



COLIN'S

CORNER

## Financial-reporting challenges are near

Many accountants and auditors will have finished the bulk of their 30 June reporting-season commitments. A few might ask what's the next set of challenges? There are many and they are near.

The International Accounting Standards Board recently issued practice statement 2 *Making Materiality Judgements*. The AASB will shortly follow suit with something analagous. While just 'guidance', this practice statement (along with the *Framework*) warrants serious consideration by directors, CFOs and auditors to ensure that the needs of users of financial statements are met. Remember, there are materiality rules in AASB 101 *Presentation of Financial Statements* that are now supported by this practice statement.

On 31 December, comparatives determinations for AASB 15 *Revenue from Customer Contracts* and AASB 9 *Financial Instruments* begin. Both 30 June and 31 December balancers by now should have completed the 'effect' assessment of these standards, made their transitional choices, drafted detailed accounting policies and prepared their opening balance sheets. Many entities have yet to start even rudimentary understanding and implementation of these complex standards.

By now, listed entities should have assessed whether AASB 15 and AASB 9 require a continuous-disclosure notification. They should also be well advanced on their considerations of AASB 16 *Leases* and AASB 17 *Insurance Contracts*.

While not-for-profits have been granted a reprieve from AASB 15 and its related standard AASB 1058 *Income for Not-For-Profit Entities* until reporting periods commencing 1 January 2019, 1 January next year marks the transition dates for these standards with an opening balance-sheet requirement.

New year's day 2019 is also the date AASB 16 *Leases* becomes operative. Working back, comparatives as at 31 December 2018 and transition into AASB 16 and third-balance-sheet requirements as at 1 January next year are just three months away.

For profit entities also need to place on their financial-reporting agenda developments in the *Tax Transparency Code* and AASB Interpretation 23 *Uncertainty over Income Tax Treatments*. The latter will be effective from 1 January 2019, the former much sooner.

Do you expect that your auditors will help you to solve these and other financial issues? Think again.

As reported in my Special GAAP Report *Financial Reporting and Auditing Considerations for 30 June*, ASIC reminded directors that they are primarily responsible for the quality of reports. They must ensure that management produces quality financial information. Companies must have appropriate processes and records to support information rather than simply relying on an independent auditor.

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ASIC made the following specific warning: 'Auditors should be mindful of their responsibilities in the context of opining on financial reports, including any note disclosures.

To maintain their independence, auditors should not be implementing new standards or advising on accounting treatments for their clients.'

In closing, it would be remiss of me not to remind members of CA ANZ, CPA Australia and IPA that new responsibilities for non-compliance with laws and regulations (NOCLAR) under APES 110 *Code of Ethics for Professional Accountants* apply from 1 January.

# Financial reporting >

## How to make materiality judgements

The International Accounting Standards Board has issued practice statement 2 *Making Materiality Judgements*.

The statement provides companies with non-mandatory guidance on how to make materiality judgements when preparing general-purpose financial statements based on International standards.

The publication encourages companies to apply judgement instead of IFRS requirements as a checklist so that statements focus on the information that is most useful to investors.

The concept of materiality is important in preparing statements because it helps entities to determine the information to include and exclude. Entities make materiality judgements not only over information disclosure and presentation but also when making decisions about recognition and measurement.

Some entities that are unsure about their materiality judgements use disclosure requirements in IFRS as a checklist. The statement is aimed at steering them towards making better judgements.

It gathers the materiality requirements in IFRS standards and adds practical guidance and examples that companies might find helpful in deciding whether information is material. The statement is not mandatory and neither changes requirements nor introduces new ones.

Hans Hoogervorst, chairman of the IASB, said: 'The practice statement provides companies with the tools to make their financial statements more useful and concise. For change to happen, however, companies, auditors and regulators will have to work together.'

The new statement is part of the IFRS board's disclosure initiative that, in turn, forms a key part of its work in improving financial reporting.

The Australian Accounting Standards Board will issue the guidance in an Australian context.

## Chapmans restates results

The Australian Investments and Securities Commission has noted a decision by ASX-listed Chapmans Limited to restate its results for the year ended 31 December 2016. The restatement was announced to the market on 18 August.

ASIC raised concerns over consolidating subsidiaries and equity-accounting associates in the financial report for the year ended 31 December. Chapmans treated itself as an investment entity for accounting purposes and recognised subsidiaries and an associate as investments at fair value.

The company has restated, and will reissue its financial report for the year ended 31 December to consolidate and equity-account the investments. This will reduce net assets as at 31 December 2016 by \$3.2 million. Chapmans released its financial report for the half-year ended 30 June on 5 September, and note 4 includes a summary of the adjustments.

