GAAP ALERT

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EDITORIAL BRIEF

COLIN'S CORNER



Much to *catch up on*

This GAAP Alert highlights continuing weaknesses in financial reporting, audit quality, and governance, alongside developing sustainability requirements and regulatory reforms.

ASIC urges preparers, trustees, and auditors to strengthen judgement, evidence, controls, and accountability.

Financial reporting remains under scrutiny. ASIC's reviews identify shortcomings in revenue recognition, impairment, asset valuations, and disclosures. Superannuation trustees and auditors must better challenge valuations of unlisted investments rather than rely unquestioningly on external managers.

Twenty-one Visy/Pratt companies paid $4.158 million for late reporting.

Treasury proposes higher proprietary-company reporting thresholds.

New accounting standard AASB 20 introduces accounting for regulatory assets and liabilities from 2029.

Sustainability reporting is advancing. Fifty-four of 154 major listed entities voluntarily disclosed Scope 3 emissions, and 84 published transition plans. ASIC observes improved climate disclosures but calls for clearer connections with financial statements, quantitative financial effects, transparent assumptions, and appropriate cross-referencing. In concert, APES 206 establishes professional and ethical obligations for sustainability reporting and assurance.

Governance coverage emphasises escalating cyber risks and directors' responsibilities. ASD reports substantial cyber-crime activity and has launched sector-focused cyber-security guidance. Former Youpla director Ronald Pattenden was fined and disqualified, while other proceedings remain unresolved.

ASIC's supervisory priorities span banking, superannuation, insurance and markets, including AI, member services, and market integrity. Remade instruments preserve or consolidate reporting and auditing relief.

AUSTRAC is pursuing businesses apparently providing regulated services without enrolment.

Former Rex executive Lim Kim Hai was fined $800,000 and disqualified over disclosure and director-duty breaches.

For financial-services licensees, Fortnum's $1.35 million cyber-security penalty reinforces the need for expertise, oversight, and effective controls. ASIC alleges serious investment-governance failures involving First Guardian, reviews adviser qualifications, expands its breach-reporting dashboard, renews client-money relief, and increases responsible-entity financial requirements.

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Audit surveillance identifies insufficient evidence, weak challenging of management, and independence shortcomings. ASIC is monitoring remediation, while separate Australian and New Zealand cases involve auditor-registration cancellations and an unsuccessful appeal.

Many of these developments are being covered in our 12-session November-December GAAPinar training series for accountants and auditors.

Reach out if you need help with financial and sustainability reporting, risk management, audit quality, ethics, training, and professional communications.



FINANCIAL REPORTING

Preparers and auditors getting fundamentals wrong: ASIC

Financial-report preparers and auditors are still getting fundamentals wrong, says the Australian Securities & Investments Commission.

Report 842 *ASIC's oversight of financial reporting and audit 2025-26*, which reviewed 353 reports, calls for improvements.

Ten companies made or agreed to improve the disclosure of material business risks in their operating and financial reviews. Companies also made or agreed to amend asset recognition and valuations, disclosures, deferred tax assets, and employee-benefit provisions.

ASIC reviewed the reports of 311 companies and 42 registrable superannuation entities. It conducted 'surveillances' of 30 companies.

Commissioner Kate O'Rourke said preparers of financial reports and auditors needed to lift their performance, particularly where reports depended heavily on judgement.

'Our surveillance found that some report-preparers and auditors did not challenge significant judgements, including for revenue recognition, impairment, and asset valuations', she said.

'Getting these areas right is essential to providing investors with information they can rely on.'

Reporting misconduct is a key ASIC enforcement priority. More than $9 million in infringement notices have been issued to companies for failing to lodge financial reports. Court action has resulted in convictions and penalties of more than $1.6 million against companies for breaching reporting and company-officer obligations.

ASIC 'disappointed' with assessments of valuation risks

ASIC is 'disappointed' and 'remains concerned' about how valuation risks are assessed and addressed for unlisted investments.

The comments were made in the commission's surveillance of super-fund reports and audits Report 841 *Accounting for your super: Super fund financial reporting and audit.*

The report says that some auditors had 'enhanced' their procedures, but findings were like those reported last year.

