



COLIN'S

CORNER

They've arrived

The first of January this year was important for more than sore heads.

Two complex accounting standards, materiality guidance and the onerous NOCLAR ethical rules, became operative. While I suspect that many accountants and auditors are aware of their existence and have some level of knowledge about them, their implementation is another issue entirely.

AASB 15 *Revenue from Customer Contracts* (for-profit entities) has a five-step revenue-recognition process. Sounds easy but it's not – many judgements are required. There are also substantive disclosure requirements that will be a challenge, as disclosures are entity-specific. No boilerplates allowed.

AASB 9 *Financial Instruments* introduces new requirements for classification, impairment and hedging, impairment being the major challenge as it is based on forward-looking information.

We should also remember that AASB 7 *Financial Instruments: Disclosures* has been updated to reflect changes from AASB 139 *Financial Instruments: Recognition and Measurement* to AASB 9. Again, disclosures are significant.

Guidance practice statement 2 *Making Materiality Judgements* will help preparers and auditors make materiality judgements for these new standards as well as the existing body of standards. The statement provides the tools to make financial statements more useful and concise. It includes examples that are specific to not-for-profit, private and public-sector bodies. Use them but is not an easy task.

With these new standards and guidance, detailed accounting policy papers need to be prepared and judgements evidenced, systems modified to produce the required information, financial-reporting templates revised, and boards (and other stakeholders) engaged.

Looking for help? ASIC has reminded us how to think about these things. I would summarise it as 'preparers prepare financial statements and auditors audit them'.

Preparers have specific responsibilities under APES 110 *Code of Ethics for Professional Accountants* that some might be unfamiliar with. In its orbit are preparation and reporting information (s.320), acting with sufficient expertise (s.330), and financial interests, compensation and incentives linked to financial reporting and decision-making (s.340).

Members of CA ANZ, CPA Australia and the IPA have new responsibilities for non-compliance with laws and regulations (NOCLAR) under APES 110. It's already a sleeper issue with significant ramifications that many have not yet understood.

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Responsibilities differ depending on whether an accountant is employed by a business, in a management or governance position, or engaged to provide professional services.

All entities, including NFPs, need to be aware of NOCLAR rules and how they affect business risks and professional relationships with accounting firms. A NOCLAR policy is highly desirable.

Auditors also have new responsibilities for reporting NOCLAR under auditing standard ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report*.

Let's also not forget that the following accounting standards and interpretation become operative from 1 January next year: AASB 15 *Revenue from Customer Contracts* (for not-for-

profit entities), AASB 16 *Leases*, AASB 1058 *Income of Not-for-Profit Entities*, and IFRIC 23 *Uncertainty over Income Tax Treatments*.

Don't underestimate the time involved in implementing these new ways of working. They will need to be accommodated within your existing day-to-day responsibilities.

Financial reporting

New standard detailed

AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle* makes amendments in relation to previously held interests in a joint operation (amending AASB 3 *Business Combinations* and AASB 11 *Joint Arrangements*), income tax consequences of payments on financial instruments classified as equity (AASB 112 *Income Taxes*) and borrowing costs eligible for capitalisation (AASB 123 *Borrowing Costs*).

It is effective for annual periods beginning on or after 1 January next year.

Fitness check on public-company reporting

The European Commission has published an evaluation roadmap that aims to assess if reporting obligations are meeting their objectives.

The *Fitness check on public reporting by companies (Accounting Directive, Transparency Directive, Non-financial reporting Directive, Bank Accounts Directive et Insurance Accounts Directive and IAS Regulation)* will try to assess whether EU companies' financial and non-financial reporting requirements are effective, relevant and add value.

It will canvass such things as accounting directives, including non-financial reporting directives, international accounting-standards regulation, transparency, and the banks-accounts and insurance-accounts directives.

The commission aims to assess whether the EU's financial-reporting framework is still fit for purpose.

Aspects to review are integrating cross-border businesses into a single market and well-functioning capital markets, the emergence of new business models, the increasing importance of intangibles in the digital economy, and the role of IFRSs and their interaction with broader EU accounting.

The commission has also noted the increased demand for public reporting on a broader range of topics such as sustainability and long-term value-creation.