## Wonhe writes down assets

ASIC noted the decision by Wonhe Multimedia Commerce Limited to write down the value of its loans advanced assets at 31 December 2016 by \$5.4 million.

The commission had queried the company's auditor about the valuation of loans advanced assets. The company has noted that its first year of cash flow was not discounted as required, which also affected the discounting of subsequent financial years.

## Excluding passive investment companies from the small-business tax rate

The federal government has released draft tax legislation to clarify that passive investment companies cannot access the lower company-tax rate for small businesses.

As part of the government's enterprise tax plan, the corporate tax rate for small entities has been cut to 27.5 per cent. The turnover threshold to qualify for the lower rate will increase from \$10 million in 2016-17 to \$50 million in 2018-19.

The *Treasury Laws Amendment (Enterprise Tax Plan No. 2) Bill 2017* before parliament would see the threshold increase progressively to \$1 billion in 2022-23 before being removed in 2023-24.

The Bill amends the *Income Tax Rates Act 1986* to ensure that a corporate tax entity will qualify for the lower rate only if:

- The entity carries on a business in the income year
- The entity's aggregated turnover for the year is less than the aggregated turnover threshold for that year, and
- The entity does not have passive income (such as dividends and interest) of 80 per cent or more of its assessable income for the year.

The Bill clarifies that corporate tax entities with predominantly passive income cannot access the lower corporate tax rate before 2023-24, when the rate should be 27.5 per cent for all companies.

Minister for Revenue and Financial Services Kelly O'Dwyer said the decision to cut the tax rate for small companies was not meant to apply to passive investment companies.

## FAQs released on tax transparency

The AASB has released answers to FAQs on the voluntary tax-transparency code.

The Board of Taxation released the code to encourage large and medium-sized businesses to improve their tax disclosures. The AASB has issued draft guidance on the code, especially on disclosure and effective tax rates.

The AASB's *Appendix to the Tax Transparency Code*, is open for comment until 28 February. The board is encouraging feedback via a formal submission or the completion of a short online survey.

## Proposed amendments to accounting policies

The AASB has issued exposure draft 281 *Accounting Policies and Accounting Estimates* that proposes to make amendments to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The proposed amendments would clarify the definition of accounting policies and add a definition of accounting estimates. They would also clarify the distinction between the two.

The amendments follow the International Financial Reporting Standards's interpretations committee being made aware of divergent practice in distinguishing between accounting

policies and accounting estimates, which could affect an entity's profit or loss.

### 'Material' defined

New exposure draft 282 *Definition of Material* proposes amendments to AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting*

*Estimates and Errors* to clarify the definition of 'material'.

### Discount rate released

Commissioned by the Group of 100, Milliman has published its August discount-rate report. The rate applies to certain employee-benefit liabilities under AASB 119 *Employee Benefits*.

## ASX

### Sirtex fined \$100k for continuous-disclosure breach

ASX-listed company Sirtex Medical Limited has been fined \$100,000 after ASIC issued an infringement notice for an alleged failure to comply with continuous-disclosure obligations.

The infringement notice was issued following an investigation into matters arising from Sirtex's announcement on 9 December 2016 to the exchange that projected dose sales growth was likely to be about 4-6 per cent for the first half of the financial year ending 30 June 2017 and 5-11 per cent for the full year.

Sirtex had previously announced that it expected that 'double digit dose sales growth' would continue for the 2017 financial year. Dose sales growth for the year ended 30 June 2016 was 16.4 per cent.

ASIC alleges that, by 21 November 2016, Sirtex ought to have been aware that:

- For the financial year ending 30 June 2017 worldwide first-half dose sales growth was expected to be about 4-6 per cent, and
- On a full-year basis, worldwide dose sales growth was expected to be about 5-11 per cent.

Compared with previous announcements that it anticipated stronger growth.

ASIC alleges that by failing to inform the ASX by 21 November last year of the lower projected dose sales growth, Sirtex was in breach of its continuous-disclosure obligations between 21 November 2016 and 8 December 2016.

The Corporations Act provides that compliance with infringement notices is not an admission of guilt or liability.

## Governance

### Reforming insolvency law

The federal government has delivered on its commitment under the National Innovation and Science Agenda to improve Australia's corporate-insolvency system.

The *Treasury Laws Amendments (2017 Enterprise Incentives No. 2) Bill 2017* receiving passage through the Parliament.

The Bill promotes a culture of entrepreneurship and innovation by providing a 'safe harbour' for company directors from personal liability for insolvent trading if they are pursuing a restructuring outside formal insolvency. It also makes 'ipso facto' clauses unenforceable during and after certain formal insolvency procedures.

