intelligence in corporate reporting is increasing. Adoption, however, remains cautious and uneven across the market.

Research report *The use of Artificial Intelligence Technologies in Corporate Reporting* found that generative AI is emerging as a valuable technology, particularly in narrative reporting, while use in financial statements remains limited.

While companies are beginning to use AI and other technologies to support reporting, most deployment is focused on lower-risk, task-specific activities rather than areas requiring significant professional judgement.

Preparers identified trust, data quality, governance controls and concerns about legal, reputational, and stakeholder risks as key barriers to wider adoption. Many also reported that the premium that investors and other users of corporate reports placed on authenticity, alongside accuracy and accountability, was prompting firms to take a cautious approach in high-judgement areas.



SUSTAINABILITY REPORTING

Canberra guides on transition planning

The federal government has published *Climate-related transition planning – Voluntary Guidance* to help organisations plan for impacts of net-zero transition and changing climate.

Transition planning helps organisations identify and respond to climate-related risks and opportunities. It includes delivering on climate ambitions.

Organisations may take different approaches to transitions, depending on sector, value chain, business size, and complexity and exposure to climate related risks and opportunities.

The new guidance gives practical advice and examples of good practice.

Transition plans disclosure in sustainability reports apply to Group 1 entities for 1/7/26 to 30/6/27, Group 2 entities for 1/7/27 to 30/6/28 and Group 3 entities 1/7/28 to 30/6/29. They are subject to limited assurance (see ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*).

Changes coming to climate-related financial disclosures

The federal government has released a consulting paper Improving the efficiency of

climate-related financial disclosures.

The paper aims to lower costs for businesses while keeping reports high-quality, credible, and comparable in quality with other countries' counterparts.

Main proposals include:

- Changing assurance rules to reduce compliance costs
- Providing clearer guidance on key terms and concepts, and
- Reducing the burden of information requests across supply chains.



GOVERNANCE

Regulators warn AI awareness must turn to action

ASIC and the Australian Prudential Regulation Authority are urging financial-market entities to move from gaining awareness of AI risks to taking action.

Both APRA and ASIC have recently warned that AI is increasing the speed, scale and sophistication of cyber threats while accelerating technology and operational risks.

The regulators hosted nine roundtables involving more than 600 attendees from across the financial system. The joint publication *Resilience at Frontier AI Speed Insights from the APRA-ASIC Industry Roundtables* resulted.

Key themes included:

- The importance of getting the cyber fundamentals right, including identifying and managing critical assets and systems, timely patching, strong identity and access controls, attack-surface reduction, backup integrity, tested response and recovery arrangements, and third-party risk management
- The need to consider key decisions such as risk appetite, escalation authority, recovery priorities and communication strategies at board level before a crisis hits, given that frontier AI compresses incident-response timeframes
- A growing interest in defensive AI, including for threat intelligence, vulnerability detection, code review and incident response. There was acknowledgement that capability remains limited
- Common dependency and concentration risks associated with third-party service providers that may turn isolated individual incidents into much broader sector-wide disruption, and
- The importance of contributing to industry-led collaboration, including sector-wide threat-intelligence sharing, dependency mapping, supplier assurance, and sector incident coordination.

ASIC commissioner Simone Constant said: 'The urgency of this challenge cannot be overstated. Threat actors are exploiting frontier AI models to identify and exploit vulnerabilities that previously may have taken a team of professionals months to find'.

Updated guidance on AI governance

The Australian Institute of Company Directors has updated *A Director's Guide to AI Governance*.

AI gives organisations the chance to enhance productivity, improve decision-making, and deliver innovative products and services.

Yet it also introduces complex and often interconnected risks, including in cyber-security and data governance. Boards play key roles in governing the balance between opportunity and risk.

The AIDC's updated resources aim to equip boards with the insight needed to navigate AI with confidence, promoting innovation using AI in a responsible manner, including oversight of its impact on employees, customers, and broader stakeholders.

