



## Introduction

Welcome to the Forvis Mazars corporate risk & reporting newsletter.

This quarterly publication provides a comprehensive summary of the most recent financial reporting advancements from local and international standard setters together with insightful analysis of emerging business risks, assisting finance leaders navigate the ever-evolving landscape of corporate risk and reporting.

In this edition, we delve into recent critical developments in climate-related mandates affecting Australian businesses. With the passage of landmark climate-change legislation, companies will soon face new mandatory reporting requirements designed to enhance transparency and foster climate accountability. As we explore these significant reforms, we will also highlight emerging guidance on [sustainability](#) disclosures and regulatory expectations.

In addition, we provide an overview of the new financial-reporting obligations for RSEs, amendments to financial instruments standards, and the recent guidance on preventing data breaches. We also highlight the introduction of a privacy bill and provide insights on emerging AI regulations. With regulators actively shaping the landscape, it's essential to stay informed about these critical changes.



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# Sustainability reporting

## Climate-change laws pass

The *Treasury Laws Amendment (Financial Market Infrastructure and other measures)* bill passed the senate and made two significant reforms: [mandatory climate-reporting requirements](#) for big companies, and new regulatory powers to protect financial-market infrastructure in the event of a crisis.

The new laws establish Australia's climate-risk-disclosure framework, introducing standardised reporting for businesses to ensure that they make high-quality climate-related disclosures.

The Australian Accounting Standards Board has issued internationally aligned standards.

The reforms provide investors and companies with the clarity and certainty they need to support a net-zero transformation and further strengthen Australia's reputation as an attractive destination for international capital.

Reporting requirements begin on 1 January for Australia's biggest listed and unlisted companies. Financial institutions and other big businesses will be phased in over time.

## AASB S1 sustainability disclosure is voluntary

The AASB has published a voluntary AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and mandatory AASB S2 *Climate-related Disclosures*.

They apply to annual reporting periods beginning on or after 1 January next year. Earlier application is permitted.

AASB S1 is intended to be used by entities that voluntarily disclose information in general-purpose financial reports about their sustainability-related risks and opportunities.

An entity electing to voluntarily apply AASB S1 discloses information about sustainability-related risks and opportunities that could reasonably be expected to affect its cash flows, access to finance and cost of capital over the short, medium, and long terms.

AASB S1 applies to reporting sustainability-related financial information across a range of possible sustainability topics, including climate-related financial disclosures.

The main principles and guidance relate to:

- Identifying the objective of sustainability-related financial information
- Setting out the conceptual foundations for sustainability-related financial information to help ensure that its relevance and that the information disclosed is a faithful representation of what it purports to represent

- Materiality
- The core content that would be expected to be disclosed about a particular sustainability topic, including on governance, strategy, risk management, and metrics and targets
- Sources of guidance on disclosing sustainability-related financial information
- The location of sustainability-related financial-information disclosures
- Their timing
- The disclosure of comparative information in the sustainability report, and
- Judgements, uncertainties, and errors affecting sustainability-related financial information.

AASB S1 is a voluntary standard consistent with federal government policy, which is to mandate now for the moment only climate-related disclosures.

Mandatory disclosure requirements for other sustainability-related topics might be developed, which might result in either revisions to or replacement of AASB S1, potentially including removal of its voluntary status to make it mandatory.



# Sustainability reporting

## AASB S2 climate-related disclosures is mandatory

The AASB's separate, mandatory standard on [climate-related financial disclosures](#), AASB S2 *climate-related disclosures*, applies to annual reporting periods beginning on or after 1 January. Earlier application is permitted.

AASB S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect its cash flows, access to finance and cost of capital over short, medium, and long

terms. The standard sets out disclosure requirements to provide useful information to primary users of an entity's general-purpose financial reports about climate-related risks and opportunities that could reasonably be expected to affect it.

The *Corporations Act 2001* sets out the entities that are required to comply with the standard and specifies three application dates (financial years beginning on or after 1 January next year and in two subsequent years) for the various classes of entity.