It says: 'We are disappointed and remain concerned about how valuation risks are assessed and addressed for unlisted investments. The persistence of these findings highlights that both superannuation trustees and auditors must take further action'.

The report revealed that: registrable superannuation entities often relied on external fund managers to provide fair-value information for externally-managed unlisted investments, which may limit their ability to review and challenge significant valuation assumptions and estimates.

- Four RSEs failed to adjust member liabilities in a timely manner following significant investment write-downs, and
- Fair-value hierarchy disclosures continued to contain only high-level descriptions and references to external-pricing sources.

From the audit surveillances, the commission found that:

- For externally-managed investments, three auditors failed to test adequately the reliability of prices provided by external fund managers, or test the methods, assumptions, and data used for the valuations, and
- for internally managed investments, two auditors did not obtain sufficient appropriate audit evidence for the valuations.

The report calls for:

- Superannuation trustees to maintain robust governance and strengthen controls to ensure that valuations provided by external fund managers are reliable and support the accurate and timely measurement of members' balances
- Auditors to strengthen audit quality by obtaining persuasive evidence and exercising appropriate professional scepticism when auditing valuations of unlisted investments, and
- Superannuation trustees and auditors to work together to improve audit quality, address practical challenges in accessing underlying asset information, and support auditors in obtaining sufficient appropriate evidence to form opinions on investment valuations.

Visy/Pratt companies fined $4.1 million for late financial reports

Twenty-one companies in the Visy/Pratt group have paid $4.158 million in fines for late lodgement of financial reports for the year-ending June 2025. Each company was fined $198,000.

Payment of an infringement notice is not an admission of guilt or liability, and the companies have not been convicted of the alleged offence.

Specific reasons for the fines have been detailed in ASIC's infringement-notices register.

Commissioner Kate O'Rourke said: 'Financial reporting deadlines matter. Companies that are required to lodge financial reports must do so on time.

'[The Visy/Pratt] action sends a clear message to reporting entities, including public and large proprietary companies, that ASIC is actively enforcing the financial-reporting requirements.

'Ensuring reporting entities meet their financial-reporting obligations is an ASIC enforcement priority. We will continue to identify and investigate such entities that fail to lodge, or are late in lodging, their financial reports.'

ASIC's surveillance of late and non-lodgement of financial reports has resulted in 48 fines totalling more than $9.3 million since it began in August last year.

ASIC has also obtained court-imposed fines for failure to lodge and related governance obligations, including more than $1.1 million in fines of three public companies in a single day at Downing Centre Local Court.

Reporting thresholds to rise?

Treasury has released draft regulations for consultation to update reporting thresholds for proprietary companies. The thresholds were last updated in 2019.

Under the changes, reporting-obligation thresholds will be raised to $100 million in consolidated revenue (from $50 million), and $50 million in consolidated gross assets (from $25 million).

Updated regulations will reduce the number of companies that must prepare yearly financial, directors', and sustainability reports.

The regulations will apply for financial years commencing on or after 1 July next year.

New standard on regulatory assets and liabilities

The new AASB 20 *Regulatory Assets and Regulatory Liabilities* affects only entities subject to rate regulation under which a regulator can determine how much and when they can charge for goods and services supplied under a regulatory agreement.

The standard could be relevant to entities in the electricity, water, and gas-supply industries.

AASB 20 focuses on rate regulation that entitles an entity to an amount of compensation for the goods and services supplied in a period (the 'total allowed compensation'), which could include the recovery of infrastructure costs and performance incentives.

Differences in timing arise when the compensation for the supplies in one period is reflected in regulated rates charged in another.

The new standard will help users of financial statements better understand the effect of differences in timing on an entity's financial performance, financial position, and prospects for future cash-flows through the recognition of regulatory assets, liabilities, income, and expenses.

AASB 20 applies to annual periods beginning on or after 1 January 2029, earlier application permitted. It supersedes AASB 14 *Regulatory Deferral Accounts.*



SUSTAINABILITY REPORTING

Big companies volunteer their Scope 3 emissions

More than a third of Australia's biggest listed entities have voluntarily disclosed Scope 3 emissions despite receiving a first-year exemption under the new mandatory climate-reporting regime.