Data breaches soar

Newly published statistics reveal that 2025 saw the highest number of data-breach notifications reported to the Office of the Australian Information Commissioner since the mandatory data-breach reporting scheme began in 2018.

The OAIC received 1205 data breach notifications in the 2025 calendar year, an 8 per cent increase over 2024 (1112 notifications).

Businesses and federal-government agencies covered by the Privacy Act are required to report any data breach that is likely to result in serious harm to affected individuals under the notifiable data breach scheme.

Cyber-hacking remains the primary cause of reported data breaches. Most were attributable to malicious or criminal activity (716 notifications), health service-providers the most commonly affected, accounting for 19 per cent of the total or 225 notifications.

Financial services (157 notifications), the federal government (118), business and professional associations (103), education

(81), and legal, accounting and management services (81) followed.

The OAIC has published a *Quick reference guide for responding to data breaches* for entities that must report them.

The guide outlines the scheme's requirements, helps to determine whether an assessment is required, whether to notify the OAIC and affected individuals, and how to do so.

The OAIC's own research demonstrates that data breaches remain a major privacy concern for the Australian public. A 2026 survey of community attitudes to privacy identified data breaches as Australians' top perceived privacy risk, 82 per cent of those surveyed concerned about the issue, an increase from 74 per cent in 2023.

New director ID requirements on the way

From 1 July next year new laws passed under the *Treasury Laws Amendment (Business Registries Stabilisation and Uplift) Act 2026* will require companies to provide to ASIC director identification numbers.

They will need to provide them in reports, including annual reviews, and when notifying changes to director details. Further information and guidance will be provided before the laws come into effect.

The changes form part of broader improvements to Australia's business registers, including stronger authentication for users who create and update registry records.

They should help to reduce the risk of fraud and identity misuse, improve the accuracy of company information, and make it easier to identify company directors.

Companies and directors are encouraged to check that company and director information is current and accurate. Company details should be up-to-date, directors correctly recorded, and wrong names, addresses, and contact details corrected.

Keeping information correct will help to avoid delays and issues when new requirements begin.

ASIC also encourages checking director details recorded on its companies register against those held by Australian Business Registry Services and updating records where necessary.

Getting stakeholders involved

The AIDC has released *Governing with stakeholder insight: A guide for boards*.

It provides a practical framework to help boards strengthen stakeholder governance, bring stakeholder insights into the boardroom, and support better decision-making.

The guide builds on the AIDC's original 2021 publication *Elevating stakeholder voices to the board*. Reflecting developments in corporate law, governance practice, and director experience, it outlines approaches boards can use to understand better stakeholder perspectives and incorporate them into governance and decision-making.

The new guide provides a five-step framework:

- Identify, prioritise, and review key stakeholders
- Define the board's role in stakeholder governance
- Understand stakeholder perspectives and ensure that relevant insights reach the boardroom
- Incorporate stakeholder considerations into board decisions and disclosures, and
- Monitor and improve the effectiveness of stakeholder governance.

Featuring case studies and perspectives from directors, chairs, and stakeholder representatives, the guide explores practical approaches to engaging with customers, employees, volunteers, suppliers, First Nations peoples, and broader communities.



WAGES UNDERPAYMENT

Peabody back-pays \$5m

Peabody Energy Australia Coal Pty Ltd has signed an enforceable undertaking with the Fair Work Ombudsman after it paid nearly \$5 million, including superannuation and interest, to 197 underpaid workers.

Peabody must make a contrition payment of \$50,000 to the Cleaning Accountability Framework.

The undertaking also commits the company to improving its compliance practices, which includes new systems and processes, to meet obligations under a relevant award and the Fair Work Act.

Peabody told the FWO about Federal Court proceedings filed by the Association of Professional Engineers, Scientists and Managers, Australia on behalf of members who used to work for Peabody.

The company admitted that it had not paid accrued and untaken personal leave to employees it had made redundant.

The company mistakenly believed that the leave-related benefit was not due to employees under a relevant award.

It also failed to pay redundant employees an allowance component of wages for accrued and outstanding annual leave. An allowance component of their wages for the termination notice period also failed to be paid.