Interaction and integration of different sets of public reporting (financial, non-financial and other reports) will also be looked at. Finally, the commission will look at digitalisation and its long-term challenges and opportunities.

The first step in the fitness check will be an open public consultation that is expected to be launched this year in the first quarter and will last for at least 12 weeks. In particular, participants will be asked for their views on the following:

- Whether the current financial-reporting framework meets its objectives and will continue to do so in the digital economy, whether the level of harmonisation and simplification meets the needs of, respectively, large cross-border groups and the SMEs, the role of the IFRS for non-listed and listed companies, including governance aspects to ensure that they are not detrimental to long-term and sustainable investments, and the coherence of accounting legislation for banks and insurance companies and other EU reporting and prudential legislations
- Whether financial and non-financial environmental, social and governance disclosures are fit for purpose, especially with respect to sustainability
- Whether to encourage experimentation with integrated reporting as a way to make the EU reporting framework more effective and efficient and if yes how, and
- Whether public corporate reporting considers well enough – and at least is not a hindrance to – technological progress and how to make best use of new tools to do more with less.

CFO excluded from membership and fined

Following a UK Financial Reporting Council investigation, the former financial

management controller of Tech Data Limited (formerly known as Computer 2000 Distribution Limited), Kevin Silverwood, has been fined and excluded from the accountancy profession.

Mr Silverwood admitted misconduct in preparing financial statements for the financial years ended 31 January 2012 and 2013.

Mr Silverwood admitted six allegations that his conduct fell significantly short of the standards reasonably expected of a member of the Institute of Chartered Accountants in England and Wales (ICAEW). He breached the ICAEW's fundamental principle of integrity, which required him to be straightforward and honest in all professional and business relationships and not to be knowingly associated with information that he knew to be false or misleading.

The FRC's executive counsel has agreed to the following terms of settlement with Mr Silverwood, which have been approved by a legal member of an independent panel:

- Exclusion as a member of ICAEW for a recommended period of five years, reduced to four years for mitigating factors, and
- A fine of £50,000, reduced to £11,250, taking into account Mr Silverwood's financial resources, adjusted for mitigating factors and discounted for settlement.

Claudia Mortimore, FRC's interim executive counsel, said: 'Misconduct by accountants undermines public confidence in the profession and in the reliability of financial statements. The sanctions in this case, including a period of exclusion, send a message to the profession that members must uphold high standards of conduct and act with integrity in all areas of their work.'

'It is a pity that Australia does not have such potent enforcements against the wrong-doing of preparers. We can learn much from the role of UK FRC', concluded Colin Parker, *GAAP Consulting*.

Governance

Former CEO convicted over false and misleading information

Andrew Ferguson, former CEO of abalone farmer Australian Bight Abalone (ABA), has been found guilty on 17 counts related to providing false or misleading information to the ABA board and prospective investors following a jury trial in the district court of South Australia.

Following an ASIC investigation, Mr Ferguson was charged with nine counts of disseminating false or misleading information to prospective investors via grower reports, product-disclosure statements and a media release issued by ABA during 2007 and 2008. The jury found that the documents contained false or misleading information about abalone survival rates and harvest prospects.

The remaining eight counts were related to providing false or misleading information to ABA's directors in reports submitted to the board about ABA's farm operations.

Acting ASIC chair Peter Kell said: 'Company officers are in a position of critical responsibility and trust, and it is expected that their behaviour is beyond reproach. This verdict sends an important signal that misleading investors will not be tolerated.'

Mr Ferguson's bail was revoked and he has been remanded in custody. He faces a maximum of five years' imprisonment and/or a fine of \$22,000 on each count.

ABA was Australia's largest off-shore abalone farmer, raising about \$44 million from 1400 investors over four years. Administrators were appointed to the company in July 2009 after

it had been able to undertake only a limited harvest.

Administrators reported that a survey at the farm suggested significantly higher mortality than had been expected.

Commonwealth governance guidelines updated

The Department of Finance has updated resource-management guide 126 – *Commonwealth Government Business Enterprises – Governance and Oversight Guidelines*.

The guide gives help on the governance of government business enterprises (GBEs) and covers issues such as GBE boards and corporate governance, corporate plans and annual reports, keeping shareholder ministers informed, and financial governance.