'We're encouraging Australians to become more innovative and ambitious. These measures will help promote an entrepreneurial culture to drive business growth, local jobs and global success,' said the Minister for Revenue and Financial Services Kelly O'Dwyer.

'The Bill will protect diligent and competent company directors from personal liability for insolvent trading if they are pursuing a restructure outside of a formal insolvency

process. Directors will be able to remain in control of the company and take proactive steps to restructure a company when that is reasonably likely to deliver a better outcome for creditors, employees and shareholders.'

The Bill ensures safeguards to make it unattractive for dishonest directors to fraudulently 'phoenix' their company.

Viable but financially-stressed businesses under external administration or schemes of arrangement may find it difficult to trade following contract cancellations. The reforms will create breathing space for a company to continue to trade through insolvency and improve its chances of being turned around.

'This Bill will protect asset values for the benefit of the company, its employees and its creditors and remove a deterrent to investors who might otherwise try to help turn the company around,' Ms O'Dwyer said.

The safe-harbour provisions will commence on royal assent. The stay on the operation of ipso facto clauses will begin on 1 July next year to provide time for businesses to adapt to the new settings.

### Tax-consolidation integrity measures released

Minister O'Dwyer has released draft tax-consolidation legislation and an explanatory memorandum for public consultation.

The tax-consolidation rules allow wholly owned groups to choose to form a 'consolidated group' for tax purposes, which may then be treated as a single entity.

The Bill contains six measures designed to remove anomalous tax outcomes that arise under the tax cost-setting rules when an entity leaves or joins a consolidated group. They are:

- Prevent a double benefit on deductible liabilities from arising when an entity joins a consolidated group
- Ensure that deferred tax liabilities are disregarded
- Remove anomalies that arise when an entity holding securitised assets joins or leaves a consolidated group
- Prevent unintended benefits from arising when a foreign resident ceases to hold membership interests in a joining entity in certain circumstances

- Clarify the outcomes that arise when an entity holding financial arrangements leaves a consolidated group, and

- Clarify the treatment of intra-group liabilities when an entity leaves a consolidated group.

The measures address concerns raised in the Board of Taxation's post-implementation review of the consolidation rules.

## Regulators

### ASIC facilitates crowd-sourced funding by public companies

From 29 September, a new crowd-sourced funding (CSF) regime will come into effect and ASIC will begin accepting licence applications from CSF intermediaries.

Under the CSF regime, eligible public companies will be able to make offers of fully-paid ordinary shares to investors via the online platform of a licensed intermediary. Generally, the CSF regime reduces the regulatory requirements for public fundraising, and the intermediaries will be overseers in the process.

ASIC commissioner John Price said that the new system balanced the need for regulatory oversight with supporting innovation.

'ASIC welcomes the start of the new crowd-sourced funding laws. Crowd-sourced funding helps both start-ups and small- to medium-sized businesses and investors access the opportunities that are available from an innovative economy,' said Mr Price.

'It is also important for investors to understand the benefits and risks of crowd-sourced funding, and we encourage them to refer to the materials [...] on our Money Smart website,' he added.

For companies to access the CSF benefits, ASIC must first license suitable intermediaries to provide services. Providers of CSF services must hold an Australian financial services (AFS) licence, and from 29 September, ASIC will begin accepting applications from potential CSF intermediaries for AFS licences.

ASIC has released guidance for public companies and crowd-funding platform operators.

Regulatory guide 261 *Crowd-sourced funding: Guide for public companies* (RG 261) will assist companies seeking to raise funds through CSF to understand and comply with their obligations in the new regime. Many of them will not have had experience in making public offers of shares. ASIC has also published a template CSF-offer document.

Guide 262 *Crowd-sourced funding: Guide for intermediaries* (RG 262) will help crowd-funding platform operators ('intermediaries') seeking to provide services; there are unique gatekeeper obligations for CSF operating platforms.

ASIC has also:

- Updated ASIC Corporations (Consents to Statement) Instrument 2016/72 to reduce the compliance burden associated with obtaining consent for statements in CSF offer documents
- Issued ASIC Corporations (Financial Requirements for CSF Intermediaries) Instrument 2017/339, which outlines specific minimum requirements for CSF intermediaries, and
- Amended ASIC class orders (CO 13/762 and CO 13/763) and ASIC Corporations (Nominee and Custody Services) Instrument 2016/1156.

See the ASIC website for further information, including information on applications for an AFS licence with an authorisation to provide CSF services, to register new public companies or convert existing proprietary companies to public companies, and to be eligible to raise funds using CSF and to access corporate-governance concessions.