Reporting entities	Group 1 First annual reporting periods starting on or after 1 Jan 2025	Group 2 First annual reporting periods starting on or after 1 Jul 2026	Group 3 First annual reporting periods starting on or after 1 Jul 2027
<b>Large entities and their controlled entities meeting at least two of three criteria</b>	<b>Consolidated revenue:</b> \$500 million or more <b>EOFY consolidated gross assets:</b> \$1 billion or more <b>EOFY employees:</b> 500 or more	<b>Consolidated revenue:</b> \$200 million or more <b>EOFY consolidated gross assets:</b> \$500 million or more <b>EOFY employees:</b> 250 or more	<b>Consolidated revenue:</b> \$50 million or more <b>EOFY consolidated gross assets:</b> \$25 million or more <b>EOFY employees:</b> 100 or more
<b>National Greenhouse and Energy Reporting Reporters</b>	Above NGER publication threshold in s 13(1)(a) of the NGER Act 2007	All other NGER reporters	N/A
<b>Registered schemes, Registrable Superannuation Entities and retail Corporate Collective Investment Vehicles</b>	N/A	\$5 billion assets under management or more	N/A

The main climate-related financial disclosure requirements relate to governance, strategy, risk management, and metrics and targets, including information about scenario analysis and [scopes 1, 2, and 3 greenhouse-gas emissions](#).

AASB S2 incorporates content from S1 to make it stand alone for climate-related financial disclosures. The content is included in S2's appendix D. General requirements include conceptual foundations for reporting such information, the location of disclosures, the timing of reporting, and disclosures relating to judgements, uncertainties, and errors.

Appendix D applies only to climate-related financial information and not broader sustainability-related financial information covered by S1. An entity may refer to AASB S1 for guidance in complying with the requirements in appendix D.

Entities may apply S1 in preparing sustainability reports.

## Director's guide to climate-reporting updated

The federal parliament passed landmark legislation in September to establish an internationally-aligned climate-reporting regime in Australia.

The second edition of a director's guide to mandatory climate reporting incorporates the latest international and Australian developments while focussing on core elements, including:

- An overview of the reporting framework
- Key director responsibilities, and
- Practical steps boards can take to help their organisations navigate this important change.

In his foreword to the guide, ASIC chair Joe Longo described the new requirements as 'the biggest change to corporate reporting in a generation, underscoring the critical role directors will play in managing this transformation'.

# Sustainability reporting

## ASIC urges businesses to prepare for climate reporting

From 1 January next year many large Australian businesses and financial institutions will need to prepare annual sustainability reports containing mandatory climate-related financial disclosures following passage of *The Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024*.

Mandatory climate-reporting requirements will be phased in over the next three years across three groups of reporting entities, the first required to prepare sustainability reports for the financial year commencing on or after 1 January.

The second and third reporting groups are required to prepare annual sustainability reports for the financial years commencing on or after 1 July 2026 and 2027 respectively.

The Australian Securities & Investments Commission is urging all reporting entities, including those in the second and third reporting cohorts, to begin preparations for the new climate-disclosure regime.

ASIC commissioner Kate O'Rourke said: 'Large businesses and financial institutions should ensure that they implement appropriate governance arrangements and sustainability record-keeping processes ahead of the mandatory climate-reporting requirements.

'This is a significant reform that will have far-reaching implications for many of our key stakeholders. ASIC recognises there will be a period of transition as organisations develop the capabilities required to comply. We will take a proportional and pragmatic approach to supervision and enforcement as industry adjusts to these new requirements.'

ASIC will continue to ensure that current standards concerning voluntary sustainability disclosures are maintained and that entities comply with legal obligations. They include the longstanding prohibition against misleading and deceptive conduct.

The commission has established a dedicated sustainability reporting page on its website to provide information about the new regime and how ASIC will administer it. The page outlines:

- The sustainability reporting obligations
- The commission's role in administering the regime
- Its approach to enforcement in the regime's early days, and
- Its approach to relief and its work plan.

Commissioner O'Rourke said: 'As more people consider environmental sustainability when making financial

decisions, climate disclosure will continue to grow in importance. Enhanced climate disclosure will also benefit reporting entities themselves, enabling them to better understand their climate-related risks and opportunities over the short, medium, and long term.'

## Snapshot Corporations Act sustainability requirements

Large Australian businesses and financial institutions must prepare sustainability reports.

The sustainability report is the fourth report required as part of these entities' annual reporting obligations, alongside the financial report, directors' report, and auditor's report.

Section 292A of the *Corporations Act* requires sustainability reporting by entities that meet two of the relevant thresholds of consolidated revenue, value of consolidated assets, and/or number of employees. Entities listed under the National Greenhouse and Energy Reporting Scheme must write sustainability reports, as must registrable superannuation schemes and retail corporate collective-investment vehicles that meet relevant thresholds.