State of the Market report: Listed Company Cohort by Chartered Accountants Australia and New Zealand, Purpose Bureau, and Monash University has found that many organisations are treating climate reporting as more than a compliance exercise.

Fifty-four of 154 entities (35 per cent) voluntarily disclosed Scope 3 emissions, 25 of them independently assuring the information, and more than half (84) already published formal transition plans with quantified emissions-reduction pathways.

The report amounts to one of the first detailed assessments of how Australia's largest listed organisations (Group 1 entities) are responding to mandatory climate-reporting requirements.

It is the first in a quarterly series that will track how Australia's sustainability reporting evolves over time.

On Thursday 12 November in **GAAPinar No. 4** Carmen Ridley and Colin Parker address *Climate-related disclosures – the next wave of reporting and assurance.*

Sustainability reporting improves

ASIC says the quality, quantity, and consistency of climate-related financial information have increased with the introduction of statutory sustainability-reporting requirements.

Commissioner Kate O'Rourke said ASIC's review of a sample of 40 sustainability reports detailed in report 839 *ASIC's review of sustainability reports lodged for 31 December 2025* identified marked progress in disclosure reporting compared with those previously made voluntarily.

'It appears that statutory reporting has not only resulted in heightened transparency but also more meaningful engagement by entities with climate-related risks and opportunities', Ms O'Rourke said.

'We saw examples of entities adapting or updating existing governance and risk-management processes.'

ASIC identified opportunities for improvements in forward-looking disclosures and those underpinned by assumption or judgement, for example in aspects of strategy, metrics, and targets.

To assist reporting entities, the commission has outlined eight practical moves to consider when preparing sustainability reports. They are:

- Explain how the sustainability report connects to relevant financial-report disclosures
- For material current and anticipated financial effects of climate-related risks and opportunities, disclose quantitative information where possible; otherwise, explain why only qualitative information is provided
- When identifying climate-related risks and opportunities, consider past, current and forecast conditions and their direct or indirect effects across the value chain
- Clearly disclose relevant judgements, assumptions, and measurement uncertainties
- Remember AASB S2 defines 'climate-related targets' to include those required by law or regulation, such as safeguard-mechanism emissions targets
- Do not obscure material climate-related financial information with additional disclosures
- Meet cross-referencing requirements, including making referenced information available on the same terms and at the same time as the sustainability report, and
- Avoid disclaimers that conflict with Chapter 2M's sustainability-reporting framework and objectives or may mislead users.

'The findings in this report are designed to provide reporting entities with timely and accessible feedback on what we have observed to reduce regulatory uncertainty while also improving the quality of climate-related information for users', said Ms O'Rourke.

In the 2026-27 financial year, ASIC will review a sample of sustainability reports lodged by Group 1 entities with financial years ending 30 June. It will continue to liaise with large audit firms to understand the assurance methodologies adopted in sustainability reporting.

APESB releases new sustainability standard

The Accounting Professional & Ethical Standards Board Limited has released the new APES 206 *Conformity with Sustainability Reporting Standards.*

It addresses professional obligations associated with reporting sustainability information, including information required under the new suite of sustainability standards issued by the Australian Accounting Standards Board.

APES 206 specifies a member's professional and ethical obligations when preparing, presenting, and compiling sustainability information or performing sustainability assurance.

Key requirements in APES 206 include:

- The fundamental responsibilities of members outlined in the paragraph above, and
- Members' responsibilities concerning specific types of sustainability information: sustainability information represented as complying with ASRS; sustainability information prepared in accordance with a general-purpose framework; sustainability information not covered elsewhere.

APES 206 is effective from 1 January, earlier adoption permitted.



GOVERNANCE

Cyber-threats jump by more than 80 per cent

More than 82,000 alleged cyber-crimes were reported to the Australian Signals Directorate's Cyber Security Centre in 2025-26. The figure represents a report every six minutes.

The centre responded to more than 1500 cyber-security incidents and provided more than 4400 notifications to Australian entities about potentially malicious cyber activity. The data represented an almost 80 per cent increase on last year's.