Fair Work Ombudsman Anna Booth urged employers to check that they were meeting legal obligations.

‘We welcome Peabody’s back-payments of all impacted staff and their commitments to improve their processes so that there is ongoing compliance in the future,’ she said.

‘Importantly, we also welcome steps already taken, for example, Peabody’s new guidelines for payroll, its provision of training for HR and payroll staff, and its new online system for recording and requesting leave.’

Peabody has also agreed to convene a joint consultative committee to monitor compliance with industrial instruments, complaints and disputes raised, including questions and concerns raised by an independent auditor.

It will report back to the FWO about complaints and will also keep its corporate-governance committee notified about compliance, including providing it with a report on the outcome of its independent audit plus quarterly reports on employee complaints about their entitlements.

FWO takes G8 Education to court

The Fair Work Ombudsman has begun legal action against childcare operator G8 Education Ltd alleging underpayments. It seeks compensation of more than \$2 million for more than 1400 workers. The contraventions allegedly occurred between June 2020 and July 2022.

The FWO is seeking declarations, penalties, and orders for outstanding amounts to be paid to the affected workers.

G8 Education is publicly listed and one of Australia’s biggest for-profit operators of childcare and early-learning centres. The company self-reported non-compliance issues and the FWO began investigating.

In legal action filed in the Federal Court, the FWO alleges that G8 Education:

- Underpaid employees’ minimum rate and overtime entitlements
- Underpaid some employees engaged as trainees, and
- Failed to pay a first-aid allowance to some employees.

It is alleged that underpayments to workers under the Children’s Services Award 2010 amounted to \$1.03 million.

It is also alleged that G8 Education failed to ensure that hundreds of childcare workers with whom it had Individual Flexibility Arrangements were better off overall than if the IFAs had not been made.

It is alleged that some of the IFAs resulted in workers not being paid entitlements that they would have otherwise received. The FWO is seeking compensation for them of \$1.045 million.

The FWO is also seeking rectification of underpayments concerning overtime, minimum wage rates, loadings, and a first-aid allowance.



ASX

McPherson’s breached continuous-disclosure laws

The Federal Court has found health, beauty, and wellness company McPherson’s Ltd breached continuous-disclosure laws and engaged in misleading or deceptive conduct in its 20 October 2020 profit forecast.

The court also found that McPherson’s former chief executive officer and managing director, Laurence McAllister, breached his duty of care and diligence as a director and authorised the company’s provision of false or misleading information to the ASX.

The court found that by 12 November 2020, following an ‘11/11 online sales event’ in China, McPherson’s had become aware that actual sales and purchasing forecasts were significantly below expectations and its profit forecast no longer had a reasonable basis. Corrective disclosure was therefore required.

McPherson’s failed for nearly three weeks to correct the market. When it downgraded and withdrew its earnings guidance on 1 December 2020, the company’s share price fell 34.5 per cent.

The court found that McPherson’s breached its continuous-disclosure obligations and misled investors between 12 November and 30 November 2020 by failing to disclose its revised purchasing forecasts and sales results and withdrawing the October 2020 profit forecast.

ASIC chair Sarah Court said: ‘Today’s decision reinforces that listed entities must act promptly when information emerges that materially alters previously disclosed earnings guidance.’

‘Directors and officers have a clear obligation to ensure material information is escalated, properly considered and disclosed to the market when required. They must act when earnings guidance may no longer be reliable.’

The matter will return to court for a hearing on penalty and relief.

Upcoming deadlines for periodic reports

Listed entities are reminded of upcoming deadlines for periodic reports:

- Statutory half-year financial reports for mining, exploration, and oil and gas exploration entities (December year-end) – 11 September
- Statutory audited annual accounts (June year-end) – 30 September, and
- Annual reports (June year-end) – 2 November 2026 for listed companies and 30 September for listed registered schemes.

Quarterly reports for mining, oil and gas, and commitments-test entities – Friday 30 October 2026.