Mr Price said: 'Crowd-sourced funding provides an opportunity for small to medium-sized businesses to access an [alternative] source of capital without the regulatory burden of traditional fundraising. ASIC's new guidance will help public companies and crowd-funding platform operators comply with their obligations under the CSF regime, while supporting investor confidence.'

### ASIC taskforce seeks feedback

ASIC's Enforcement Review Taskforce has released a position paper *ASIC's power to ban senior officials in the financial sector*.

In its final report, the financial-system (Murray) inquiry concluded that ASIC's banning powers against individuals needed to be enhanced to improve accountability of managers and the culture of firms in the financial-services and credit sectors.

The taskforce seeks community and industry feedback on the paper before making final recommendations to government.

### Consultation on actuarial advice to insurers

The Australian Prudential Regulation Authority (APRA) has released a consultation package on the role of actuaries in general,

life and private-health insurers that proposes replacing three industry-specific prudential standards with a streamlined, cross-industry standard (CPS 320) and an accompanying practice guide.

APRA member Geoff Summerhayes said that the authority values the actuarial role and the important part it plays in protecting policyholders' interests, but that the role's effectiveness had been diminished in parts of the industry.

'These proposals are a significant step forward in putting the role on a sustainable footing and ensuring that appointed actuaries are able to make their important prudential contribution', said Mr Summerhayes.

'There is more that can and should be done by insurers and the actuarial profession to fully address the underlying causes of the issues observed by APRA,' said he added.

'The proposals simplify the prudential framework and give insurers more flexibility to determine how and by whom actuarial advice is provided.'

APRA invites submissions on the proposals by 15 December.

### ACNC update

The Australian Charities and Not-for-profits Commission (ACNC) has:

- Revoked the registration of almost 90 double-defaulter charities
- Revoked the charity status of Community Work Pty Limited
- Stated that almost 200 charities are at risk of losing their registration for twice failing to submit their annual statements
- Exercised discretion to accept annual financial reports lodged with some state or territory regulators for the 2017 financial year
- Exercised discretion to extend the 2017 annual information statement due date for charities that use a standard 1 July to 30 June reporting period to 31 January 2018, and
- For charitable ancillary funds with a reporting period ending 30 June, exercised discretion to extend the 2017 information-statement due date to 28 February.

## Ethics >

### APESB issues new code

The Accounting Professional and Ethical Standards Board (APESB) has issued a new code of ethics APES 110 *Code of Ethics for Professional Accountants*.

In May, substantial changes were made to the code arising from an amending standard about non-compliance with laws and regulations (NOCLAR) and non-assurance services to audit and assurance clients (NAS).

The new code incorporates:

- An amendment to the definition of a public-interest entity (issued December 2011)
- Amendments to the definitions and auditor-independence requirements (issued May 2013)

- Amendments primarily due to revisions to the International Ethics Standards Board's *Code of Ethics for Professional Accountants* on conflicts of interest and breaches (issued November 2013), and
- Amendments due to revisions to IESBA's *Code of Ethics for Professional Accountants in respect of NOCLAR and NAS* (issued May 2017).

The new code and amending standards are available for review on the APESB website: [www.apesb.org.au](http://www.apesb.org.au).

### New guidance on due-diligence sign-offs for low-docs

APESB has issued new guidance for accountants on due diligence sign-offs for low-doc offerings.

A guidance note sets out the key professional and ethical considerations. Importantly, it provides for a general profession-wide consistency in determining when it is possible to issue a due-diligence sign-off.

'We are pleased to have received positive interest and engagement from the profession and are confident that the [note] provides valuable guidance on due diligence engagements involving low-doc offerings,' said APESB chair Nicola Roxon.

The note supports APESB 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document*. Numbered GN 31, *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* is available on the APESB website: [www.apesb.org.au](http://www.apesb.org.au).

## Fraud and NOCLAR >

### Parliamentary report calls for stronger whistleblower protection

A joint parliamentary committee on financial services has called for significantly stronger protection for people who report illegal conduct.

Its report follows last year's Senate referral to the committee after an inquiry into whistleblower protection in corporate, public and not-for-profit sectors.

Whistleblowers are essential in bringing to light information about corporate wrongdoing. Insider information is invaluable as it helps entities to identify, detect and prevent unlawful and unethical activity. It is also invaluable to regulators in investigations and prosecutions.

