CORPORATE ADVISOR SUMMER EDITION 2023

HALL CHADWICK

WHAT'S INSIDE:

INTRODUCTION

In this issue of Corporate Advisor, we explain 15, financial-reporting, corporate-governance regulatory topics of crucial importance to CFOs and directors.

ASIC released its focus areas for 31 December balance dates. The usual suspects were listed: asset values, provisions, solvency, going-concern assessments, and subsequent events plus more emphasis on operating and financial review disclosures. We detail them here in an appendix.

Much has been happening of particular relevance to boards – climate change, cyber security, green-washing, continuous disclosure breaches, ASFL, penalties for non-lodgement of financial reports.

Directors and preparers need to keep these front-of-mind and address them.

The Hall Chadwick team looks forward to working with you on the challenges ahead.

ASIC focus areas for 31 December reporting

By Drew Townsend, Partner, Hall Chadwick (NSW)

The Australian Securities & Investments Commission is urging directors, preparers of reports and auditors to assess whether companies provide useful and meaningful information for investors and other users.

A media release highlights key reporting areas for full and half-years ending 31 December.

ASIC commissioner Sean Hughes said, 'Directors should ensure that company financial reports provide investors with useful and meaningful information on the impact on current and future performance of changing and uncertain economic and market conditions. Directors and preparers should assess the impact on asset values and provisions, and disclose uncertainties, key assumptions, business strategies and risks.'

ASIC has highlighted several areas for attention, in particular asset values, provisions, solvency and going concern assessments, events occurring after year-end and before completing the financial report, and disclosures in financial reports and operating and financial reviews.

Companies will be affected differently by changing and uncertain economic and market conditions depending on their industry, where they operate, how their suppliers and customers are affected, and a range of other factors.

'Companies may continue to face some uncertainties about future economic and market conditions and the impact on their businesses. Assumptions underlying estimates and assessments for financial-reporting purposes should be reasonable and supportable,' said Mr Hughes.

Directors and management should assess how the current and future performance of a company, the value of its assets and provisions, and business strategies, may be affected by changing circumstances, uncertainties and risks such as:

- The availability of skilled staff and expertise, which can affect revenue and costs
- The impact of rising interest rates on future cash-flows and discount rates used in valuing assets and liabilities
- Inflationary impacts that may differ between costs and income
- Increases in energy and oil prices
- Geopolitical risks, including the Ukraine/Russia conflict
- Impacts of climate change and climate-related events
- Commitments and policies on climate and carbon emissions
- Technological changes and innovation

- COVID-19 conditions and restrictions during the reporting period
- Changes in customer preferences and online purchasing trends
- Use of virtual meetings and more flexible working arrangements
- The discontinuation of financial and other support from governments, lenders and lessors, including any possible increases in the level of insolvencies
- Legislative and regulatory changes, and
- Other economic and market developments.

These factors may also be relevant in assessing the ability of an entity's borrowers, debtors and lessees to meet their obligations, and the ability of key suppliers to continue to provide goods and services.

Industries that might be significantly affected by the above factors include construction, agriculture, commercial property, and big carbon emitters.

Uncertainties might lead to a wider range of valid judgements on asset values and other estimates. These uncertainties may change from period to period. Disclosures in financial reports about uncertainties, key assumptions, and sensitivity analysis are important for investors.

Operating and financial reviews should complement reports and tell the story of how an entity's businesses are impacted by both COVID-19 and non-COVID-19 factors. Underlying drivers of results and financial positions should be explained, as well as risks, management strategies, and future prospects. Forward-looking information should have a reasonable basis, and the market should be updated through continuous disclosure if circumstances change.

ASIC stated that appropriate experience and expertise should be applied in reports and audits, particularly in more difficult and complex areas such as asset values and other estimates.

Directors and auditors should be given sufficient time to consider reporting issues and to challenge assumptions, estimates, and assessments.

Directors should make appropriate enquiries of management to ensure that key processes and internal controls have operated effectively during periods of remote work.

The circumstances in which judgements on accounting estimates and forward-looking information have been made and the basis for those judgements should be properly documented at the time and disclosed if appropriate.

ASIC will review the full-year financial reports of selected listed entities and other public-interest entities as at 31 December.

See Appendix ASIC focus areas for 31 December 2022 reports for the detail.