The guide supplements *Public Governance, Performance and Accountability Act 2013* and *Public Governance, Performance and Accountability Rule 2014* and apply to GBEs that are Commonwealth entities or wholly-owned Commonwealth companies.

The main changes are:

- To the content of appointment letters for GBE directors, and changes to the formal response required from a director to his or her appointment letter (including confirmation that the director has reviewed the GBE director's guide)
- Clarification on the content of corporate plans and the corporate-planning process, specifically shareholder ministers' ability to request a GBE board to reconsider elements of a draft corporate plan before finalisation,

clarification that shareholder ministers are not required to approve or agree a GZBE's final corporate plan and the content of progress reports

- Clarification on content of annual reports, specifically on financial results of subsidiaries and encouraging GBEs to include in their annual reports the minimum standards outlined in the *Voluntary Tax Transparency Code*, which has been developed by the Board of Taxation to promote more transparency in tax reporting by medium and large businesses
- A new reporting template for executive remuneration
- Extra guidance on audit committees
- Encouragement for GBEs to consider applying the *Commonwealth Risk Management Policy* and *Guide to Implementing the Commonwealth Risk Management Policy*, and
- Confirmation that borrowing by corporate Commonwealth entities requires express authorisation by or under an Act, the finance minister or the PGPA rules. GBEs that are corporate Commonwealth entities are also expected to consult shareholder ministers on significant borrowing proposals.

GBEs and shareholder departments should review their procedures and templates (including those for appointment letters, annual reports and corporate plans) to ensure consistency with the revised guidelines.

ASX

ASIC reports on 2017 AGMs

The Australian Securities and Investments Commission (ASIC) has published its overview of the 2017 annual general meetings (AGM) of S&P/ASX 200 (ASX 200) listed companies.

ASIC routinely monitors AGMs to identify emerging trends and corporate-governance issues and to observe the extent to which companies use AGMs to engage their shareholders.

Report 564 *Annual general meeting season 2017* examines the voting outcomes of resolutions considered at AGMs held by ASX-200

companies in 2017 and highlights emerging corporate-governance issues and trends.

It discusses remuneration reports, proxy advisers' recommendations, the extent of shareholder engagement, board diversity and the effectiveness of AGMs, including ASIC's recommendations about good corporate governance practices.

Commissioner John Price said: 'Shareholder engagement is a cornerstone of good corporate governance and annual general meetings are an important opportunity for shareholders to hold their board and, through the board, company management to account for a company's performance. Therefore,

ASIC actively monitors the AGM season each year and our observations become an important and on-going resource informing our regulatory work in corporate governance.'

ASIC's observations highlight the need for boards to make the most of AGMs as an opportunity to be transparent, accountable and willing to engage with shareholders to enhance companies' long-term performances and corporate value.

Among the key points were:

- The 2017 AGM season was significantly less tumultuous than the 2016 season, with fewer 'strikes' on remuneration reports

- A strong sense of shareholder input and engagement was evident, directors being held accountable through material ‘against’ votes on their election
- Proxy advisers continued to scrutinise governance practices and attract and

generate significant media and corporate commentary, and

- Shareholders advocated for action on specific environmental, social and governance issues, spotlighting board diversity.

ASIC places great importance on the role AGMs play in providing a forum for shareholders to critically assess a company’s business strategies and future prospects and to hold the board and company management accountable for a company’s performance.

Regulation

APRA releases ADI discussion papers

The Australian Prudential Regulation Authority (APRA) has released two discussion papers on proposed revisions to the capital framework for authorised deposit-taking institutions (ADIs).

They are *Revisions to the capital framework for authorised deposit-taking institutions* and *Leverage ratio requirement for authorised deposit-taking institutions*.

The papers include proposed revisions to the framework resulting from the Basel Committee on Banking Supervision’s finalising Basel III reforms in December.

Other changes better align the framework to risks, including on housing lending. APRA is also releasing a discussion paper on implementation of a leverage-ratio requirement.

The key proposed changes to the framework include:

- Lower risk weights for low LVR mortgage loans, and higher risk weights for interest-only loans and loans for investment purposes
- Amendments to the treatment of exposures to small- to medium-sized enterprises (SMEs), including those secured by residential property under the standardised and internal ratings-based (IRB) approaches

- Constraints on IRB ADIs’ use of their own parameter estimates for particular exposures and an overall floor on risk-weighted assets relative to the standardised approach, and
- A single replacement methodology for advanced and standardised approaches to operational risk.