The report addressed the following terms of reference:

- The development and implementation in the corporate, public and NFP sectors of whistleblower protections, considering the substance and detail of the Registered Organisation Commission legislation passed by parliament in November 2016
- The types of wrongdoing to which a comprehensive whistleblower-protection regime should apply
- The most effective ways of integrating whistleblower-protection requirements into Commonwealth law
- Compensation arrangements in whistleblower legislation across different jurisdictions, including consideration of bounty systems used in the US
- Measures needed to ensure effective access to justice, including legal services, for persons who make or may make disclosures and require access to protection as a whistleblower
- The definition of detrimental action and reprisal, and the interaction between and, if necessary, separation of criminal and civil liability
- The obligations on corporate, NFP and public-sector organisations to prepare, publish and apply procedures to support and protect persons who make or may make disclosures and their liability if they fail to do so or fail to ensure that procedures are followed
- The obligations on independent regulatory and law-enforcement agencies to ensure proper protection of whistleblowers and investigation of whistleblower disclosures
- The circumstances in which public-interest disclosures to third parties and the media should attract protection
- Any other matters relating to the enhancement of protections and the type and availability of remedies for whistleblowers, and
- Any related matters.

Commenting on the report's release, Andrew Parker, director of *ReportFraud*, said: 'Governance of all businesses has a fundamental responsibility to see that information about misconduct is brought to light so that it can be addressed at the earliest opportunity. An independent fraud and non-compliance reporting service where confidentiality is paramount is essential.'

Mr Parker added: 'Such internal reporting and risk management should occur before regulatory or external legal actions become necessary.'

### AICD endorses whistleblower report

The Australian Institute of Company Directors has welcomed the parliamentary whistleblower report.

The AICD strongly supports the introduction of more robust whistleblower protections as the current legislative regime fails to encourage a culture of disclosure and adequately protect whistleblowers.

In its submission to the parliamentary committee, the institute argued for extending protections to a greater range of people, broadening the definition of 'disclosable conduct', protecting anonymous whistleblowers and increasing penalties for corporations that victimise or harm whistleblowers.

AICD acting chairman Gene Tilbrook said that a strong whistleblowing framework should strengthen and support the governance of Australia's organisations.

'The AICD is broadly supportive of the committee's recommendations and commends the substantial consultation and consideration which the committee members have put in to this process,' said Mr Tilbrook.

'Stronger protections for whistleblowers will incentivise companies to establish robust internal whistleblowing systems which will increase transparency and facilitate disclosure.

'Company directors want to know if corporate wrongdoing is occurring, and many companies already have in place robust internal whistleblowing processes that encourage reporting. However, the legislative framework needs to ensure whistleblowers are protected and supported as well.

'Whistleblowers play a critical role in identifying misconduct and should not be the subject of victimisation because of their disclosure.

'Strong protections [...] help to ensure that corporate wrongdoing is detected and addressed or, ideally, prevented.

'We look forward to engaging with the government to see a better whistleblower-protection framework become law. We also encourage organisations of all sizes to look at their own internal whistleblower frameworks to see how they can improve them sooner rather than later.'

### Minister releases whistleblower-panel details

The Minister for Revenue and Financial Services Kelly O'Dwyer has released the terms of reference for an expert panel on whistleblower protections and confirmed its members.

Ms O'Dwyer said: 'The Turnbull government is determined to get whistleblower settings right. We need a strong legal framework that gives whistleblowers the confidence to make disclosures, encourages larger companies to develop whistleblower policies and internal frameworks, provides effective redress to those who suffer reprisals because of blowing the whistle, and enables regulators and law enforcement agencies to act quickly and decisively on whistleblower reports.'

The panel will advise the government on the legal framework to achieve the goals, informed by public consultations that began in December.

It will review and comment on draft legislation that the government expects to introduce this year. The legislation will:

- Establish whistleblower protections for people who disclose information about tax avoidance and other breaches of tax laws administered by the Commissioner of Taxation, and
- Strengthen existing corporate whistleblower protections under statutes administered by ASIC and APRA.

The panel will also review and provide advice on recommendations made by the parliamentary committee and stakeholder and community suggestions.

Chaired by Treasury personnel, the panel includes senior government agency representatives, academics, and practitioners with expertise in tax law, corporations law, governance and whistleblower protections.

### NZ counter-terrorism act to cover accountants

New Zealand's *Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act 2009* has been extended to cover accountants from 1 October next year.

The extended rules will also apply to lawyers, real-estate agents, conveyancers, high-value dealers and the NZ Racing Board. Collectively, these businesses and accounting practices are known as phase 2 reporting entities.

The legislation:

- Imposes a comprehensive set of reporting and compliance requirements on phase 2 reporting entities
- Sets out a risk-based approach to tracking possible money-laundering and terrorism-financing activity, and
- Details an enforcement regime for the supervision and monitoring of AML/CFT obligations, including civil and criminal offences.