Disclosure material business risks, says ASIC

By Chris Nicoloff, Partner, Hall Chadwick (WA)

ASIC is calling on company directors to ensure that material business risks are adequately disclosed in annual reports.

As a result of its financial-reporting surveillance program and subsequent inquiries concerning several 2022 annual reports, five listed entities have so far provided new disclosures of material business risks in response to the commission's concerns about insufficient disclosure.

ASIC commissioner Sean Hughes said, 'ASIC reminds company directors about the importance of a high-quality operating and financial review, as it helps to inform the decision-making of investors by disclosing material risks that may affect the achievement of a listed entity's strategies and prospects.'

ASIC continues to closely review a selection of annual reports to ensure that entities are correctly disclosing their material business risks as part of directors' reports.

A listed entity's directors' report must contain information that shareholders would reasonably require to make an informed assessment of the entity's operations, financial position, business strategies, and prospects.

This information is called an 'operating and financial review.' ASIC regulatory guide 247 Effective disclosure in an operating and financial review provides guidance for directors of listed entities on providing useful and meaningful information to investors in an OFR.

APES 205 Conformity with Accounting Standards revised

By Mark Delaurentis, Partner, Hall Chadwick (WA)

The Accounting Professional & Ethical Standards Board Ltd has revised APES 205 Conformity with Accounting Standards to address recent financial-reporting amendments in Australian accounting standards.

The Australian Accounting Standards Board has removed the 'reporting entity' concept and thus the ability to prepare special-purpose financial statements for certain for-profit private-sector entities. It has also increased SPFS disclosure requirements for certain not-for-profit and for-profit private-sector entities.

The key revisions to APES 205 to address AASB amendments consist of:

- Amendments to remove the reference to the AASB's Framework for the Preparation and Presentation of Financial Statements
- Changing 'significant accounting policies' to 'material accounting policies' in the definitions of financial statements and SPFSs, and
- A new requirement for professional accountants to take reasonable steps to ensure that an entity's SPFS complies with applicable Australian standards.

The APESB has produced an accompanying basis for conclusions to assist stakeholders to understand the background to the revisions, which includes a 'GPFS & SPFS Disclosure Requirements Decision Tree' in Appendix 1 that illustrates how the AASB amendments are expected to apply in practice.

The revised APES 205 will be effective from 1 January.

Entities increasingly recognise climate-change impacts

By Chris Nicoloff, Partner, Hall Chadwick (WA)

The Australian Accounting Standards Board and Auditing and Assurance Standards Board have released a 36-page research report that identifies climate-related disclosures and associated assurance practices in the annual reports of ASX-listed entities.

The report provides key insights, such as:

- There is demand for a comparable, internationally-aligned approach to deliver a baseline of more consistent sustainability, including climate-related, disclosures
- Entities are increasingly recognising climate impacts in their reports and governance statements
- Climate-sensitive industries are more likely to disclose voluntarily climate-related information
- Most climate-related disclosures in annual reports were not part of financial reports and thus not subject to audit
- Disclosure of climate-related information in financial reports and remuneration reports is increasing, which affects financial-report audits
- A rising number of key audit matters are including climate-related impacts—an auditor reported the impact of climate-related reporting on audit planning, and
- Although most current assurance engagements provide limited assurance for climate-related information an emerging trend in the Australian market is for assurance reports to contain both reasonable and limited levels.

ASIC to clamp down on greenwashing

By Mark Delaurentis, Partner, Hall Chadwick (WA)

ASIC will clamp down on greenwashing and predatory lending in 2023 as well as continue its attempts to disrupt investment scams, says deputy chair Sarah Court.

'This is the first time ASIC has identified particular areas of enforcement focus, which we now expect to do on an annual basis. These priorities communicate our intent to industry and our stakeholders, and give a clear indication of where we will direct our resources and expertise,' said Ms Court.

While ASIC's target areas will change from year to year in keeping with shifting economic factors and the volatile risk environment, five enduring priorities remain:

- Misconduct damaging to market integrity, including insider trading, continuous disclosure failures, and market manipulation
- Misconduct affecting First Nations people
- Misconduct involving a high risk of significant consumer harm, particularly conduct targeting financially vulnerable consumers
- Systemic compliance failures by big financial institutions resulting in widespread consumer harm, and
- New or emerging conduct that puts the financial system at risk.

'In the superannuation sector, we will look to take action where we see instances of misleading conduct and poor governance,' said Ms Court.