The paper outlines a proposal to simplify the framework for small ADIs, which is intended to reduce regulatory burden without compromising prudential soundness.

APRA chairman Wayne Byres said that, taken together, the proposed changes are designed to lock in the strengthening of ADI-capital positions of recent years.

‘These changes to the capital framework will ensure the strong capital position of the ADI industry is sustained by better aligning capital requirements with underlying risks.

‘However, given the ADI industry is on track to meet the “unquestionably strong” benchmarks set out by APRA last year, today’s announcement should not require the industry to hold additional capital overall.’

APRA has also released a discussion paper on implementing a leverage ratio for ADIs, a non-risk-based measure of capital strength that is widely used internationally.

A minimum leverage ratio of 3 per cent was introduced under Basel III and is intended to operate as a backstop to the risk-weighted capital framework. Although the risk-based capital measures remain the primary metric of capital adequacy, APRA has indicated its intention to implement a leverage ratio requirement in Australia. This approach was also recommended in 2014 by the Financial System Inquiry.

APRA is proposing to apply a higher minimum requirement of 4 per cent for IRB ADIs and to implement the leverage ratio as a minimum requirement from July next year.

APRA will later this year release a paper on potential adjustments to the overall design of the capital framework to improve transparency, international comparability and flexibility.

ACNC update

The ACNC has:

- Issued a direction to RSL National
- Reported that it is working with RSLs to restore confidence
- Released the National Standard Chart of Accounts environmental scan
- Endorsed the *Damn Good Advice on Cyber-safety and Fraud Prevention* guide
- Registered 177 new charities, and
- Reported that charity revocations hit a record high in 2017.

Fraud and NOCLAR

Fraud and NOCLAR – welcome to the new must-read newsletter

To coincide with the operative date for new NOCLAR responsibilities accountants and auditors need to shoulder, the first edition of *Fraud and NOCLAR* has been launched. It’s a newsletter that we believe you can’t do without. Contributions come from editor Andrew Parker and the *GAAP Consulting* team.

The newsletter is part of a service to make *ReportFraud* the pre-eminent independent channel through which whistleblowers can

report fraud, bribery and corruption. Our *ReportFraud* team is committed to developing new and better ways of preventing, detecting and responding to frauds and non-compliance with laws and regulations – NOCLAR. The quarterly newsletter is one.

It informs, but it’s also a call to action for governance, management, stakeholders, and auditors. It reflects *ReportFraud*’s motto – *if you see something say something*.

Fraud and NOCLAR:

- Details changes in regulations that affect fraud and NOCLAR and the risks and

responsibilities they pose for governance, management, accountants and auditors

- Gives tips and tools to help prevent and detect fraud and NOCLAR, and
- Alerts readers to instances of fraud and NOCLAR so that they may assess any likely similar threats to their businesses.

In the first edition, we report on:

- Whistleblowing developments and risks that not-for-profits face in money-laundering and terrorism-financing

- New accountants' responsibilities for reporting NOCLAR and screening inducements, and
- High-profile instances of fraud and NOCLAR.

We also provide some insights into fraud-prevention and detection techniques as well as what to do when fraud or NOCLAR is suspected.

You can register for *Fraud and NOCLAR* and find more about the leading-edge whistleblowing service at ReportFraud.org.au. Questions? Contact Andrew Parker, CEO, ReportFraud (andrew@reportfraud.org.au or 0401 858 889) or Colin Parker, board adviser, at (colin@gaap.com.au or 0421 088 611).

ASIC bans SA financial adviser

ASIC has permanently banned Robert Pryor Smith of West Lakes, South Australia, from providing financial services on the basis that he is not of good fame or character.

Mr Smith was an authorised representative for Futuro Financial Services Pty Ltd from 10 October 2008 to 12 September last year. He is also the sole director of Advice 4 Wealth Pty Ltd, which has been an authorised representative for Futuro since 29 September 2008.

An ASIC investigation found that between 29 December 2008 and 12 July 2016, Mr Smith electronically transferred a total of \$278,042.58 from the bank account of a deceased estate for which he was the trustee and executor to bank accounts held in his or Advice 4 Wealth's name.