Under s296A(1) the sustainability report for a financial year consists of:

- Climate statements complying with relevant AASB sustainability standards
- Notes to climate statements, and
- Directors' declaration about the statements and notes.

The entity's independent auditor is also required to provide an assurance report on the sustainability report. Before 1 July 2030, sustainability reports will have to be reviewed and then audited according to appropriate standards. Business operations for the superannuation industry.

## How to voluntarily apply ISSB standards

The International Financial Reporting Standards Foundation has published a guide intended to support entities that voluntarily apply International Sustainability Standards Board's standards.

The guide was published in response to investors' demanding voluntary application of the standards.

The guide is designed to help entities clearly communicate their progress as they apply IFRS S1 and S2 and highlights two of the standards supporting elements:

- Transition reliefs so that preparers can use a phased-in approach to the requirements, and
- Proportionality mechanisms in the standards to provide adequate measures to address the range of entities' capabilities and circumstances.

# Sustainability reporting

## Climate readiness tool help on climate-related disclosures

To help finance professionals to prepare for mandatory climate-related disclosures, Forvis Mazars has developed a [free climate reporting readiness tool](#). This tool is designed to evaluate your organisation's readiness to meet the requirements of Australian Accounting Standards Board (AASB) S2. Upon completion, you will instantly **receive a personalised report** based on your responses, which will be sent to you **by email**.

## Nature-related financial disclosures FAQs

Internationally and domestically, a focus on nature-related disclosures is growing. The Taskforce for Nature-related Financial Disclosures released its recommended disclosures in September last year.

The European Union's Corporate Sustainability Reporting Directive already includes standards that involve nature.

Many jurisdictions committed to the Kunming-Montreal Global Biodiversity Framework, which includes a target for big business to report on nature, and the International Sustainability Standards Board have decided to research biodiversity, ecosystems, and their services. There have also been local legal opinions addressing nature in the context of director's duties.

The Governance Institute of Australia and CA ANZ have released *Nature-related Financial Disclosures FAQs* to keep members ahead of the curve. Issues covered include the importance of nature for business, nature-related financial disclosures, director obligations and greenwashing.

## ASIC acts on greenwashing

ASIC has made 47 regulatory interventions to address greenwashing misconduct over 15 months to 30 June, including two Federal Court proceedings and more than \$123,000 in fines.

The range of interventions, outlined in report 791 *ASIC's interventions on greenwashing misconduct: 2023–2024* are aimed at stamping out misleading and deceptive conduct concerning sustainable finance-related products and services.

The report details findings, recommendations, and good-practice examples.

ASIC commissioner Kate O'Rourke said that combatting greenwashing was critical to maintaining trust in sustainable finance-related products and services.

'Investors and consumers are entitled to accurate and reliable information so they can make informed and confident investment decisions', she said.

'Greenwashing claims mislead investors and consumers,

and undermine confidence. Where we've identified greenwashing misconduct, ASIC has intervened to protect investors and consumers and to maintain market integrity.'

The interventions between 1 April 2023 and 30 June included:

- Obtaining 37 corrective-disclosure outcomes by various entities
- Issuing eight infringement notices totalling more than \$123,000

ASIC's regulatory interventions related to:

- Insufficient disclosure on the scope of ESG-investment screens and methodologies
- Underlying investments that are inconsistent with disclosed ESG screens and policies, and
- Sustainability-related claims made without reasonable grounds or without sufficient detail.

ASIC's greenwashing surveillance activities covered a broad range of sectors, including listed companies, managed funds, superannuation funds, and the wholesale green-bond market.

'Our surveillance indicates there is ample room for improvement and we strongly encourage product issuers and their advisers to focus on the quality of disclosures and the data underpinning them', said Ms O'Rourke.

'Sustainability-related information, like any other, should be accurate, based on reasonable grounds and be easily understood by investors.'

ASIC urges entities to consider the report's findings and recommendations and information sheet 271 How to avoid greenwashing when offering or promoting sustainability-related products. Report 763 ASIC's recent greenwashing interventions also aims to reduce the risk of greenwashing.

The commission acknowledged significant changes ahead with the proposed introduction of mandatory climate-related financial disclosures for big businesses and financial institutions. Once the bill (see above) is enacted, information will be made available on the ASIC website.

ASIC stated that it will take a pragmatic and proportionate approach to the supervision and enforcement of the new regime.