The commission is also acutely aware of the rise of sustainable finance, $128 billion net flowing into exchange-traded funds with environmental, social, and governance foci. There has been a 157 per cent increase since 2016 in advisers who claim to provide ESG advice. ASIC will closely monitor for misleading conduct and claims of greenwashing that cannot be sustained and take enforcement action where necessary.

Throughout 2022, ASIC has seen an increase in the collapse of property-investment schemes. Working with liquidators, the commission has detected potential breaches of directors' duties and director misconduct. ASIC will be prioritising enforcement action related to how these property schemes have been managed and will seek to hold individuals to account for their involvements.

Upcoming ASX reporting deadlines

By Doug Bell, Partner, Hall Chadwick (WA)

Listed entities are reminded of upcoming deadlines for periodic reports:

» December quarterly reports for mining exploration, oil and gas exploration, and commitments test entities – Tuesday 31 January

» Half year accounts for entities other than mining exploration and oil and gas exploration entities (June year-end) – Tuesday 28 February

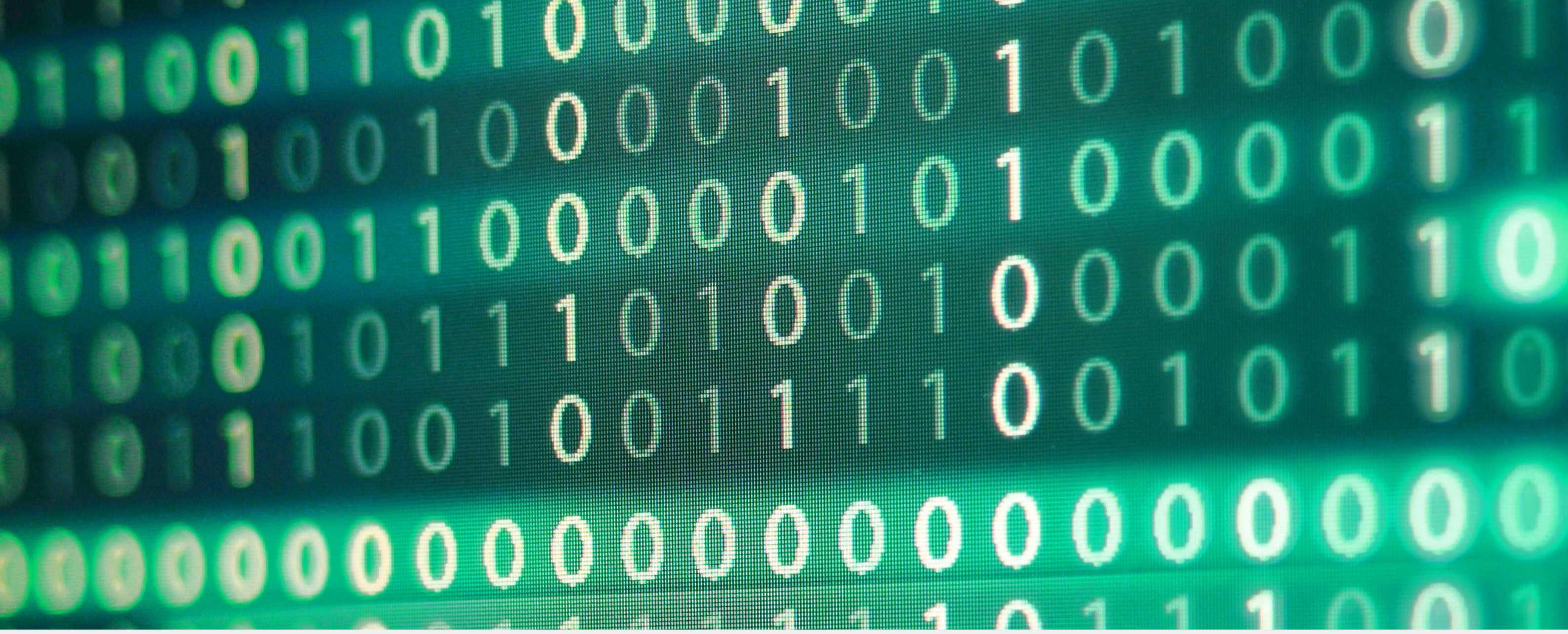
» Preliminary final reports for entities other than mining exploration and oil and gas exploration entities (December year-end) – Tuesday 28 February

» Half year accounts for mining exploration and oil and gas exploration entities (June year-end) – Thursday 16 March, and

» Full year audited accounts/ auditor's report/directors' statement (December year-end) – Friday 31 March.