An investment entity must also notify the NTA of quoted securities within 14 days of the end of each month.



REGULATORS

Netwealth failed to investigate First Guardian

Netwealth Superannuation Services Pty Ltd and Netwealth Investments Ltd contravened the *Corporations Act* by failing to obtain enough information about First Guardian Master Fund.

Based on parties' agreed facts and admissions in the Federal Court, Netwealth failed to obtain and assess sufficient information about First Guardian and failed to make sufficient independent enquiries to understand and evaluate the company's investment risk before and while offering it to members. It also failed to tell members of First Guardian's potential illiquidity.

ASIC began proceedings against Netwealth after accepting a court enforceable undertaking requiring Netwealth to compensate affected members the full amounts that they had invested, less amounts withdrawn.

More than \$100 million was paid in January to more than 1000 affected investors.

ASIC chair Sarah Court said: 'Superannuation trustees are a critical safeguard for Australians' retirement savings and must undertake rigorous due diligence before making investment options available to members.

'In this case, Netwealth admitted it failed to obtain sufficient information about First

Guardian and failed to undertake sufficient enquiries to properly understand the risks associated with First Guardian.

'Today's outcome sends a clear message that superannuation trustees must put members first and take proactive steps to identify and respond to investment risks before members suffer harm.'

ASIC did not seek a pecuniary penalty owing to particular circumstances, including the timely payment of compensation.

ASIC has 14 cases underway against 31 defendants and is continuing to investigate alleged misconduct relating to the Shield and First Guardian Master Funds.

Fiducian fined \$7.3 million over operation of ESG fund

Fiducian Investment Management Services Ltd has been fined \$7.3 million for failing to act with care and diligence as a responsible entity and engaging in conduct liable to mislead.

The Supreme Court of New South Wales found that FIMS had failed to act with care and diligence as the responsible entity of the Diversified Social Aspirations Fund.

The court also found that FIMS made statements that were liable to mislead about the fund's 'ethical' and 'socially responsible' investment objectives. It would monitor the fund to ensure its investments were consistent

with environmental, social, and governance statements.

FIMS failed to have reasonable grounds for making the statements, the court ruled.

It found governance and oversight failures, including that FIMS failed to:

- Monitor adequately the fund's underlying investments for alignment with ESG statements
- Review the investment strategies of underlying funds
- Change its underlying investments, and
- Change the fund's stated investment objectives to align with its actual investments.

Investor concerns about the fund's holdings had been raised from at least 2019, yet FIMS failed to amend or qualify the statements.

ASIC chair Sarah Court said: 'This case is a reminder that ESG claims must be backed by robust systems, oversight, and governance. Fund managers and responsible entities must comply with their duties, and they cannot make sustainability claims that are not supported in practice.'

This is ASIC's fourth 'greenwashing' civil penalty outcome and the first against the operator of a managed fund for failures in governance, compliance, and oversight of ESG claims.



AFSL

ASIC suspends CFD licensee after compliance failures

ASIC has suspended the Australian Financial Services Licence of contracts-for-difference issuer GFA Capital Markets Ltd for five months after finding several client moneys, reporting obligations, and compliance failures.

ASIC identified GFA's deficiencies during its industry-wide review of 52 licenced CFD issuers.

Following an administrative hearing, ASIC found that GFA:

- Failed to separate and handle client moneys into a designated account

- Mixed non-client with client moneys
- Breached reporting obligations under the *ASIC Derivative Transaction Rules (Reporting) 2024*
- Failed to establish and maintain adequate systems and controls to comply with financial-services laws
- Failed to have adequate financial resources, technological systems, and staffing, and
- Was likely to breach its general obligations as an AFS licensee.

The suspension has been recorded on ASIC's professional registers.

While its licence is suspended, GFA may continue to operate to maintain its Australian Financial Complaints Authority membership,

hold professional indemnity insurance, and comply with written ASIC notices.

Before its suspension expires, GFA must demonstrate how it has improved its compliance, client moneys, and reporting processes. If ASIC is unsatisfied, it may increase the length of the suspension or cancel GFA's licence.