Throughout the transition to the proposed mandatory climate-reporting regime, ASIC has stated that it will act to ensure that current disclosure and governance standards are maintained and that entities comply with their existing legal obligations, including the longstanding prohibition against misleading and deceptive conduct.

# Financial reporting

## New financial-reporting obligations for RSE

Superannuation trustees are now required to lodge audited financial reports for funds within three months of the end of each fund's financial year.

Fees will be incurred for late lodgement. For most funds, the deadline was 30 September.

Audited financial reports must include financial statements and notes, directors' declaration, and auditor's and director's reports, including remuneration disclosures.

Under the *Treasury Laws Amendment (2022 Measures No.4) Act 2023* the new obligations came into force on 1 July last year, extending financial reporting and auditing obligations under Chapter 2M of the *Corporations Act 2001* to most registrable superannuation entities.

Signing off on financial reports is a key duty of a director. High-quality financial reporting drives a culture of strong financial discipline, effective management and control of fund assets, and supports public confidence in superannuation.

Trustee directors are required to take all reasonable steps to comply with, or to secure compliance with, financial record-keeping and reporting obligations under Part 2M.2 and 2M.3 as well as the auditor independence obligations under sections 324DAA, 324DAB or 324DAC.

The reforms also promote greater transparency by requiring trustees to make fund financial reports publicly available on websites and by giving the Australian Securities & Investments Commission the power to enforce compliance with accounting and auditing standards as it does with other entities of economic significance (for example, listed companies).

A new space on ASIC's regulatory portal accepts report lodgements. To reduce the burden for trustees and auditors, ASIC has worked with the Australian Prudential Regulation Authority to facilitate a single lodgement point.

Trustees may lodge compliance reports required under APRA's prudential standard SPS 310 *Audit and Related Matters* at the same time as their audited financial reports. Once lodged, audited super-funds financial reports will be publicly available free of charge on ASIC's website.

Trustees will be subject to increased scrutiny on the quality of their financial reports. This year, ASIC's financial reporting and audit surveillance program will be reviewing them for the first time.

Where there are significant disclosure deficiencies, the fund will be subjected to surveillance. Auditors will also be subject to increased scrutiny.

## Consolidated Entity Disclosure Statement (CEDS) guidance released

ASIC has released information sheet 284 *Consolidated Entity Disclosure Statement*, and the Auditing and Assurance Standards Board has released *Audit Implications of the Consolidated Entity Disclosure Statement*.

CEDSs are required in annual financial reports of public companies prepared under chapter 2M of the *Corporations Act 2001* from financial years commencing 1 July 2023. Earlier application is permitted.

## Financial-instruments standards amended

The Australian Accounting Standards Board has issued *AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments*. It amends *AASB 7 Financial Instruments: Disclosures* and *AASB 9 Financial Instruments*.

The standard amends requirements on:

- Settling financial liabilities using an electronic payment system, and
- Assessing contractual cash-flow characteristics of financial assets with environmental, social and corporate governance, and similar features.

It also amends disclosure requirements on investments in equity instruments designated at fair-value through other comprehensive income and adds disclosure requirements for financial instruments with contingent features that do not relate direct to basic lending risks and costs.

AASB 2024-2 applies to annual periods beginning on or after 1 January 2026.



# Financial reporting

## CA ANZ releases latest financial-performance benchmarks

Chartered Accountants Australia & New Zealand has launched the fourth set of annual benchmark and research-insight reports on the financial performance of Australian and New Zealand listed entities.

Reports are intended to help directors and auditors compare the performance of an entity with its peers. They reveal industry trends and pinpoint areas of financial reporting that could be improved.

Jurisdiction-specific, the reports provide benchmarks of various measures compared with global counterparts. Benchmarks are categorised into high, normal, and low values based on data from two periods – 2015 to 2022, and 2023.

They include benchmarks for each Global Industry Classification Standards sector. For Australia these are further divided into four size categories – large, medium, small, and micro.

The benchmarks can:

- Compare an entity's overall competitiveness, efficiency, and productivity
- Identify areas that need improvement
- Assess the integrity of financial reporting by comparing key estimates against industry peers
- Analyse past performance risks, capital structure, and investment decisions
- Assist in organising plans, budgets, forecasting and valuations, and
- Discover how companies stack up against businesses worldwide.