Listed entities are reminded that a failure to lodge relevant documents on time will result in an automatic suspension of the entities' securities under listing rule 17.5.

Effective from 31 January 2023, the ASX will apply the rules strictly to late lodgement of periodic reports. From that date, if an entity fails to send the exchange a periodic report before the ASX market-announcements office closes on the business day that the report is due, the entity's securities will automatically be suspended from quotation on the following trading day.



Business leaders have poor digital skills

By Stewart Thompson, Partner, Hall Chadwick (NSW)

Many leaders remain under-skilled and struggling to keep up with a fast-changing digital landscape, Driving the digital revolution: A guide for boards has found.

Released by the Governance Institute, the report found that 21 per cent of organisations fail to have a digital transformation underway, and more than half of the respondents have few, if any, directors with core technology skills.

Of those without digital transformations, 40 per cent said it was not a priority and 25 per cent said it was because they failed to have the required skills.

The report's findings are based on a survey of 481 CEOs/C-suite executives, non-executive directors, and senior governance and risk professionals.

Key findings include:

- 41 per cent say less than a quarter of their board members have technology skills, and 13 per cent have no directors with digital skills
- 21 per cent of respondents have no digital transformation underway at their organisation
- Only 33 per cent say their digital transformation involves strategic innovation and adaptation
- 46 per cent rate their organisation average or poor when it comes to data management, an element considered crucial for an effective digital transformation
- 93 per cent say that boards should be involved in technology issues but 34 per cent say their board is not dealing competently with tech issues. Forty-seven per cent say that this is due to a lack of tech skills and education among board members, and
- The top technology risks to organisations are cyber security and cyber-attacks (62 per cent), data governance (49 per cent), and staffs' technology skills/knowledge (48 per cent).

As a director, you don't need to be a tech expert, but you need to understand enough to ensure you are part of the conversations that matter.

Release of Cyber Security Governance Principals

By Steven Nguyen, Partner, Hall Chadwick (VIC)

In an Australian first, the Australian Institute of Company Directors and the Cyber Security Cooperative Research Centre have released a set of governance principles to help organisations strengthen their cyber security.

Recent cyber incidents at Optus and Medibank are a timely reminder of the importance of cyber safety and the need for boards to have clear guidance on how to protect well their organisations' data and, most importantly, customers' data.

The 60-page Cyber Security Governance Principles provides a practical framework for effective board surveillance across five key areas:

» Roles and responsibilities

» Cyber-strategy development and evolution

» Incorporating cyber into risk management

» Building a cyber-resilient culture, and

» Preparing and responding to a significant cyber incident.

There is also a checklist for SMEs and NFPs.

Cyber Security Cooperative Research Centre CEO Rachael Falk said, 'Companies must expect to be attacked and the worst thing any organisation can do in this current environment is to proceed with a false sense of security. This is a core risk that has to be incorporated into the everyday business of running any organisation.'

The principles and checklist may be accessed at www.aicd.com.au.

Austral and former CEO fined for non-disclosures

By Nikki Shen, Partner, Hall Chadwick (WA)

The Federal Court has fined Austal Ltd $650,000 after finding that the ship-building company had contravened continuous-disclosure laws.

The court also found that Austal's former CEO, David Singleton, was knowingly involved in the disclosure failures. Mr Singleton has been fined $50,000.

Austal and Mr Singleton admitted that between 16 June and 4 July 2016 Austal failed to disclose a likely profit writeback of at least US$90 million for financial year 2016. The writeback would generate a loss of at least US$40 million. The writeback also meant that previous profit guidance from Austal (EBIT margin) was no longer reliable and should have been withdrawn.

ASIC deputy chair Sarah Court said, 'Investors who bought shares in the period of misconduct did not know the unfavourable information about Austal's FY2016 earnings. This information was likely to have informed their decision to buy or sell Austal shares during the relevant period. Austal shares totalling $23 million were traded between 16 and 30 June 2016.

'Investors need to have timely access to accurate, relevant information to form their own judgement of risk and reward, and that is why the continuous-disclosure regime is so important,' said Ms Court.