This year's cyber-threat report highlights the growing impact of artificial intelligence, which enables malicious cyber-actors to operate with greater scale, speed, and sophistication, AI is rendering cyber-attacks, scams, and attempts more efficient, effective, and convincing.

The report provides guidance on how individuals, businesses, and critical infrastructure operators can strengthen their defences.

Read the Australian Cyber Security Centre's factsheets for individuals, businesses and organisations for tailored cyber-security advice and practical mitigation measures.

ASD Essentials advises on cyber-security

The Australian Signals Directorate has launched *ASD Essentials*, which gives organisations a consistent and prioritised approach to cyber-security.

Chapters apply to specific business sectors, explaining relevant threats, risks, and operational considerations.

Essentials gives federal entities, critical infrastructure owners and operators, and large organisations practical, threat-informed, and prioritised measures to strengthen their cyber defences and better protect their systems.

Former Youpla directors breached duties

Former Youpla Group director Ronald Pattenden has been fined $250,000 and disqualified from managing corporations for 15 years.

Following a contested liability hearing in February, the Federal Court found that former Youpla CEO Bryn Jones breached his duties. A new hearing on a date to be fixed will determine Mr Jones's penalties.

ASIC began proceedings in 2023, alleging breaches of directors' duties relating to Youpla (formerly the Aboriginal Community Benefit Fund) against Mr Jones, Mr Pattenden and three other directors – Jonathan Law, Michael Wilson, and Geoffrey Clayton. Decisions on the last three have been reserved.

In March 2022 ACBF entities went into liquidation.

ASIC chair Sarah Court said tackling misconduct targeting First Nations people was an enduring enforcement priority.

'ASIC has taken decisive action to ensure those responsible for serious governance failures and director misconduct that harmed First Nations people are held to account', she said.

'These breaches went to the heart of trust and responsibility in the First Nations community.'

Youpla operated several funds providing funeral insurance, mostly marketed to indigenous Australians. ASIC alleged that between September 2017 and November 2018:

- The directors and officers maintained insurance arrangements with Crown Insurance Services Ltd, a Vanuatu-based company which was owned and controlled by Mr Pattenden and Mr Law
- That those arrangements were not in the interests of the ACBF entities and stood to benefit Mr Pattenden and Mr Law, and
- Insuring with Crown left the ACBF entities vulnerable to unaffordable premium increases (that occurred in September 2017). First Nations people continued to make premium payments to ACBF unaware of the risks to the viability of the funds and their ability to meet their commitments to members.

REGULATORS

ASIC's supervisory priorities for 2026–27

ASIC has published its supervisory priorities for 2026-27 for the banking, superannuation, general insurance, life insurance, and financial-markets sectors to provide greater transparency about priorities and give industry a preview.

- Banking sector: ASIC will review the use of AI in customer-facing activities and will review lender-conduct practices, such as incentives, referrer arrangements, and broker oversight. It will focus on banks' getting the basics right and improving outcomes for those in financial difficulty
- Superannuation: the commission will continue its multi-year review of superannuation member services and begin new reviews on trustee oversight of advice-fee deductions and retirement
- General insurance: ASIC will review the practices of for-profit claims management firms (including those commonly referred to as 'disaster chasers') and the potential implications of some firms' practices for consumers
- Life insurance: the commission will review life-insurance practices related to funeral insurance and continue its review into service issues in life insurance, and
- Markets: ASIC will promote market integrity and responsible innovation through surveillance and public-private initiatives. The commission will also reduce friction, support capital mobility, facilitate growth and competitiveness in Australia's capital markets, and strengthen resilient market infrastructure. The commission will continue to focus on confidence and fair outcomes across both public and private markets.

ASIC remakes wholly-owned companies' relief

ASIC has remade relief for eligible wholly-owned companies, ensuring that they can continue to rely on existing financial-reporting arrangements beyond 1 October.

ASIC Corporations (Wholly-owned Companies) Instrument 2026/533 continues existing financial-reporting relief for eligible wholly-owned companies under Chapter 2M of the *Corporations Act*.