## Accounting for climate-related commitments

A new International Financial Reporting Interpretations Committee decision *Climate-related Commitments (IAS 37 Provisions, Contingent Liabilities and Contingent Assets)* clarifies how accounting standards apply to certain climate-related statements.

Three questions need to be considered:

- Does the commitment create a constructive obligation?
- If so, should a provision be recognised for the constructive obligation? and
- If a provision is recognised, does it result in a corresponding asset or expense?

The committee concluded that existing accounting standards provide an adequate basis to determine how to account for climate-related commitments.

It decided not to begin a standard-setting project on the matter.

The committee responds to questions about the application of international accounting standards to support consistent application. Agenda decisions do not add or change the requirements in international standards, but any explanatory material included may provide new information on how to apply a standard(s) for a specific transaction or fact pattern.

## Proposed improvements on climate-related reporting

The International Accounting Standards Board has published eight examples of how companies might apply international standards when reporting on the effects of climate-related and other uncertainties in their financial statements.

The IASB has developed the examples in response to demand from stakeholders, particularly investors. The latter expressed concerns that information about climate-related uncertainties in financial statements was sometimes insufficient or appeared to be inconsistent with information provided outside the financial statements.

To respond to these concerns, the proposed examples aim to:

- Improve transparency of information in financial statements, and
- Strengthen the connection between financial statements and other parts of a company's reporting, such as sustainability disclosures.

The hypothetical examples focus on areas such as materiality judgements, disclosures about assumptions and estimation uncertainties, and disaggregation of information. The principles and requirements they illustrate apply equally to many types of uncertainties.

IASB chair Andreas Barckow said: 'Investors have clearly communicated that they factor climate-related risks into their decision-making process. Although our accounting standards already address such risks, we have identified a need for illustrative examples to improve their application'.

The examples do not add to or change the requirements in International Financial Reporting Standards. Instead, they provide guidance on how standards' requirements should be applied to provide investors with better information about climate-related risks and other uncertainties.

# Financial reporting

## AASB issues annual-improvements standard

The Australian Accounting Standards Board has issued *AASB 2024-3 Amendments to Australian Accounting Standards – Annual Improvements Volume 11*.

The standard amends AASB 1 *First-time Adoption of Australian Accounting Standards*, AASB 7 *Financial Instruments: Disclosures*, AASB 9 *Financial Instruments*, AASB 10 *Consolidated Financial Statements*, and AASB 107 *Statement of Cash Flows*.

It applies to annual periods beginning on or after 1 January 2026, earlier application of amendments to individual standards permitted.

## Revenue standard is working well

The International Accounting Standards Board has reviewed IFRS 15 *Revenue from Contracts with Customers* and found that the standard is working as intended, providing investors with useful information.

IFRS 15 was issued in 2014 to improve reporting of revenue. The board developed the standard jointly with the US Financial Accounting Standards Board to create a consistent approach to revenue recognition across global markets.

Feedback from stakeholders and the IASB's own research show that the standard provides a clear and robust framework for revenue accounting decisions.

While the overall verdict is positive, the IASB has identified a few application issues to consider late next year in its next agenda consultation. They are:

- How companies decide whether they are the main seller or an agent in a transaction
- How to report on payments to customers, and
- How IFRS 15 works alongside several other IFRS standards.



# Governance

## Data breaches highest since 2020

New statistics from the Office of the Australian Information Commissioner show that data breaches notified to the regulator in the first half of 2024 were at their highest in three-and-a-half years.

The OAIC was notified of 527 data breaches between January and June, according to the latest *Notifiable data breaches* report, the highest figure since July to December 2020 and an increase of 9 per cent from the second half of 2023.

Privacy commissioner Carly Kind said that the high number was evidence of significant threats to Australians' privacy.

Ms Kind said: 'Almost every day, my office is notified of data breaches where Australians are at likely risk of serious harm. This harm can range from an increase in scams and the risk of identity theft to emotional distress and even physical harm.'

'Privacy and security measures are not keeping up with the threats facing Australians' personal information, and addressing this must be a priority.'

Like previous reports, malicious and criminal attacks were the main source of breaches (67 per cent), 57 per cent of them being cyber-security incidents.

The health sector and the federal government notified the most data breaches (19 per cent and 12 per cent), highlighting the vulnerability of both private and public sectors.

Commissioner Kind said six years on from the launching of the scheme, the OAIC had high expectations of organisations.

'The Notifiable Data Breaches scheme is now mature, and we are moving into a new era in which our expectations of entities are higher', she said.