ASIC found that Mr Smith's conduct was designed to benefit his own interests and financial needs at the expense of the estate and its beneficiaries. The commission also found that Mr Smith's conduct was dishonest and that he had made false statements about what happened to the estate's funds.

Another SA financial adviser banned

ASIC has permanently banned David Mario Alafaci of Morphett Vale, South Australia, from providing financial services on the basis that he is not of good fame or character.

Mr Alafaci was an authorised representative and employee of Centra Wealth Pty Ltd from 2 July 2014 to 11 January 2016 and an authorised representative of Interprac Financial Planning Pty Limited from 12 January 2016 to 16 December 2016.

ASIC found that Mr Alafaci misled Centra's clients about his authority to issue invoices by issuing them contrary to his contractual agreement with Centra and instructing clients to pay fees direct into his personal bank account.

He received a financial benefit and acted in his own self-interest at the expense of his licensee. Mr Alafaci's conduct in issuing the invoices also misled Centra and caused it to suffer a financial loss.

Charges laid against former FX trader

Former Deutsche Bank FX options and futures trader, Andrew Donaldson of Bronte, New South Wales, has been charged with 85 offences under s184(2) of the Corporations Act 2001 in that he allegedly used dishonestly his position as an employee with the intention of directly or indirectly gaining an advantage for himself.

ASIC alleges that between July 2013 and June 2014 Mr Donaldson recorded false transactions and falsified fixed cashflows in Deutsche Bank's internal systems relating to financial products, including US Treasury's note futures.

By making the entries, Mr Donaldson falsely increased his reported trading profits and temporarily offset the trading losses he had suffered.

The false entries were related to trades purported to have been carried out by Mr Donaldson on behalf of Deutsche Bank. As the trades were never executed, no outside parties were affected.

AFS licensees

First crowd-sourced funding intermediaries licensed

ASIC has licensed the first crowd-sourced funding (CSF) intermediaries under the new CSF regime.

Seven companies have been issued with Australian Financial Services (AFS) licence authorisations to act as intermediaries, enabling them to provide a crowd-sourced funding service.

The granting of the authorisations means that eligible public companies will be able to use the CSF regime to raise capital by making offers of ordinary shares to investors via the on-line platforms of these intermediaries.

The CSF regime is designed to provide start-ups and small-to-medium-sized companies with a new means to access capital. CSF offers are subject to fewer regulatory requirements than other forms of public fundraising.

ASIC commissioner John Price said that this marked a significant milestone for crowd-sourced funding in Australia.

He said: 'ASIC has been assessing applications as a matter of priority, as suitable intermediaries needed to be licensed before fundraising under the new regime could commence. Intermediaries have an important gatekeeper role which will be key to building and maintaining investor trust in crowd-sourced fundraising, so we are pleased to have now issued the first tranche of authorisations.'

On 29 September, the *Corporations Amendment (Crowd-sourced Funding) Act 2017* and associated regulations came into effect, establishing a regulatory framework.

One of the regime's key objectives is to reduce the regulatory burden on smaller companies associated with raising funds from the public via the issue of ordinary shares.

ASIC has issued guidance to assist companies seeking to raise funds through CSF (Regulatory Guide 261 *Crowd-sourced funding: Guide for public companies*). It has also published a template CSF-offer document.

Smart Trader International licence cancelled

ASIC has cancelled the AFS licence of NSW-based company Smart Trader International Pty Ltd for failing for three years to lodge its financial statements and auditor's reports.

Smart Trader has held its licence since June 2015.

The annual lodgement of financial statements and an auditor's report is an important part of an AFS licensee's demonstrating it has adequate financial resources to provide the services covered by its licence and to conduct its business in compliance with the *Corporations Act 2001*.

ASIC chair Peter Kell said: 'Licensees are required to lodge financial statements and auditor's reports with [the commission] to demonstrate their capacity to provide financial services.'

'Failure to comply with reporting obligations can be an indicator of a poor compliance culture. ASIC won't hesitate to act against licensees who do not meet these important requirements.'

The cancellation of Smart Trader International's AFS licence is part of ASIC's efforts to improve standards across the financial-services industry.

ASIC will continue to contact AFS licensees who have not lodged financial statements and auditor's reports and take appropriate action if they fail to do so.