Relief applies where the company meets the relevant conditions, including being party to a deed of cross-guarantee with its holding company and other group entities, and where the holding company lodges consolidated financial statements for the group.

The remade instrument maintains the existing relief while broader reforms to group-reporting relief are progressed. Companies need to take no action solely because the instrument has been remade: the eligibility conditions remain consistent, and savings provisions apply.

ASIC remakes new instruments

ASIC has made four legislative instruments to replace 19 counterparts that were due to sunset in October. Two of the new instruments consolidate 17 financial-and-sustainability reporting and auditing instruments.

The new instruments are:

- *ASIC Corporations (Annual and Half-year Reporting) Instrument 2026/468* consolidates 14 relief instruments related to sustainability and annual and half-year financial-reporting obligations for companies, registered schemes, registrable superannuation entities, retail corporate collective investment vehicles, and disclosing entities under the Corporations Act
- *ASIC Corporations (Auditing) Instrument 2026/469* consolidates three instruments dealing with auditor independence declarations and audit relief for certain large proprietary companies and clarifies the notification requirements when a retail CCIV appoints an auditor
- *ASIC Corporations (Qualified Accountant) Instrument 2026/734* continues to specify which members of professional bodies are recognised as 'qualified accountants' for the purposes of issuing certificates that allow a person to be treated as a wholesale client or sophisticated investor under sections 708(8)(c) and 761G(7)(c) of the Corporations Act, and
- *ASIC Corporations (Approval of Auditing Competency Standard) Instrument 2016/474* approves the *Auditing Competency Standard for Registered Company Auditors*, as updated in September, for assessing whether an applicant satisfies one of the requirements for registration as a registered company auditor. Greater emphasis is placed on ethical behaviour.

AUSTRAC sends notices to non-enrolled businesses

Anti-money-laundering watchdog AUSTRAC has begun issuing section 167 notices to businesses that appear to be providing designated services but have not enrolled under Australia's money-laundering and counter-terrorism financing laws.

The notices require businesses, including real-estate agents, accountants, lawyers, and jewellers, to provide information from 1 July to help AUSTRAC determine if they are providing regulated services and meeting their obligations under the *AML/CTF Act*.

AUSTRAC CEO Brendan Thomas said enrolment is a legal obligation and an important first step in protecting Australia from financial crime.

'Being regulated under the AML/CTF regime is a serious responsibility', he said.

'The time for preparation has passed. Businesses covered by Australia's AML/CTF laws should already be working on managing their risks and meeting their obligations.

'Enrolment is a basic requirement. If a business is providing designated services, it needs to be enrolled with AUSTRAC and actively managing the risk that criminals could exploit its services to move or hide illicit money.

'The newly regulated businesses under the AML/CTF regime are in a position to identify suspicious activity and help shut criminals out of the financial system.'

Mr Thomas said AUSTRAC's focus remains on helping businesses understand and comply with their obligations, but those that ignore the law should expect regulatory scrutiny.



ASX

Former Rex director disqualified and fined

The NSW Supreme Court has fined former Rex chief executive officer and executive chair Lim Kim Hai $800,000 and banned him from managing corporations for four years.

The penalties follow Mr Lim's involvement in Rex's continuous-disclosure breaches and his breaching directors' duties.

Mr Lim admitted to ASIC's allegations against him after the commission took legal action against Rex, Mr Lim, and three former Rex non-executive directors.

ASIC chair Sarah Court said that the outcome reinforced the importance of complying with disclosure obligations and ensuring that the market receives an accurate picture of a company's financial performance.

'Directors play a critical role in upholding the integrity of our financial system by keeping public markets informed', she said.

'Continuous disclosure is a core obligation for listed entities and underpins Australia's corporate governance framework. It is critical that investors have access to accurate and timely information that would impact their investment decisions.'

In making his decision, Justice Ashley Black noted that the admitted contraventions were 'serious' and that Mr Lim held a senior role.

Mr Lim was also ordered to pay a portion of ASIC's legal costs.

ASIC was unsuccessful in its case against former non-executive directors John Sharp, Siddharth Khotkar, and Lincoln Pan for allegedly contravening their directors' duties and its alleged misleading-conduct case against Rex. The commission intends to appeal.