The OAIC will continue to take a proportionate approach to enforcement and is focused on providing guidance to help organisations comply with their obligations.

An eligible (notifiable) data breach occurs when personal information has been lost or accessed or disclosed without authorisation and that it is likely to result in serious harm to one or more individuals. A breach is notifiable when an organisation has not been able to prevent the likely risk of serious harm.

The *Privacy Act* requires organisations to take reasonable steps to conduct a data-breach assessment within 30 days of becoming aware that there are grounds to suspect that they have suffered one. They must notify affected individuals and the OAIC as soon as practicable.

Australian privacy principle 11 requires organisations to take reasonable steps to protect personal information

from misuse, interference, and loss, as well as unauthorised access, modification or disclosure, and to destroy or de-identify the information when it is no longer required.

The OAIC has published guidance on securing personal information and data-breach preparation and response as well as advice for individuals on responding to a data-breach notification.

## More guidance on AI needed

Australian businesses need more guidance in adopting safe and responsible artificial-intelligence practices, a new report finds.

Commissioned by the National AI Centre, the Responsible AI Index 2024 shows that Australian businesses consistently overestimate their ability to use responsible AI practices.

It found that 78 per cent of Australian businesses believed that they were implementing AI safely and responsibly but in only 29 per cent of cases was this correct.

The index surveyed 413 executive decision-makers responsible for AI development across financial services, government, health, education, telecommunications, retail, hospitality, utilities, and transport.

Businesses were assessed on 38 'responsible' AI practices across five dimensions:

- Accountability and oversight
- Safety and resilience
- Fairness
- Transparency and explainability, and
- Contestability.

The index found that, on average, Australian organisations were adopting only 12 out of 38 of the practices.

## Voluntary AI safety standard released

The federal government has released *Voluntary AI Safety Standard*, which guides high-risk AI businesses on best practice. Details on the standard are available at [industry.gov.au/VAISS](https://industry.gov.au/VAISS).

The standard gives businesses certainty ahead of implementing mandatory guardrails. Consultation on a *Proposals Paper for Introducing Mandatory Guardrails for AI in High-Risk Settings* closed on 4 October. For more information on the proposals paper go to [consult.industry.gov.au/ai-regulatory-guardrails](https://consult.industry.gov.au/ai-regulatory-guardrails).

# Governance

## Privacy bill introduced

The OAIC has welcomed the first tranche of privacy reforms with the introduction of the *Privacy and Other Legislation Amendment Bill 2024*.

The bill strengthens the OAIC's enforcement tools, including through an enhanced civil-penalty regime and infringement-notice powers.

It would also provide important clarification on the scope of existing security obligations by amending privacy principle 11 to require organisations to implement technical and organisational measures (such as encrypting data, securing access to systems and premises, and undertaking staff training) to address information security risks.

The amendment aims to assist in clarifying the OAIC's expectations about the scope of measures that organisations should consider when protecting personal information.

## Guidance on preventing foreign bribery

The federal government has released a new guide to assist corporations to implement effective anti-bribery compliance programs.

The passage of the *Crimes Legislation Amendment (Combatting Foreign Bribery) Act 2024* earlier this year significantly strengthened Australia's criminal offences involving foreign bribery.

Under the new laws, corporations will be liable for foreign-bribery activities of employees, external contractors, agents, and subsidiaries, unless the company can demonstrate it had adequate procedures to prevent bribery.

The *Guidance on adequate procedures to prevent the commission of foreign bribery* is principles-based rather than a checklist and is designed to be used by corporations of all sizes in all sectors.



# Regulators

## ASIC sues ASX for alleged misleading statements

ASIC has begun proceedings in the Federal Court against the ASX Ltd for allegedly making misleading statements related to replacement of its Clearing House Electronic Subregister System.

ASIC alleges that statements made in ASX announcements on 10 February 2022 saying that the project remained 'on-track for go-live' in April 2023 and was 'progressing well' were misleading.

The commission alleges that the statements implied that the project was tracking to ASX's announced plan and was on track to meet future milestones, including 'go-live' in April 2023.

It alleges that the representations were misleading and deceptive because, at the time of the announcements, the project was not tracking to plan and ASX had no reasonable basis to imply that the project would meet future milestones.

ASIC chair Joe Longo said: 'ASX's statements go to the heart of trust in the integrity of our markets. We believe this was a collective failure by the ASX board and senior executives at the time'.