Breakaway Finance offers enforceable undertaking

ASIC has accepted an enforceable undertaking from Breakaway Finance Group Pty Ltd to cancel their AFS licence.

The undertaking also requires Breakaway's sole director Mark Roberts to remove himself from the industry for at least two years.

ASIC had concerns that Breakaway did not:

- Sufficiently tailor several key policies and procedures to its operations, thus failing to ensure compliance with relevant laws
- Effectively deal with conflicts of interest, and
- Properly implement or follow some key policies.

In addition, the commission had concerns that Mr Roberts had failed to make reasonable inquiries into clients' relevant circumstances before providing advice, recommended insurance cover where clients were unable to afford the premiums and failed to provide adequate product-replacement disclosure when recommending that clients switched products.

Under the undertaking, Breakaway will cancel its AFS licence and write to clients who have received advice over the past three years to tell them they have a right to raise a complaint.

In addition, Mr Roberts has agreed to:

- Not provide financial services for a period of two years
- Not act as a director, secretary, shareholder, employee, responsible manager or any other officer of an AFS licensee or authorised representative for two years, and
- Notify ASIC when he has completed relevant training and education requirements to re-entering the financial-services industry.

ASIC accepts voluntary licence variation

ASIC has accepted a voluntary variation of the AFS licence of HLB Mann Judd Corporate Finance Pty Ltd, excluding the firm from providing advice as an independent expert.

The commission reviewed the company and was not satisfied that it had met its obligations as an AFS licensee or complied with regulatory guidance 111 *Content of expert reports* and 112 *Independence of experts in relation to the provision of IERs*.

HLB Mann Judd cannot prepare or provide independent-expert reports, opinions or valuations on corporate transactions, including takeover bids, corporate schemes of arrangement and corporate restructurings. Under their revised licence, the company can still provide investigating accountant's reports.

The variation is effective from 20 December 2017 and replaces an interim undertaking by the licensee to cease writing independent-expert reporting.

ASIC commissioner John Price said: 'AFS licensees active in the provision of [independent-expert reports] have heightened responsibilities as financial-system gatekeepers. We will continue to monitor licensees and, where necessary, take licensing and enforcement actions.'

ASIC regularly conducts surveillances of independent experts. As part of this surveillance program, ASIC undertook a review of company and was not satisfied that it had: met its obligations as an AFS licensee; or complied with regulatory guidance in Regulatory Guide 111 *Content of expert reports* and Regulatory Guide 112 *Independence of experts in relation to the provision of IERs*.

ASIC's compliance reminders

AFS licensees and advisers have a professional and legal obligation to comply with the law, ASIC has reminded them.

AFS licensees must:

- Train staff on their professional and ethical obligations: AFS licensees have an obligation to ensure that their staff are adequately trained and understand their professional and ethical obligations. A high standard of adviser professionalism, judgement and integrity is vital to ensuring that consumer trust and confidence is maintained in the financial services sector.

- Monitor and supervise their representatives: ASIC expects that licensees will maintain adequate monitoring and supervision arrangements as an integral feature of their risk and compliance frameworks. Part of monitoring and supervising advisers involves licensees' regularly reviewing the conduct of their advisers and performing spot checks of key documentation to ensure that they are appropriately executed.
- Where irregularities are found in key documentation, licensees should conduct the necessary enquiries in a timely manner. This may include contacting the affected clients, remediating clients where appropriate and conducting broader reviews of the relevant adviser's client files.
- Remediate consumers where misconduct is found: AFS licensees must ensure that they address any systemic problems caused by the conduct of their advisers and, where necessary, put processes in place to remediate their clients for loss in a timely, fair and transparent way.
- ASIC has published guidance on client review and remediation in regulatory guide 256 *Client review and remediation conducted by advice licenses*. While the guidance is directed at licensees who provide personal advice to retail clients, the principles set out in the guidance should be applied to other reviews and remediations.
- Identify breaches in a timely manner. ASIC expects licensees to have effective systems in place for identifying, escalating and reporting breaches in a timely manner. Inadequate or late reporting could indicate to the commission that the licensee has broader compliance and cultural issues and would be a red flag that might lead to closer scrutiny.