AFSL

Fortnum Private Wealth fined $1.35 million for cyber-security failures

The NSW Supreme Court has fined Fortnum Private Wealth Ltd $1.35 million after the company admitted that it had failed to manage cyber-security risks threatening its financial-advice network.

Fortnum also admitted it failed to have adequate cybersecurity expertise and risk management systems, exposing its authorised representatives and their clients to the risk of cyber-related attacks and cyber-crime, which could result in serious harm and loss.

During the relevant period, Fortnum's network comprised between 81 and 94 financial-advice practices, more than 200 authorised advisers, and around 55,000 retail clients. The practices collected and held sensitive personal information, including identification documents, tax-file numbers, and financial-account details.

ASIC chair Sarah Court said the outcome reinforced that AFSL licensees must properly manage and protect against cyber-security risk.

'Today's outcome is the third obtained by ASIC against a licensee over failures to adequately protect against cyber-security risk following previous enforcement actions against RI Advice and FIIG Securities,' she said.

'[…] Fortnum was aware of the cyber-security risks facing its business and authorised representatives but failed to implement an adequate cyber-security policy and have adequate oversight and monitoring arrangements.

'These failures exposed authorised representatives and their clients to the risk of cyber-related attacks and cyber-crime and fell below the standard the public is entitled to expect from an AFSL holder.

'This outcome reinforces ASIC's continued focus on licensees getting the fundamentals right. Strong cyber-resilience is critical to maintaining trust and confidence in our financial system. We will continue to work with industry to lift standards and take action where businesses fall short.'

The court also ordered Fortnum to pay $250,000 towards ASIC's costs.

ASIC noted that Fortnum had improved its cyber-security framework, including introducing mandatory cyber-controls, annual reviews, enhanced training, and specialist cyber-expertise.

ASIC sues Falcon Capital Ltd alleging First Guardian failure

Hundreds of millions of dollars of superannuation invested by Falcon Capital Ltd in the First Guardian Master Fund were exposed to high-risk, undocumented, and conflicted investments, ASIC has alleged in the Federal Court.

ASIC has begun civil penalty proceedings against former managing director and CEO David Anderson and former executive chairman and chief investment officer Simon Selimaj alleging serious and widespread failures in the management and oversight of First Guardian.

ASIC is also seeking leave to begin civil-penalty claims against Falcon Capital Ltd (in liquidation), the responsible entity for First Guardian.

ASIC alleges that between August 2019 and April last year more than 6000 Australians invested more than $600 million in First Guardian, largely from their superannuation.

ASIC alleges that Falcon Capital invested around $270 million through unregistered underlying funds it controlled, substantial amounts being paid to a range of entities and ventures without appropriate safeguards.

The commission alleges that Falcon Capital made investments with inadequate documentation, insufficient security, inadequate due diligence, and unmanaged conflicts of interest.

They included investments in hospitality businesses and technology ventures in which Mr Anderson had a personal interest, as well as payments of at least $57 million to entities controlled by Mr Anderson or Mr Selimaj.

ASIC chair Sarah Court said: 'Hundreds of millions of dollars were allegedly channelled into high-risk and conflicted investments with inadequate scrutiny, oversight, or governance and without regard to members' best interests.

'These were Australians' retirement savings, yet ASIC alleges millions of dollars were handed over before contracts were even in place, including for investments linked to those running the fund.'

The proceedings are part of ASIC's 2026 enforcement priorities to hold to account those responsible for the collapse of the First Guardian and Shield Master Funds and to address poor practices in private credit.

Ms Court said: 'The allegations in ASIC's case against First Guardian highlight the problems ASIC has identified in private credit, including poor governance, conflicts of interest and weak oversight, and the consequences these can have for Australians' investments and retirement savings.

'ASIC has now commenced proceedings against key former officeholders of both Shield and First Guardian, and we will continue to pursue those we believe are responsible for putting Australians' retirement savings at risk.'

The commission is seeking declarations, civil penalties, and disqualification orders. To ensure that any available funds are returned to investors, it will decline to enforce any penalty obtained against Falcon Capital.