Mr Longo said that ASX's 'CHESS' replacement was a technology project of fundamental significance, replacing critical national infrastructure crucial to the operation of the Australian economy.

'Its critical importance was all the more reason ASX needed to ensure it told the Australian public the truth about how the project was tracking and whether it would be completed on time.

'We allege that the true state of affairs as at 10 February 2022 was that the project was not "progressing well", contrary to ASX's announcement.

'The delay and subsequent pause of the project in November 2022 caused significant cost to ASX and market participants who relied on assurances as to the progress of the project and scheduled go-live date.'

Mr Longo said that the CHESS replacement must be managed effectively and transparently. Failure to do so could lead to a lack of confidence in Australia as a market to attract investment, he added.

ASIC is yet to determine the penalty it will seek for ASX's alleged contraventions.

## APRA publishes corporate plan

The Australian Prudential Regulation Authority has published its latest corporate plan outlining how it will maintain the strength and stability of Australia's banks,

insurers, and superannuation trustees over the next four years.

In addition to APRA's strategic priorities, the latest plan incorporates – for the first time – APRA's annual policy and supervision and data priorities.

By combining the formerly separate publications, APRA seeks to enhance transparency and assist regulated entities to plan.

Among APRA's top priorities in 2024-25 are:

- Further strengthening bank capital and liquidity standards to reflect lessons learned from last year's global-banking turmoil
- Increasing minimum standards for operational resilience through the implementation of new prudential standard CPS 230 *Operational Risk*
- Raising industry standards on cyber-risk management
- Developing APRA's first system-stress test to model and assess interconnections across the financial system
- Lifting expectations of entities to consider the financial impacts of climate risk in decision-making
- Partnering with stakeholders to reduce the protection gap for household insurance, and
- Working with ASIC to ensure that superannuation trustees meet their requirements under the retirement-income covenant.

APRA chair John Lonsdale said the plan aimed to ensure the continued financial and operational resilience of APRA-regulated entities while also responding to new and heightened risks.

'At a time of considerable geopolitical volatility and with an uncertain economic outlook, it's vital that banks, insurers, and superannuation trustees are prepared for whatever potential challenges could arise', he said.

'Over the coming four years, APRA will step up its focus on operational and cyber-resilience to ensure our regulated entities are equipped to maintain critical financial services in a world that is becoming more interconnected and dependent on digital technologies.

'In supervision, we will retain a close watch on risk culture and [...] management, with climate change and crisis preparedness to be areas of particular focus over the next year. As always, we will back up our approach with a strong appetite for taking enforcement action where required to ensure that entities comply with the law and the community is protected.'

# AML/CTF

## AUSTRAC releases risk assessments

AUSTRAC has released two national risk assessments on money-laundering and terrorism-financing that provide an understanding of its scale, sophistication, and threat.

*Money Laundering in Australia: National Risk Assessment* found that despite new channels emerging, launderers still preferred to conduct operations via traditional methods using cash, banks, luxury goods, real estate, and casinos.

*Terrorism financing in Australia national risk assessment 2024* found that retail banking, remittance, and exchanging cash remain the preferred avenues to move funds. Most illicit funds go to overseas terrorist organisations and affiliated groups. Social media and crowd-funding platforms have also become integral to terrorist fundraising.

AUSTRAC CEO Brendan Thomas said that ‘the risk assessments will help businesses understand the methods that criminals use to launder proceeds of crime or fund extremist violence’.

He added: ‘I encourage businesses to read them, understand how they might be exposed and ensure they have the necessary anti-money-laundering and counter-terrorism-financing measures in place.’

‘We know there are particular sectors that pose money-laundering and terrorism-financing risks and are consistently exploited – knowingly and unknowingly – by transnational, serious, and organised crime groups to disguise and launder criminal wealth.’

Mr Thomas said the money-laundering-risk assessment identified sectors that were highly vulnerable to criminal exploitation but not covered by the present AML/CTF framework.

The assessments supplement AUSTRAC’s existing suite of resources and guidance designed to support regulated businesses to understand, identify, and manage the particular risks they face and meet their AML/CTF obligations.

The federal government has proposed reforms to simplify Australia’s AML/CTF framework and extend it to higher-risk services, including those provided by lawyers, accountants, and real-estate agents.

Mr Thomas said: ‘These businesses are uniquely positioned to provide insights into suspicious behaviour through the services they provide. Reports from these businesses will help build a more complete picture of money-laundering activities that assist law enforcement [...] in combatting serious and organised crime from child sexual exploitation to scams.’