Audit

SMSF auditor disqualified

ASIC has disqualified Robert Mark Taylor of New South Wales from being an approved self-managed superannuation fund auditor for breaching fundamental independence requirements.

The Australian Taxation Office referred information about Mr Taylor to ASIC under section 128P of the *Superannuation Industry (Supervision) Act 1993*.

ASIC found that Mr Taylor had breached auditor-independence requirements of APES 110 *Code of Ethics for Professional Accountants* in auditing his own fund, a close family member's fund and a fund where he was a director of the corporate trustee.

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.'

Growing use of technology in audits

The International Auditing and Assurance Standards Board's data-analytic working group has issued *Exploring the growing use of technology in the audit, with a focus on data analytics*.

The IAASB believes that sharing what has been learned will be useful in stimulating further thinking about and exploration of this very important topic.

How management contributes to audit quality

CPA Canada and FEI Canada partnered to conduct a study to assess management's understanding of the importance of its role

as a contributor to the quality of annual financial-statement audits.

How Management Contributes to Audit Quality summarises the insights and best practices that can help to mitigate concerns and frustrations identified with auditing.

Some 155 senior financial executives were surveyed online, and roundtable discussions and one-on-one interviews with CPA and FEI members from across the country contributed to the review.

The study covers management's internal processes for the audit, how management can contribute to audit quality, planning with the auditor, improving communications with the auditor, and how data analytics can enhance auditing.

INSIDE GAAP CONSULTING

What we've been up to

Colin enjoyed an extended holiday season then headed off to Adelaide for a wedding in the Clare Valley, a touching event at a winery in a beautiful location.

Sea views and South Aussie heat accompanied food and drink, in-laws and guests. Then back to Adelaide the following week to assist Carmen Ridley with presentations on a new suite of standards for government-sector entities.

Next stop was Melbourne, where he took on quality-assurance reviews of audit files.

Colin has also looked after several client requests for help with financial issues and continues to keep people informed through his newsletters and posts on LinkedIn.

On occasions, he has been side-tracked by his new helpers Zig and Zoe, who have very keen to show their keyboard skills.

Carmen enjoyed a trip to Europe where she and her kids caught up with family, had a soccer fix with a visit to Old Trafford, a relaxed break in Tenerife (Canary Islands) then explored Amsterdam, which included a visit to Anne Frank's house.

Since returning, Carmen has done lots of presenting – panic about new standards

has set in, and corporates are contemplating impacts. She advises that they start work rather than stress over the high level of technical knowledge a training session provides.

Jim Dixon had his last meeting as immediate past president of Melbourne Sunrise Probus Club after serving four years on the executive, including two years as president. He was saddened to leave the committee of management but says it's important that professionals give back to the community. They've all got to know when it's time to step down.

Jim's new pro bono commitment is as chair of the foundation of the Royal Historical Society of Victoria and being a member of its council. He continues to provide reports and insights on the IPA activities of the AASB, AUASB and APESB.

Sonya was busy over the Christmas period with family enjoying the Australian beaches and continuing to enjoy the outdoors. She has been busy with quality reviews, training, presenting and working with both locally and interstate.

Stephen LaGreca has been very busy attending to client queries and performing audit-engagement quality-control reviews for 28 February deadlines. He is counting down the

days before a break in South-East Asia in March.

Stephen Downes has been honing his doctoral thesis, wondering who might be interested – beyond the residents of ivory towers – in how W. G. Sebald used nostalgia and the uncanny to create the peculiar elegiac moods of his prose fictions.

Our 14 GAAPinars start on 5 April

Do you struggle with fair value? Apply materiality correctly? As a finance professional, do you know the law you really need to know?

GAAP Consulting's first series of GAAPinars for 2018 covers financial reporting, auditing, ethics and business law. The first session *What's new in GAAP, GAAS, APES and the regulators* on 5 April is FREE.

Fourteen sessions – each of 1.5 hours – are especially aimed at those with year-end reporting tasks – auditors, finance-team members and members of accounting firms' business-advisory services.

We're covering the topics that you want the latest and best information on as well as those where preparers, accountants and auditors could do better.