The Department of Internal Affairs (DIA) is the supervisor of phase 2 reporting entities.

### Sherwin principal pleads guilty to fraud

A former principal of Sherwin Financial Planners Pty Ltd and chairman of Wickham Securities Ltd has pleaded guilty to 25 charges brought by ASIC arising out of the collapse of his consultancy.

Bradley Thomas Sherwin, of Everton Hills, Queensland, appeared in the Brisbane District Court, and pleaded guilty to:

- 24 counts of dishonestly causing a detriment between May 2009 and December 2012 to the value of nearly \$10 million to several clients of Sherwin Financial Planners, and
- One count of dishonestly breaching his duties as a director of Wickham Securities

Limited between June and October 2010.

Mr Sherwin will be sentenced on 14 November. He did not apply for bail and was remanded in custody.

Wickham Securities collapsed in December 2012, owing more than \$27 million to about 300 debenture holders. Sherwin Financial Planners and other companies of which Mr Sherwin was a director collapsed in January 2013, owing more than \$30 million to clients of Sherwin Financial Planners.

In June 2013, ASIC cancelled the registration of Brian Kingston, auditor of Wickham Securities, after deciding that he had failed to carry out or perform adequately and properly an auditor's duties.

In May last year, ASIC permanently banned Mr Sherwin from providing financial services.

In September of 2016, the former CEO of Wickham Securities, Garth Peter Robertson, was sentenced to five years' imprisonment after pleading guilty to various charges brought by ASIC, including fraud.

### Former TZ director charged with dishonesty

After being extradited to Australia from Thailand, John Falconer, the former director and chief financial officer of TZ Limited, has been charged with dishonest conduct and has appeared before the Sydney Central Local Court.

The charges, which follow an ASIC investigation, include 16 counts of using dishonestly his position as a director with the intention of gaining an advantage for himself or others and two counts of giving false or misleading information to the ASX.

ASIC alleges that between 8 December 2006 and 24 September 2008 while a director of TZ Limited, Mr Falconer used his position dishonestly on 16 separate occasions to gain an advantage for himself or others, by causing some \$6.25 million of TZ Limited's funds to be transferred to entities with which he, Andrew Sigalla (a former TZ director), and other persons and entities were associated.

ASIC also alleges that on 30 April 2008 and 28 February 2009 Mr Falconer lodged financial reports with the ASX that failed to disclose the true nature of certain payments.

Each offence carries a maximum penalty of five years' imprisonment.

In November last year, Mr Sigalla was found guilty by a New South Wales Supreme Court jury of 24 counts of dishonest conduct and on 10 February was sentenced to 10 years' imprisonment with a non-parole period of six years.

## Fraud headlines

Some fraud headlines you might have missed:

- ‘Former RSL president Ken Doolan “directed charity to cover up expenses scandal”, inquiry told’
- ‘NSW RSL former CEO didn’t act on staff concerns about Don Rowe’s spending’
- ‘Nun accused of paying £28k bribe to get planning permission for hotel near Vatican’
- ‘Solicitor and health professionals arrested over alleged fraudulent insurance claims’
- ‘BHP Billiton launches anti-corruption push with pledge to “build trust”’
- ‘Murray-Darling Basin: NSW’s most senior water bureaucrat resigns over corruption allegations’

- ‘High-flying SkyCity executive Tessa Grant and her \$2.7m fraud’, and

- ‘Fraud on a grand scale: At least six years’ jail for ringleader of \$17m scam’

More about the lessons we may learn from these headlines in a forthcoming *ReportFraud* (and NOCLAR) whistleblowing service (*If you see something, say something*). Contact either Andrew or Colin for further information.

## Proposed new rules on inducements

The International Ethics Standards Board for Accountants has released an exposure draft *Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements*. The draft will be shortly released by the APESB.

Proposals in the draft strengthen provisions in the *Code of Ethics for Professional Accountants*

on accepting and offering inducements by establishing a comprehensive framework that covers all forms of incentives applying to accountants in business and public practice, including inducements proposed by immediate and close family members.

They clarify appropriate boundaries for offering and accepting inducements, and prohibit incentives that intend to improperly influence behaviour.

The proposals would also require accountants to understand and to comply with relevant laws and regulations in which bribery and corruption might be committed.

Once finalised, the provisions will form the last component of a restructured code.

Comments to the IESBA by 8 December.

# Audit >

## ASIC disqualifies SMSF auditor for breaching independence obligation

ASIC has disqualified Kathleen Whittle of New South Wales from being an approved self-managed superannuation fund auditor.

The commission determined that Ms Whittle

had breached fundamental independence requirements and that, given the nature of the breaches, a disqualification was appropriate.