## Bill widens anti-money-laundering net

Introduced in parliament, a new bill aims to widen the net that attempts to detect money-laundering and terrorism-financing.

- The new *Anti-Money Laundering and Counter-Terrorism Financing Amendment Bill 2024 (known as Tranche 2)* has three key objectives: extend the AML/CTF regime to services provided by lawyers, accountants, trust and company service providers, real-estate professionals, and dealers in precious metals and stones (tranche-two entities)
- Modernise the regulation of virtual assets and payments technology, and
- Simplify and clarify the regime to increase flexibility, reduce regulatory impacts, and support businesses in preventing and detecting financial crime.

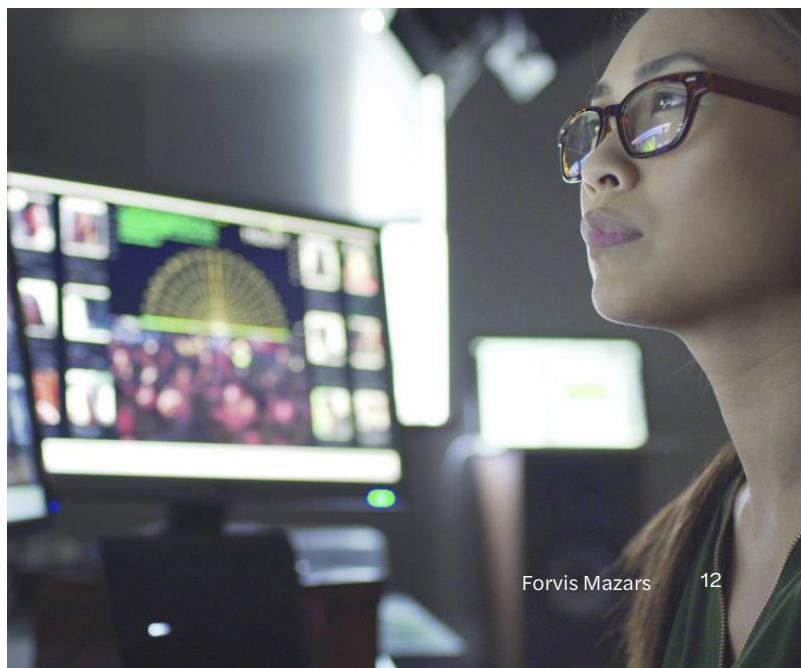
The bill closes a significant regulatory gap by expanding the regime to ‘tranche-two’ entities including lawyers, accountants, real estate professionals and dealers in precious stones and metals.

A recent Money Laundering National Risk Assessment by the Australian Transaction Reports and Analysis Centre noted that criminals are increasingly exploiting tranche-two sectors to conceal illicit wealth and launder money.

The bill also aims to bring Australia into line with international standards set by the inter-governmental Financial Action Task Force.

Australia is one of only five jurisdictions out of more than 200 that fail to regulate tranche-two entities or ‘gatekeeper’ professions.

Without government action, there is a serious risk of Australia’s being ‘grey-listed’ by the FATF, which would not only damage our international reputation but also could result in significant economic harm to Australians and businesses.



## Report into fighting corruption

The International Federation of Accountants, Institute of Chartered Accountants in England and Wales, and the Basel Institute on Governance have published *Integrated Mindset in Practice: Professional Accountants in Business and Anti-Corruption Compliance*.

The joint report offers practical guidance and actionable strategies to approach anti-corruption initiatives with an 'integrated mindset', encouraging company leadership to view financial and sustainability data in an interconnected, holistic way.

It guides professionals – particularly accountants working in business – to apply this integrated approach to anti-corruption oversight and programs.

The report underscores the crucial role of governance in environmental, social, and governance, emphasising a commitment to an ethical culture of integrity and highlighting red flags in risk assessments.

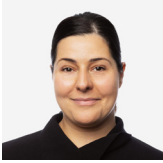
Advocating for a 'whole of business' approach to anti-corruption, the report calls on professional accountancy organisations to encourage their members to fully embrace their role combatting corruption by:

- Recognising themselves as key anti-corruption stakeholders
- Supporting integrated thinking across their organisations, and
- Being champions of collective action.



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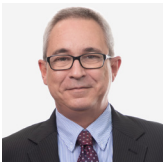


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