On Thursday 10 December in **GAAPinar No.9** Colin Parker shares his insights into *AFSL audits – what recent developments mean for auditors.*

Crack-down on financial-adviser qualifications

ASIC is reviewing the financial-advisers' register to check whether providers are meeting qualifications standards.

The targeted review will examine a sample of qualifications and training courses that AFS licensees have recorded on the register as contributing toward their relevant providers' meeting the standard.

It follows an earlier ASIC review of providers whose records failed to list any qualifications or courses.

ASIC is continuing to monitor notifications about relevant providers who rely on the 'experienced provider pathway' to meet the standard.

Since 1 January, those who provide personal advice to retail clients on relevant financial products must meet the qualifications standard. Relevant providers who missed their applicable deadline cannot remain authorised to provide advice.

ASIC has reminded AFS licensees and relevant providers to check that FAR records accurately show how each adviser has met the qualifications standard.

Reportable-situations dashboard updated

ASIC's reportable-situations dashboard on self-reported breaches has been expanded to include two years of data.

The updated version provides information on the volume of reports submitted, the nature of breaches by product and issue, customer impacts, firms' rectification of breaches, and customer-remediation methods.

ASIC received 11,838 breach reports between 1 July 2025 to 30 June, a decrease of 490 over the prior year. Of these, 7673 reports were submitted by Australian financial-services licensees and 4520 by credit licensees.

The dashboard improves transparency and helps consumers, industry participants, and other stakeholders to understand better reportable situations.

It aims to improve customer outcomes by strengthening licensees' compliance and reporting practices. It requires Australian financial services and credit licensees to self-report breaches, helping the commission identify emerging risks, systemic issues, and entities that might need closer regulatory attention.

ASIC remakes relief for client money

ASIC has remade a legislative instrument that allows AFS licensees to place clients' money in 'cash common' funds.

The new instrument *ASIC Corporations (Client Money – Cash Common Funds) Instrument 2026/727*, continues existing relief arrangements and will remain in force until 1 October 2031.

Under the instrument, client money in these funds can be invested only in fixed-interest securities and negotiable instruments.

NTA requirement for responsible entities to increase

ASIC has made a legislative instrument that will increase the net-tangible-assets requirement for responsible entities of registered managed investment schemes from 1 July next year.

ASIC Corporations (Amendment) Instrument 2026/708 amends ASIC Corporations (Financial Requirements for Responsible Entities, IDPS Operators and Corporate Directors of Retail CCIVs) Instrument 2023/647.

Minimum financial thresholds of the NTA requirement will increase to reflect inflation since they were last updated in 2013. They will be adjusted each year to keep pace with inflation.

The changes will apply to responsible entities of registered managed investment schemes, operators of investor-directed portfolio services, and corporate directors of retail corporate collective investment vehicles.

ASIC has also updated regulatory guide 166 *AFS licensing: Financial requirements* to reflect the changes.

From 2027, ASIC will publish updated thresholds on its website each year after relevant inflation data becomes available.



AUDIT

ASIC surveillance shows audit quality remains weak

Auditors need to be independent, obtain stronger evidence, challenge management assumptions, and document their conclusions, ASIC advises.

The commission's latest audit findings are published in report 842 *ASIC's oversight of financial reporting and audit 2025-26.*

'Our surveillance found that some report preparers and auditors did not challenge significant judgements, including for revenue recognition, impairment, and asset valuations', the report says.

The commission has expanded its audit surveillance to 25 audit files of 19 companies and six registrable superannuation entities across 12 audit firms, compared with 15 audit files in 2024-25.

It issued 15 'comment' forms to auditors from 11 firms setting out 42 findings from surveillances where auditors failed to challenge management assumptions, obtain sufficient evidence to support their conclusions, and document their compliance with ethical, independent, quality-management requirements.

The auditors proposed remedial reactions to ASIC's findings and in 2026-27 the commission will monitor them and report on their outcomes and status.

ASIC also requested the six largest audit firms undertake self-assessments and develop action plans to address their firms' and ASIC's findings and calls to action in report 817 *Building trust: Auditors' compliance with independence and conflict of interest obligations.*

'Audit firms now need to demonstrate that their action plans are producing meaningful and lasting improvements to independence practices', commissioner O'Rourke said.