ASIC can suspend or cancel an AFS licence when a licensee fails to comply with its legal obligations.

ASIC will continue to act where firms fail to meet their legal obligations, particularly in sectors involving high-risk products that can cause significant consumer harm.

Stavro D'Amore jailed for misusing Berndale funds

Former Berndale Capital Securities Pty Ltd director Stavro D'Amore will serve 23 months in prison as part of a three-year-and-ten-months sentence handed down by the Federal Court for several dishonesty offences committed between 2017 and 2018.

Mr D'Amore improperly transferred \$681,496.98 in company funds, which he knew were primarily derived from retail-client deposits. (Former Berndale clients are owed more than \$8.9 million following its collapse.)

He also authorised false and misleading statements in documents submitted to ASIC about overseas bank accounts containing Berndale funds.

Berndale's AFS licence required it to maintain a minimum level of net tangible assets and lodge audited financial reports. The relevant overseas funds and accounts either did not exist or were grossly inaccurate.

ASIC chair Sarah Court said: 'Mr D'Amore seriously abused his position as director to enrich himself and he authorised false statements to ASIC to hide the true financial position of the company he had taken money from at the expense of Berndale investors.'

'The sentence demonstrates the egregiousness of his misconduct.'

Berndale was a retail over-the-counter derivatives provider that collapsed in December 2018. It issued and marketed retail OTC-derivative products. When operating, Berndale asserted that it was the fourth-largest OTC business in Australia.

Mr D'Amore pleaded guilty to three 'rolled up' charges contrary to the *Corporations Act 2001* that combine offences including:

- Dishonestly using his position as a director, contrary to section 184(2)
- Dishonest conduct while carrying on a financial-services business, contrary to sections 1041G and 1311(1), and
- Authorising the making of a false and misleading statement in a document submitted to ASIC, contrary to sections 1308(2) and 1311(1).

ASIC announces NTA changes for responsible entities

ASIC has outlined its approach to increasing the net-tangible-assets requirement for responsible entities of registered managed investment schemes.

What is changing:

- Minimum financial thresholds in the NTA requirement will be increased to reflect inflation between June 2013 (when they were last updated) and March 2026
- Annual indexation will be introduced to ensure the thresholds remain current, and
- The increases will apply to responsible entities, operators of investor directed portfolio services and corporate directors of retail corporate collective investment vehicles.

The changes will commence on 1 July 2027. The thresholds applying from this date will include the first annual indexation adjustment.

ASIC will amend ASIC Corporations (Financial Requirements for Responsible Entities, IDPS Operators and Corporate Directors of Retail CCIVs) Instrument 2023/647 and update Regulatory Guide 166 *AFS Licensing: Financial requirements*.



ETHICS

Revised guidance on assurance rotations

The Accounting Professional & Ethical Standards Board has issued revised guidance on Australian audit partner and sustainability-assurance-leader rotation requirements.

Audit Partner and Sustainability Assurance Leader Rotation Requirements in Australia – Technical Staff Questions & Answers (Third Edition), explains the long-association requirements in the code. It also reflects new rotation requirements for sustainability-assurance engagements subject to a new Part 5 of the code, effective from 1 January, as well as the *Corporations Act 2001*.

This third edition is designed to help practitioners apply the long association provisions consistently, maintain independence, and support the delivery of high-quality assurance services that promote public trust.

The revised Q&A includes new practical scenarios and additional guidance covering:

- Sustainability assurance engagements subject to Part 5 of the code
- How the code interacts with the rotation requirements in the act, and
- Rotation requirements where several assurance engagements are provided to the same client.

Ethical considerations in using emerging technologies

The International Ethics Standards Board for Accountants has released *Emerging Technologies: A Characteristics-Based Approach to Ethical Considerations for Professional Accountants* to support them as they develop, implement, and use emerging technologies in public practice and business.

The publication provides an overview of the ethical implications of emerging technologies commonly used across the accountancy profession, including artificial intelligence, distributed ledger technologies, machine learning, quantum computing, and robotic process automation.