The court found that both Austal and Mr Singleton were aware of the information about Austal's FY2016 earnings from 16 June 2016 and that the information was material to investors. It also found that Austal's and Mr Singleton's continuous-disclosure contraventions were serious and not the result of mere carelessness, inadvertence or inattention.

When handing down his decision, Justice Michael O'Bryan said that 'compliance with the continuous-disclosure provisions is central to the promotion of fair and efficient markets, as the integrity and efficiency of financial markets depends on investors having access to market-sensitive information about listed entities at the same time.'

Austal and Mr Singleton have been ordered to contribute $500,000 to ASIC's legal and investigation costs.

ASIC has begun Federal Court proceedings against Nuix Ltd for alleged continuous-disclosure breaches and misleading or deceptive conduct. ASIC has also brought proceedings against members of the Nuix board for breaches of directors' duties.

Nuix and its board sued for breaches

By Drew Townsend, Partner, Hall Chadwick (NSW)

ASIC alleges that Nuix, which produces software, made misleading or deceptive statements when reaffirming its prospectus financial-year-2021 forecasts for statutory revenue and for annualised contract value ('ACV') in announcements to the ASX on 26 February and 8 March 2021.

ACVs assess the total contract value of a company's revenue at a specific point on an annualised basis. A comparison between ACVs made on two dates shows a company's underlying revenue growth.

While ACV is not a statutory reporting metric, Nuix's forecast ACV growth was a feature promoted in its prospectus. ASIC considers that for a business like Nuix, which has revenue-recognition patterns that might distort statutory revenue, ACV is a significant metric that can influence an investor's assessment of underlying growth, earning potential, and suitability as an investment.

ASIC alleges that Nuix was aware that the ACV for financial year 2021 was likely to be materially below forecast, which made prospectus announcements misleading and required corrective disclosure. ASIC also alleges that Nuix breached its continuous-disclosure obligations by failing to:

- » Disclose its first-half-financial-year-2021 ACV result from 18 January until 26 February 2021 when it published its half-year results
- » Make corrective disclosure regarding the announcements made to the ASX on 26 February and 8 March 2021 or announce a downgrade, and
- » Announce a downgrade to its prospectus forecasts from 13 April 2021 after financial-year-2021 ACV and statutory revenue had been reforecast. A downgrade was not announced until 21 April 2021.

Nuix shares totalling $1.2 billion were traded during the period of the alleged contraventions.

'Nuix's ACV result at the end of the first half showed that, far from growing rapidly at 18.5 per cent, as the company had forecast for the full year, Nuix's underlying business as measured by ACV had essentially shrunk by almost 4 per cent over the first half,' said ASIC chair Joseph Longo.

'It took the company over a month, until 26 February 2021, to disclose this material information to the market. Nuix had an obligation to promptly disclose this information.'

ASIC further alleges that Nuix's directors breached their duties by failing to take reasonable steps to prevent Nuix from making misleading statements and breaching continuous-disclosure obligations.

The commission is seeking declarations, pecuniary penalties, and disqualification orders.

Australian Unity back-pays more than $6.8 million

By Stewart Thompson, Partner, Hall Chadwick (NSW)

Wages underpayment remains an issue. Another example, Australian Unity Ltd back-paid staff more than $6.8 million and entered into an enforceable undertaking with the Fair Work Ombudsman.

The company self-reported its non-compliance to the regulator in November 2020 after becoming aware of payroll errors in its independent and assisted-living businesses. These arms of the company operate retirement communities and provide aged care, allied health and disability services.

Between 2014 and 2021, employees were underpaid entitlements owed under 10 current and former enterprise agreements, two state awards, and the Social, Community, Home Care and Disability Services Industry Award 2010.

The FWO's investigation found breaches related to penalty rates, minimum engagements, overtime, travel time, higher duties, leave accruals, and superannuation.

The employees, who included full-time, part-time, and casual workers, worked as nurses, cooks, catering employees, residential-care workers, lifestyle workers, administrative workers, gardeners, and laundry and maintenance workers, among other roles.

The payroll errors were identified during a payroll compliance review by the company. Its review found various causes, including system and set-up errors, rostering and manual-processing errors, incorrect interpretation of obligations, and inadequate training and payroll processes.

'Under the enforceable undertaking, Australian Unity has committed to implementing stringent measures to ensure workers are paid correctly. These measures include engaging, at the company's own cost, an independent auditor to complete two annual audits,' ombudsman Sandra Parker said.