The topics are:

- *What's new with GAAP, GAAS, APES and regulators*
- *Audit planning for 2018 – getting the risks right*
- *Business law for accountants and auditors – understanding employment law*
- *Auditing payroll effectively*
- *Fair-value accounting – still a struggle for many*
- *Using the work of experts and other auditors – getting it right*
- *Managing your fraud risk as a preparer or auditor*
- *Applying the new materiality guidance for improved decision-making*
- *Auditing estimates – addressing ASIC-identified shortcomings*
- *Fixing impairment accounting errors*
- *30 June financial reporting and auditing considerations*
- *New reporting framework – an end of SPFRs?*
- *Business law update for accountants and auditors, and*
- *Understanding new insolvency-law and going-concern implications.*

Being an accountant or auditor seems to be getting riskier and riskier. Do you know enough to make sure you won't be caught out? Choose the sessions that meet your needs.

Each session is worth 1.5 CPD/CPE hours. That's 21 hours in total for you and your team.

A brochure is available http://gaap.com.au/wp-content/uploads/2018/03/GAAPinars_April_June-2018_editable.pdf. We are proud to have *ReportFraud* (www.reportfraud.org.au) as our sponsor for 2018.

Is there a topic not on our list but important to you? Let Colin know (colin@gaap.com.au) and we shall see what we can do.

GAAP Alert 2017 Reflections issued

Colin released his third edition of *Reflections* and reflected that the 12 commentaries in the monthly *GAAP Alert* newsletters that were chosen for the anthology are still relevant for preparers, auditors and users. Here they are:

Financial reporting

- Financial-reporting challenges are near
- Curing the blight of special-purpose financial statements
- Quality in financial reporting
- Preparers must act ethically
- Why I dislike models
- Remembering compilation responsibilities
- Uncertain tax positions have far-reaching implications

Ethics

- Ethics need your urgent attention
- NOCLAR affects us now
- The challenge of compliance and whistleblowing

Audit

- Audit assistance with AASBs 15, 9 and 16
- ASIC's audit-inspection results disappoint

We have some great feedback on our GAAP Alert including, 'All my Australian accounting connections should sign up for the excellent GAAP Alerts from Colin and his team', and 'Great read, thanks Colin Parker'.

Please feel free to share my newsletter with a colleague or contact.

Helping you unravel revenue and lease accounting

Do you know how to implement AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-For-Profit Entities*, and AASB 16 *Leases*?

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 advisory team is Colin Parker, Carmen Ridley, Sonya Sinclair, and Stephen LaGreca, with the assistance of corporate lawyer, Stephen Newman.

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 help you with:

- AASB 15, AASB 1058 and AASB 16 training
- Reviewing and monitoring of your implementation plans
- Checking your AASB 15, AASB 1058 and AASB 16 decisions
- 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 these complex accounting standards.

NFP Risks and Compliance newsletter 31 December

GAAP Consulting's December-quarter edition of *NFP Risks and Compliance* newsletter has been circulated to accounting-firm subscribers.

Topics covered were:

Governance

- Government to reform DGRs
- ACNC legislation to be reviewed
- New consumer law guidance on fundraising
- Report urges caution when donating
- FIA authority to oversee new fundraising code of practice
- AUSTRAC's regional NFP sector risk assessment 2017
- Mungabareena put under special administration

ACNC

- ACNC urges early AIS submission
- Streamlining non-government-school reporting
- ORIC and ACNC renew understanding
- New ACNC toolkit to help connect MPs and charities
- New corporate-partnerships factsheet available
- Insights from the ACNC annual report
- Key findings from the *Australian Charity Report 2016*
- Australians trust charities: ACNC report
- Organisations lose charity status
- AAT confirms ACNC decision on the Waubra Foundation
- ACNC commissioner appointed

Financial reporting

- Making materiality judgements – new guidance
- Charity reporting requirements are too complex
- Improving financial reporting for charities
- Complex standards arrive

Fraud and NOCLAR

- Former Wagga CEO convicted
- Getting tough on fraud – top tips
- NOCLAR operative

Our aim is that firms keep current and potential NFP clients informed. It helps enormously when accountants can demonstrate expertise and experience. At last count, there were about 600,000 NFPs in Australia, including more than 55,800 charities.

Subscribers are free to delete material that is not suited to their needs, rearrange the order of articles or change headings – the flexibility is all theirs. They may add their own firm's news.

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



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
Postal GPO Box 1497, Melbourne, Victoria 3001
Website www.gaap.com.au

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