The guidance describes key characteristics associated with emerging technologies – such as opacity, non-determinism, dependence on data, perpetual adaptivity, autonomy, scalability, and speed – and explains how they may create or amplify threats to compliance with the fundamental principles in the ethics code.

The publication emphasises that, regardless of the level of automation and technological sophistication involved, professional accountants remain responsible for the judgments and decisions made in their work.

It underscores the importance of applying the code's conceptual framework with an inquiring mind, professional judgment, and appropriate human oversight when evaluating technology-driven outputs. It also highlights that maintaining professional competence and due care in an environment of rapidly evolving technologies requires committing to continuous learning and the development of appropriate technological literacy.



AUDIT

ASIC issues auditors stern reminders

ASIC has written to registered company auditors reminding them of their legal, ethical, and professional obligations and the importance of protecting public confidence in the audit profession.

ASIC's reminder coincides with heightened focus on auditor conduct and the behaviour of audit firms. The commission is concerned about impacts on trust and confidence in the profession and reminds auditors that they must fulfill their obligations.

The letter comes as ASIC has begun separate surveillance of the Big 4 audit firms, examining internal complaints about audit practices.

Auditor misconduct remains an enforcement priority for ASIC. Where ASIC has sufficient concern, it will investigate and may take enforcement action, including seeking cancellation or suspension of auditor registration, issuing infringement notices or taking civil action.

The commission has outlined its audit-related work, including surveillance of financial reports and audit files. It reminds auditors of the findings and actions set out in report 817 *Building trust: Auditors' compliance with independence and conflict of interest*.

How are you going to react to ASIC's reminder? We're pleased to give you our thoughts. Contact Colin Parker, team leader, advisory and risk management services *GAAP Consulting*, at colin@gaap.com.au or 0421-088-611.

ASIC sues Auditeo over alleged First Guardian failures

ASIC has launched Federal Court proceedings against Auditeo Australia Pty Ltd and two auditors over alleged major audit failures linked to the First Guardian Master Fund.

ASIC alleges that unqualified audit reports on First Guardian and its compliance plan for the 2020 to 2024 financial years were false or misleading, contravening s1308(5) of the *Corporations Act 2001*.

ASIC chair Sarah Court said: 'We allege audit opinions were issued despite there being no reasonable basis for those opinions and

despite significant audit work required under auditing standards not being performed. The alleged failures in this matter occurred before the collapse of the First Guardian Master Fund, with a devastating impact on investors.

'Just six months after Auditeo issued unqualified audit reports in relation to First Guardian, liquidators were appointed. More than 6000 Australians were exposed to its collapse, with liquidators warning losses could be as high as \$446 million.'

The action is part of ASIC's 2026 enforcement priority of seeking accountability for the collapse of First Guardian and related funds.

ASIC alleges that the authorised audit company, the lead auditor, and compliance-plan auditor failed to comply with auditing and assurance standards that applied to the conduct of the audits, did not obtain sufficient and appropriate audit evidence, and did not perform the First Guardian audits with due care and skill.

Specific failures alleged by ASIC include that:

- The audit files did not demonstrate that any financial audit was in fact conducted for the 2021 financial year, despite the company and lead auditor issuing a report for that year
- In the 2022 financial year, about \$137 million of reported assets were entirely untested, and in 2023 the untested amount increased to about \$170 million, and
- The company and compliance-plan auditor failed to consider the correct plan that applied for part of the 2022 financial year and the entire 2023 financial year.

'Auditors play a critical gatekeeper role in maintaining trust in our markets and helping ensure investors receive an accurate picture of a scheme's financial position. When that role is not properly performed, the consequences can be severe,' said Ms Court.

'Compliance plans also play a fundamental role in the regulatory framework to protect retail investors. Auditors providing reliable assurance that responsible entities are adhering to compliance plans is a fundamental aspect of that framework. Auditor misconduct remains an ASIC enforcement priority.'