'This matter demonstrates why employers should prioritise workplace compliance and ensure their systems and processes meet all requirements of relevant awards or agreements. Where breaches are not picked up quickly, they can lead to a substantial back-payment bill.'

Individual underpayments range from less than $1 to more than $23,000, with an average underpayment of $739.

Under the EU, Australian Unity will make a contrition payment of $250,000 to the Commonwealth's Consolidated Revenue Fund. The EU also requires the company to publish worksite notices, apologise to the underpaid employees, and run an employee hotline.

ASIC approach to breach reporting

By Michael Hillgrove, Partner, Hall Chadwick (WA)

As part of its 2022-23 priorities, ASIC will focus on improving the operation of the new reportable-situations regime, which applied to Australian Financial Services Licensees and Credit Licensees as of 1 October last year.

Under the regime, AFS and credit licensees must communicate all reportable situations to ASIC in writing, including:

- Significant breaches or likely significant breaches of 'core obligations'
- Investigations into whether there is a significant breach or likely breach of a core obligation if the investigation continues for more than 30 days
- The outcome of such an investigation if it discloses there is no significant breach or likely breach of a core obligation
- Conduct that constitutes gross negligence or serious fraud, and
- Reportable situations about other licensees.

Several situations are deemed to be significant and therefore reportable (for example, a contravention of a civil-penalty provision).

AFS and credit licensees are required to notify ASIC of reportable situations within 30 calendar days of the licensee first knowing that there were reasonable grounds to believe a reportable situation had arisen.

The lodgement of reports by licensees under the reportable-situations regime provides a critical source of intelligence that enables ASIC to identify emerging trends of non-compliance. It also allows early detection of significant non-compliant behaviours, facilitating prompt regulatory action where appropriate.

ASIC is obliged to report annually on information provided about reportable situations. The reporting is intended to assist consumers identify where significant breaches are occurring.

ASIC's first public report, due in October, will include high-level insights into trends observed across reports lodged by licensees from 1 October last year to 30 June.

This report will not name licensees nor refer to the nature or number of reports lodged by specific licensees.

ASIC's approach to reporting will evolve over time, the commission says, as implementation of the regime matures and provides more detail.

The commission will consider its approach to the 2023 public report early next year, including whether it should include a list of licensees who have reported to ASIC.

ASIC reports on reportables

By Sandeep Kumar, Partner, Hall Chadwick (NSW)

ASIC has released its first insights about the reportable-situations regime.

Financial services and credit licensees made more than 8000 reports to ASIC under the regime between 1 October 2021 and 30 June 2022.

The summary is intended to help industry and consumers identify where significant breaches are occurring.

REP 740 Insights from the reportable situations regime shows that:

» A much smaller proportion of licensees than expected has reported under the regime

» Licensees are still taking too long to identify and investigate some breaches

» More work needs to be done to identify and report the breaches' root causes, and

» Further improvements are needed to licensees' practices to help affected customers.

ASIC commissioner Sean Hughes said, 'This publication includes significant insights about the implementation of the reportable-situations regime. The data ASIC has been receiving under this regime demonstrates how industry is monitoring and responding to non-compliance. It also highlights where compliance with the regime itself requires greater regulatory attention.'

Only 6 per cent of the licensee population lodged a report during the first nine months of the regime. This is significantly lower than expected and suggests that some licensees might not have ways to detect and report non-compliance.

The total customers' financial losses identified to date across the reports was about $368.5 million. Of concern, licensees indicated that they did not intend to compensate affected customers in 4 per cent of reports.

Insights also shows that where remediation is planned, in many cases licensees take too long to act. They indicated in 236 reports (12 per cent of 1952 reports involving compensation to customers) that it had taken or was estimated to take more than a year to finalise.

In 18 per cent of the reports, it took the licensee more than a year to identify and begin investigating an issue after it had occurred. ASIC expects licensee systems to identify non-compliance promptly. Delays create challenges for the timely investigation and rectification of issues and can mean that customers wait longer for remediation.

Fifty-five per cent of reports identified staff negligence or error as the sole root cause including where the licensee had reported that there had been previous similar breaches, or multiple breaches were grouped together. ASIC is concerned that licensees might not be adequately identifying and addressing underlying root causes for breaches, such as detecting repeated staff negligence and error.