ASIC found that Ms Whittle had breached requirements of APES 110 *Code of Ethics for Professional Accountants* in auditing the funds of her immediate and close family members.

ASIC commissioner John Price said: ‘SMSF auditors play a fundamental role in promoting confidence in the SMSF sector, so it is crucial that they adhere to ethical and professional standards. ASIC will continue to take action where the conduct of SMSF auditors is inadequate.’

## INSIDE GAAP CONSULTING

### What we’ve been up to

The *GAAP Consulting* team has been busy helping audit firms with technical advice on accounting issues, KAMs, pre-issuance and quality-control reviews, and modified audit opinions. We’re responding to specific needs.

Sonya Sinclair has been embedded in an audit practice to help with quality control and training as the audit season progresses.

Colin has completed a milestone – his 40th litigation brief. They are all interesting, he reports, and present a great opportunity to apply the skills he has acquired in more than 40 years working with accounting and auditing standards. He enjoys all facets of litigation work – whether as an independent expert for the court or a consulting expert for plaintiffs and defence.

Colin has achieved a further milestone – his 3500th tweet. He likes to comment on contemporary issues, provide news about *GAAP Consulting* products and services, and retweet information from almost

200 influencers that he feels will benefit his followers.

His LinkedIn connections number almost 2800, and he has 3000 as a target.

Colin and Andrew Parker have been working on administering our GAAPinars and face-to-face training scheduled for November–December. Colin has also been in contact with his network of lawyers to bring them up to speed on financial reporting, auditing and ethical issues.

He and his colleagues each month put great effort into the monthly *GAAP Alert*. They are heartened by comments such as: ‘All my Australian accounting connections should sign up for the excellent *GAAP Alerts* from Colin and his team.’ And another: ‘*GAAP Alert* is a very high-quality newsletter.’

Stephen Downes has had his head in academic papers on literary theory and wonders if it will remain attached.

And several team members have been battling colds, flu, and – now – hay-fever. Roll on summer.

### Face-to-face training on AASBs 15, 9 and 16

Members of the *GAAP Consulting* team will soon be sharing their insights and discussing your implementation issues concerning AASB 15 *Revenue from Customer Contracts*, AASB 9 *Financial Instruments* and AASB 16 *Leases*.

Up to 14 hours of CPD/CPE are available. Each session is bookable separately. The sessions are targeted at senior auditors, CFOs and members of their finance teams.

Course material has been updated. Examples and case studies will be provided and emphasis placed on implementation. Participants are encouraged to provide questions in advance.

### Melbourne

- 21 November – Masterclass on AASB 15 *Revenue from Customer Contracts* (all day)
- 11 December – Introduction to AASB 16 *Leases* (half-day) and Introduction to AASB 9 *Financial instruments* (half-day)

**Brisbane**

- 6 December – Masterclass on AASB 15 *Revenue from Customer Contracts* (all day)
- 7 December – Introduction to AASB 16 *Leases* (half-day) and Introduction to AASB 9 *Financial instruments* (half-day)

**Sydney**

- 15 December – Masterclass on AASB 15 *Revenue from Customer Contracts* (all day)
- 18 December – Introduction to AASB 16 *Leases* (half-day) and Introduction to AASB 9 *Financial instruments* (half-day)

Anchor presenters are Carmen Ridley (current AASB member) and Colin Parker (former AASB member) with support from Sonya Sinclair (Sydney) and Stephen Newman (Melbourne).

Numbers are strictly limited. A brochure will be available shortly. Express your interest now to Andrew Parker (0401 858 889 or [andrew@gaap.com.au](mailto:andrew@gaap.com.au)). Content queries? Please contact Colin Parker (0421 088 611 or [colin@gaap.com.au](mailto:colin@gaap.com.au)).

**Let GAAP Consulting unravel your AASB 15 contracts**

Do you know how to implement AASB 15 *Revenue from Contracts with Customers*? It's not easy – every contract needs to be understood according to how it is to be accounted for. And implementation dates are fast approaching. Let the experts at *GAAP Consulting* get you on track with an analysis of one of your contracts.

Our AASB 15 team is led by Carmen Ridley, AASB member. Check out our contract-review service and book us today.

A leading auditor said of our service: 'I think this is an excellent idea, and I will certainly mention it to our clients.'

The *GAAP Consulting* team can also assist you with:

- AASB 15 and AASB 1058 training
- Reviewing and monitoring of your implementation plan
- The development of detailed accounting policies, and
- Reviewing your financial-reporting template.

Contact Colin to discuss our contract-review service and how we can help you to implement AASB 15.