ASIC is seeking declarations of contravention, financial penalties, injunctions, and other orders.

It seeks civil penalties for alleged contraventions of s 1308(5) of the act through making or authorising statements in audit reports submitted to ASIC that rendered the reports materially false or misleading. ASIC is also seeking orders restraining the defendants from conducting certain audit activities.

Auditor misconduct and holding those responsible for the collapse of the Shield and First Guardian Master Funds to account are key enforcement priorities for ASIC in 2026.

In June 2025, ASIC published media releases on the importance of compliance plans and auditors. They were titled *ASIC uncovers widespread compliance plan deficiencies in the managed investment industry and Review of managed fund compliance plans: 'Failing to plan is planning to fail'*.

ATO's SMSF auditor-compliance focus for 2026–27

The ATO 2026–27 compliance program will focus on areas of highest risk to audit quality and SMSF regulatory outcomes. They include:

- Market valuation reviews, including whether auditors obtained sufficient appropriate objective audit evidence to verify compliance with regulation 8.02B. This focus will become especially important for the 2026–27 audits, where auditors will be required to check valuations of assets that may trigger a Division 296 liability for a fund member
- High-risk auditor reviews, where ATO intelligence and data indicate auditors may not be conducting independent and adequate audits
- High-volume auditor reviews, where it checks auditors' processes and procedures to manage a large number of audits
- Auditor-independence reviews, including situations where auditors and their firms may provide both assurance and non-assurance services to a fund, and
- Newly-registered auditors, to check that they understand their obligations and help them to address early any deficiencies.

Quality audit files clearly document professional judgements and contain sufficient appropriate audit evidence to support audit conclusions.

ATO on Division 296 and SMSF audits

From 1 July 2026, individuals with a total super balance (TSB) above the large super balance threshold (LSBT), set at \$3 million for 2026–27, will be subject to division 296 tax of an additional 15 percent on the proportion of earnings relating to their TSB exceeding the LSBT.

TSBs above the very large super balance threshold (VLSBT), set at \$10 million for 2026–27, will also be subject to an additional 10 per cent tax on the proportion of earnings exceeding the VLSBT.

Division 296 does not change SMSF auditors' obligations. Accurate reporting and existing audit requirements remain important because they support division 296 calculations.

When auditing an SMSF, check that sufficient and appropriate evidence supports the market value reported for each fund asset and trustees have allocated investment returns to members on a fair and reasonable basis.

Regulation 8.02B of the *Superannuation Industry (Supervision) Regulations 1994* requires trustees to value SMSF assets at market value when preparing accounts and statements. Where sufficient and appropriate evidence cannot be obtained, consider lodging a modified report and lodge an auditor-contravention report when reporting criteria are met.

Regulation 5.03 of the SISR requires trustees to determine investment returns credited or debited to members' benefits on a fair and reasonable basis. If the fund does not meet this requirement, consider whether the auditor's report needs to be modified. Regulation 5.03 is not reportable for ACR purposes, although relevant concerns may be included in an ACR's section G.

FWC issues compliance update following an investigation

The Fair Work Commission has released a compliance update for auditors registered under the *Fair Work (Registered Organisations) Act 2009* to remind them about audit obligations.

The update was issued following an investigation into the financial reports and audits of the Health Services Union (Victoria No. 1 Branch) for the financial years 30 June 2022 to 30 June 2024 that ultimately found the branch's financial reports failed to provide a true and fair view of its financial position and performance and identified concerns regarding the conduct of the audits.

It outlines:

- The commission's findings in the investigation
- What auditors need to know about ensuring compliance with the RO act
- The regulatory implications for registered auditors
- Practical compliance tips
- How to report suspected breaches, and
- Information about remaining on the list of RO-registered auditors.

The findings resulted in the auditor resigning as an RO registered auditor and applying to ASIC to resign as a registered company auditor under the *Corporations Act 2001*.



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GAAPinars series 2 nears

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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 service offers law firms, regulators, auditors and clients with technically rigorous, independent, and practical support across complex and high-stakes disputes.

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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

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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