10 companies prosecuted for failing to lodge accounts

By Clive Massingham, Partner, Hall Chadwick (QLD)

ASIC has prosecuted 10 companies between 1 January and 30 June for failing to lodge financial reports.

Companies had failed to lodge two to four times, and fines ranged between $1000 and $40,000.

Strathfield Group Limited (deregistered) was convicted and fined $30,000 for failing to lodge two annual financial reports between 2019 and 2020, and $40,000 for failing to comply with an ASIC notice.

Financial reports provide shareholders, creditors, and the public with important information, enabling them to make informed decisions.

The Corporations Act requires:

- All disclosing entities, public companies, large proprietary companies, and registered schemes to prepare financial reports each financial year (section 292)
- Disclosing entities to prepare financial reports each half-year (section 302)
- A disclosing entity and registered scheme to lodge complete financial reports within three months after the end of the financial year. All other entities are required to lodge financial reports within four months after the end of the financial year (Section 302)
- A disclosing entity to prepare or obtain a report for a half-year and lodge the report with ASIC within 75 days after the end of the half-year (section 320), and
- Public companies to hold AGMs within 18 months after registration and at least once per calendar year and within five months after the end of its financial year (Section 250N).

Extending KAMs?

By Nikki Shen, Partner, Hall Chadwick (WA)

At the time of issuing ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report the AUASB committed to reconsidering its scope as part of a post-implementation review.

The board has issued a Discussion Paper – Expanding Key Audit Matters beyond listed entities seeking feedback from stakeholders on whether the communication of KAMs should be expanded.

Three options are proposed. Do you support requiring the communication of KAMs in the auditor's report for the following:

» Option 1: Listed entities only (that is, no amendment to ASA 701)

» Option 2: Listed entities plus certain other types of entities, or

» Option 3: All audited financial reports?

Option 2 'certain other types of entities' includes the following NFPs:

» The population of NFP private sector entities can be segmented based on the existing tiers and reporting obligations by the Australian Charities and Not-for-profits Commission. For example, this may result in the communication of KAMs for large not-for-profit entities who are required to prepare and lodge audited financial reports with the ACNC, and

» Registrable superannuation, consistent with current legislation aligning super funds' financial and accounting reporting obligations with those of public companies.

Comments close 31 March.

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Appendix ASIC focus areas for 31 December 2022 reports

Topic	Focus area
Impairment of non-financial assets	Goodwill, indefinite useful life intangible assets and intangible assets not yet available for use must be tested for impairment annually. Entities adversely impacted in the current environment may have new or continuing indicators of impairment that require impairment testing for other non-financial assets. The appropriateness of key assumptions supporting the recoverable amount of non-financial assets. Disclosure of estimation uncertainties, changing key assumptions, and sensitivity analysis or information on probability-weighted scenarios.
Values of property assets	Factors that could adversely affect commercial and residential property values should be considered such as changes in office space requirements of tenants, on-line shopping trends, future economic or industry impacts on tenants, the financial condition of tenants and restructured lease agreements. The lease accounting requirements, the treatment of rental concessions by lessors and lessees, and the impairment of lessee right-of-use assets.
Expected credit losses on loans and receivables	Whether key assumptions used in determining ECLs are reasonable and supportable. Any need for more reliable and up-to-date information about the circumstances of borrowers and debtors. Short-term liquidity issues, financial condition and earning capacity of borrowers and debtors. The extent to which past history of credit losses remains relevant in assessing ECLs. Disclosure of estimation uncertainties and key assumptions. ECLs should be a focus for companies in the financial sector and other sectors. Financial institutions should have particular regard to the impact of current economic and market conditions and uncertainties on ECLs. This includes assessing whether there are significant increases in credit risk for particular groups of lenders, the adequacy of data, modelling, controls and governance in determining ECLs, and disclosing uncertainties and assumptions.
Value of other assets	The net realisable value of inventories, including whether all estimated costs of completion and necessary to make the sale have been taken into account in determining net realisable value. Whether it is probable that deferred tax assets will be realised. The value of investments in unlisted entities.
Values of other assets	The net realisable value of inventories, including whether all estimated costs of completion and necessary to make the sale have been considered in determining net realisable value. Whether it is probable that deferred tax assets will be realised. The value of investments in unlisted entities.
Provisions	Consideration should be given to the need for and adequacy of provisions for matters such as onerous contracts, leased property make good, mine-site restoration, financial guarantees given and restructuring.
Subsequent events	Events occurring after year-end and before completing the financial report should be reviewed as to whether they affect assets, liabilities, income or expenses at year-end or relate to new conditions requiring disclosure.
General disclosure considerations	When considering the information that should be disclosed in the financial report and OFR, directors and preparers should put themselves in the shoes of investors and consider what information investors would want to know. Disclosures should be specific to the circumstances of the entity and its businesses, assets, financial position, and performance. Changes from the previous period should be considered and disclosed.
Disclosures in the financial report	Uncertainties may lead to a wider range of valid judgements on asset values and estimates. The financial report should disclose uncertainties, changing key assumptions and sensitivities. This will assist investors in understanding the approach taken, understanding potential future impacts and making comparisons between entities. Entities should also explain where uncertainties have changed since the previous full-year and half-year financial reports. The appropriate classification of assets and liabilities between current and non-current categories on the statement of financial position should be considered. That may have regard to matters such as maturity dates, payment terms and compliance with debt covenants.