ASIC would monitor the effectiveness of actions and continue to focus on embedding and strengthening independence practices', she added.

Since 1 July last year, ASIC has taken enforcement and compliance action including:

- Beginning Federal Court proceedings against three auditors and two related authorised audit companies, alleging serious audit failures
- Making Company Auditor Disciplinary Board applications resulting in the cancellation of two auditors' registrations and the suspension of one auditor's registration, and
- Accepting the voluntary cancellations of three auditors' company-auditor registrations following independence concerns.

In 2026-27, ASIC will continue its financial reporting and audit surveillance of companies and RSEs and expand it to include managed investment schemes. Preparers and auditors should refer to 26-098MR *ASIC sets financial reporting, audit and sustainability focus areas for FY 2026–27.*

On Thursday 3 December in **GAAPinar No.7** Colin Parker and Chanelle Pienaar address *Audit quality – would your audit file stand up to scrutiny?*

Company auditor's registration cancelled

ASIC has accepted Benjamin Alfred Peters's application for the cancellation of his registration as a company auditor after raising concerns about his role as lead auditor and engagement partner in the audit of a large proprietary company.

As part of its 2025–26 surveillance, ASIC reviewed an audit of L Audit Pty Ltd, an authorised audit company of which Mr Peters is the sole director. ASIC identified significant audit-quality concerns in several areas. These concerns were not published.

ASIC has also accepted L Audit's application for the cancellation of its authorised audit-company registration.

FMA cancels Sydney-based auditor's licence

The New Zealand Financial Markets Authority has cancelled the NZ licence of Sydney-based auditor Scott Bennison to conduct financial-markets audits in New Zealand.

The FMA cancelled Mr Bennison's licence because it was satisfied that he had not complied with several licence conditions.

The failures relate to Mr Bennison's role as engagement-quality reviewer of the audit of Greenfern Industries Limited's (in Receivership) group financial statements for the year ended 31 March 2024. The nature of the failures was not detailed.

Full Federal Court dismisses auditor's appeal

The Full Court of the Federal Court has dismissed an appeal by former registered company auditor Reginald Lance Williams, upholding an earlier judgment to cancel his licence.

ASIC commissioner Kate O'Rourke said that the judgment reinforced the important responsibilities and high standards expected of registered company auditors.

'Auditors play a critical role in maintaining confidence in Australia's financial-reporting framework', she said.

'The Full Court's decision reinforces that registered company auditors are ultimately responsible for the quality of audits conducted under their supervision and cannot outsource responsibility to other members of an audit team.'

INSIDE GAAP CONSULTING

GAAPinars series 2 underway

On 5 November, our latest 12-session *GAAPinar* series started. It provides the most current insights into auditing, financial and sustainability reporting, ethics, and related business risks.

Explore the series 2 program at our Gaap Training website. If you have questions about the GAAPinars and tailored training needs, contact Andrew at andrew@gaaptraining.com.au.

Looking for more contemporary training in financial and sustainability 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 120 topics.

Celebrating the 50Th edition of NFP newsletter

The 50th edition of *NFP Risk and Compliance* marks an important milestone in our commitment to helping not-for-profit organisations navigate an increasingly complex governance, regulatory, and operational landscape.

Over 12 years, the newsletter has highlighted emerging risks, explained significant reforms, and shared practical lessons drawn from regulatory action and sector experience.

We are grateful to our readers for their continued interest and engagement, and to the many organisations and professionals whose work contributes to stronger governance, accountability, and service delivery across the sector.

As we celebrate this achievement, we remain focused on providing timely, accessible, and practical insights that help boards, executives, and auditors anticipate change, strengthen controls, and make well-informed decisions.

Reach out if you need assistance

GAAP Consulting has updated its offering of expertise on litigation and risk-management engagement briefs.

Led by Colin Parker, the service draws on 25 years' experience in 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 service offers law firms, regulators, auditors, and clients technically rigorous, independent, and practical support across complex and high-stakes disputes.

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
- **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.

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

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