**NFP Risks and Compliance newsletter**

We will shortly release our September-quarter edition of our *NFP Risks and Compliance* newsletter to accounting-firm subscribers.

Our aim is that firms keep their NFP current and potential clients informed. It helps enormously when accountants can demonstrate expertise and experience for current and potential clients. At last count, there were about 600,000 NFPs in Australia, including more than 54,000 charities.

The June-quarter edition had more than 20 news items.

Subscribers are free to delete material that is not suited to their needs, rearrange the order, or use another heading – the flexibility is all theirs. They can add their own firm's news.

For further information on use of content for your accounting practice, please contact Colin.

**Register for our November-December GAAPinars**

Our next series of GAAPinars starts on 2 November. A what's-new wrap, it's free.

We're offering a dozen GAAPinars and 18 hours of CPD/CPE. Watch them in your boardroom or on your laptop. Log in from somewhere remote. Watch recorded sessions later.

If estate agents harp on about location, location and location, at *GAAP Consulting* our chant is relevance, relevance and even more relevance.

Topics and dates are:

GAAPinar	Date
1. What's new in GAAP, GAAS, APES and the regulators?	2 November
2. Implementation of NOCLAR for accountants	7 November
3. Implementing AASB 9 <i>Financial Instruments</i>	9 November
4. Accounting for sale of goods under AASB 15 <i>Revenue from Customer Contracts</i>	16 November
5. Accounting for long-contracts under AASB 15 <i>Revenue from Customer Contracts</i>	16 November
6. NOCLAR for auditors	21 November
7. NFP reporting and ACNC activities	28 November
8. Financial reporting and auditing update for 31 December 2017	30 November
9. Preparing for the transition into AASB 17 <i>Leases</i>	30 November
10. Knowing your AFSL risks?	5 December
11. Business law for accountants and auditors	7 December
12. Learning the lessons from ASIC audit inspections	14 December

Sessions 4 and 5, and 8 and 9 are double-headers, the first session starting at noon and the next at 2.30pm.

Each session costs \$297, discounts available, including for sole practitioners and multi-offices.

Contact me if you'd like to know more or download our GAAPinar brochure from [www.gaap.com.au](http://www.gaap.com.au).

The expertise of our presenters Carmen Ridley (current AASB member), Sonya Sinclair, Stephen Newman and Colin Parker (former AASB member) is our trump.

What do subscribers think of our GAAPinars? Here are some comments:

- 'All have been extremely useful and well received by our team'
- 'Two things I look forward to about November – a week of horse racing in Melbourne and the GAAPinars', and
- 'I have a great interest in your work and perspectives and will get along to webinars.'

Registrations are open. Lock in the dates and register today.

### ReportFraud goes live

*ReportFraud*, whistleblowing service, will be launched in October.

More than ever, it's important that organisations are aware that fraud and non-compliance with laws and regulations can damage reputations and bottom lines.

Some of Australia's biggest and best-known organisations have recently experienced crippling frauds and non-compliance with rules and regulations. Commonly recurring crimes and infractions include:

- Theft or misappropriation of assets
- Accounts-payable frauds
- Corruption
- Theft of intellectual property, and
- Receipt of unauthorised gifts.

Fraud costs companies about 5 per cent of revenue a year. However, the cost to reputations can be even more devastating.

*ReportFraud* gives you peace of mind, relying on your best asset – your people – to provide greater visibility and transparency across your organisation to prevent fraudulent and non-compliant activity.

Importantly, our service is designed to ensure whistleblowers' anonymity.

A *ReportFraud* subscription allows stakeholders to report through five channels. It also provides a policy framework, annual health checks, and practical material to create awareness of fraud among management, employees and others who interact with you.

Many organisations believe that once they have subscribed to a whistleblowing service the job is done. This could not be further from the truth.

Our *ReportFraud* team works with you to implement the service. It's important to ensure that all your 'fraud'-team members are aware of the *ReportFraud* communication

methods and how to use them. Regular reinforcement of our methodology among your employees is essential.

Our motto *If you see something, say something* is a call to action.

Can you afford NOT to investigate how *ReportFraud* can help your organisation manage its risks and guarantee whistleblower confidentiality?

We would also like to hear from forensic accountants who might like to undertake investigations of alleged frauds or non-compliance with laws and regulations that we identify.

Questions? Andrew Parker, chief executive officer, *ReportFraud*, [andrew@reportfraud.org.au](mailto:andrew@reportfraud.org.au), and 0401 858 889, and Colin Parker, [colin@gaap.com.au](mailto:colin@gaap.com.au) and 0421 088 611, are happy to answer them.



**Colin Parker**  
GAAP Consulting

### Contact Us

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

#### Colin Parker

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