Topic	Focus area
Disclosures in the OFR	The OFR should complement the financial report and tell the story of how the entity's businesses, results and prospects are impacted by economic and market conditions, the COVID-19 pandemic and changing circumstances. The overall picture should be clear, understandable, and be supported by information that will enable investors to understand the significant factors affecting the entity, its businesses, and the value of its assets. The OFR should explain the underlying drivers of the results and financial position, as well as risks, management strategies, and future prospects. All significant factors should be included and given appropriate prominence. The most significant business risks at whole-of-entity level that could affect the achievement of the disclosed financial performance or outcomes should be provided, including a discussion of environmental, social and governance risks. The risks will vary depending upon the nature and businesses of the entity and its business strategies. An exhaustive list of generic risks that might potentially affect a large number of entities would not be helpful. Risks should be described in context – for example, why the risk is important or significant and its potential impact and, where relevant, factors within the control of management. Climate-change risk could have a material impact on the future prospects of entities. Directors may also consider whether to disclose information that would be relevant under the recommendations of the Task Force on Climate-related Financial Disclosures. Given common reporting pillars, following the TCFD recommendations will help position companies for any future reporting under standards being developed by the International Sustainability Standards Board. Cyber security risks could have a material impact for particular entities and require disclosure. Considerations include the impacts of a loss of personal data or a denial-of-service attack, such as the extent and nature of personal data held and possible impacts on revenue.
Assistance and support from others	Entities should appropriately account for each type of support and assistance from government, lenders, landlords, and others during the reporting period. Material amounts should be disclosed with the duration of the support or assistance and any impact from its discontinuation.
Non-IFRS financial information	Any non-IFRS profit measures in the OFR or market announcements should not be presented in a potentially misleading manner (see RG 230 Disclosing non-IFRS financial information). Where asset impairment losses were excluded from a non-IFRS profit measure in a prior period, any impairment reversal should also be excluded from the measure..
Disclosure in half-year reports	Disclosure will also be important for half-year financial reports and directors' reports as at 31 December 2022. Half-year reports should disclose information on significant developments and changes in circumstances since 30 June 2022.
Other	Insurers must continue to disclose the impact of the new insurance accounting standard in the notes to financial statements. Given that the new standard applies for periods commencing 1 January 2023, it is reasonable to expect that insurers will be in a position to quantify the impact of the new standard in the notes to their 31 December 2022 financial reports. Insurers should refer to ASIC media release 20-286MR Insurers urged to respond to new accounting standard (17 November 2020) for more information. Consideration of whether off-balance-sheet exposures should be recognised on the balance sheet, such as interests in non-consolidated entities. Aged-care providers should review the treatment of bed licences following the announcement in May 2021 that the licences will be discontinued on 1 July 2024 and subsequent information from the Department of Health. Private health insurers should consider the impacts on the deferred-claims liability for changes in the backlog of delayed procedures. A liability may be required for a commitment to return premiums to existing policyholders for savings during the pandemic. Disclosure of material penalties for non-compliance with sanctions imposed in Australia or elsewhere in relation to Russia. Ensuring the recognition of assets, liabilities, income, and expenses in registered-scheme balance sheets and income statements where individual scheme members have pooled interests in assets and returns with some or all other members in substance.

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