



Module 6<sub>v5.0</sub>

# **Professional Practice Program Regulatory Compliance**



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## Program completion

The IPA Professional Practice Program has been designed for IPA members in professional practice and for non-practitioners as a refresher Program.

With recognition comes responsibility. The IPA is recognised in legislation as one of the three professional accounting bodies within Australia. This means compliance with the ASIC Act and with regulations and standards set by ATO, TPB, ASIC, APESB, FRC, AASB, AUASB and IFAC.

The regulators, standard setters, government and the public all rely on the professional expertise, competence and ethics of IPA members. Therefore, the IPA has mandated that members moving into professional practice must demonstrate competence in these key areas.

It is compulsory to complete the IPA Professional Practice Program within 6 months of receiving an IPA PPC unless you have completed a Professional Practice Program with Chartered Accountants Australia + New Zealand or CPA Australia within the last 5 years.

The Program consists of self-paced study and a six Online webinars. You should complete the self-paced study before attending the webinars. This will take up to 80 hours, depending on your experience. To successfully complete the Program, you must:

- Attend all sessions of the Program,
- Successfully complete the assessment held in two parts at the end of webinar 3 and at the end of webinar 6.

The assessment comprises of two tests of 15 multiple-choice questions and you are permitted 30 minutes to complete each of the assessment tasks. You may refer to your course materials, but you are not to consult any other person. There is 1 mark per question and you need to obtain at least 50% to successfully complete the assessment.

If you do not successfully complete the assessment, you will be offered an opportunity to re-sit the assessment. If you are still unsuccessful, you will be required to repeat the six Online webinars and successfully pass the assessment.

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## 6.1: Regulatory Compliance Overview – Financial Reporting and Auditing

The financial reporting system for companies in Australia is set out in the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). Section 224 of the ASIC Act sets the following objectives:

### 6.1.1: Accounting Standards

To facilitate the development of accounting standards that require the provision of financial information that:

- allows users to make and evaluate decisions about allocating scarce resources;
- assists directors to discharge their obligations in relation to financial reporting;
- is relevant to assessing performance, financial position, financing and investment;
- is relevant and reliable;
- facilitates comparability; and
- is readily understandable.

### 6.1.2: Auditing and Assurance Standards

To facilitate the development of auditing and assurance standards and related guidance materials that:

- provide Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the *Corporations Act 2001* (Corporations Act); and
- require the preparation of auditors' reports that are reliable and readily understandable by the users of the financial reports to which they relate.

### 6.1.3: Australian Economy

To facilitate the Australian economy by:

- reducing the cost of capital;
- enabling Australian entities to compete effectively overseas; and
- having accounting and auditing standards that are clearly stated and easy to understand.

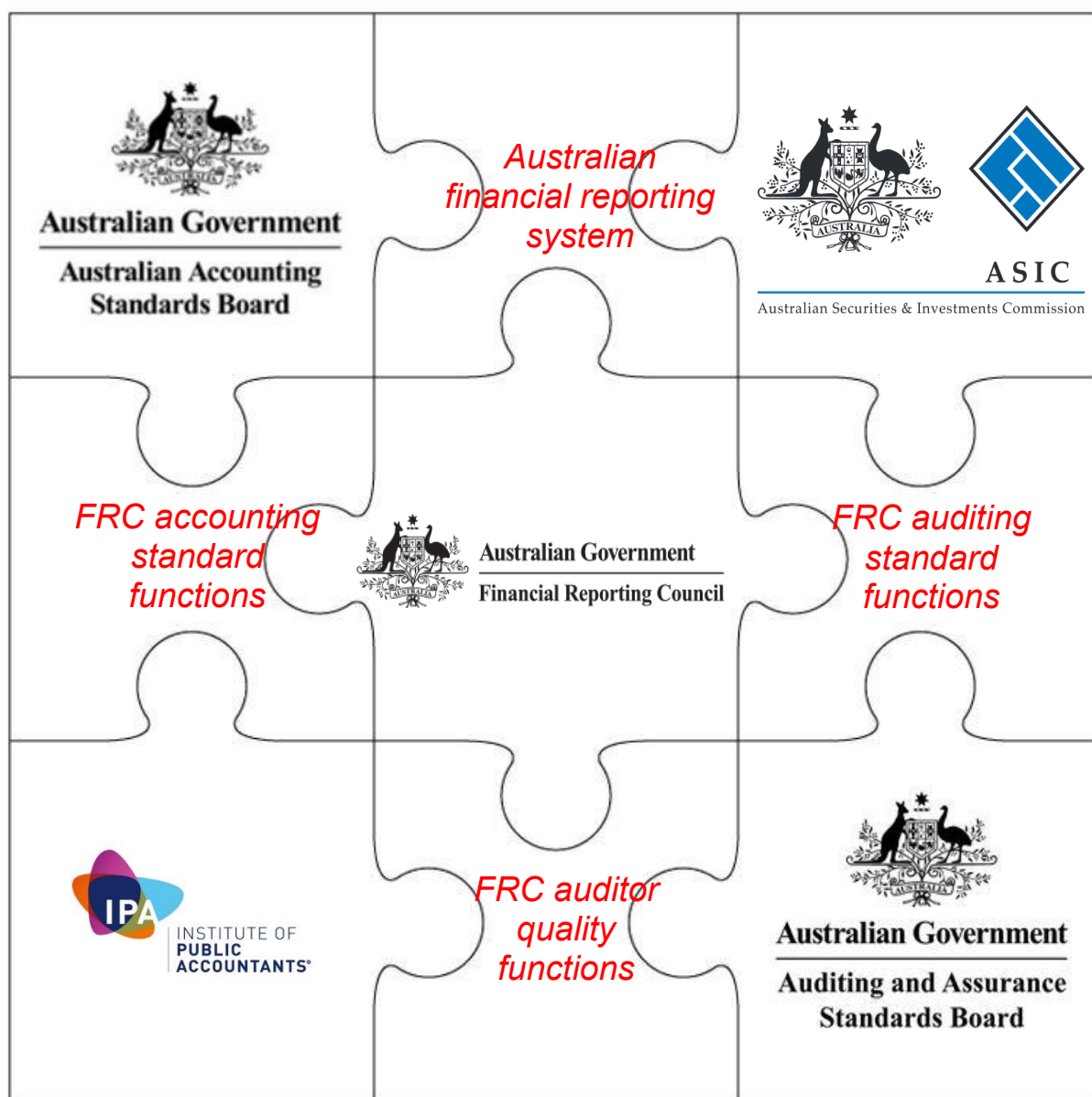
### 6.1.4: Investor Confidence

To maintain investor confidence in the Australian economy (including its capital markets).

In order to achieve these objectives, the IPA works closely with a number of regulatory organisations such as: the Financial Reporting Council (FRC); standard-setting bodies including the Australian Accounting Standards Board (AASB) and the Australian Auditing and Assurance Standards Board (AUASB); and the market regulator, Australian Securities and Investments Commission (ASIC).

The following diagram illustrates some of the connections between the organisations and functions which contribute to supporting the above objectives.

Diagram 6.1 Overview of Australian financial reporting/auditing regulatory arrangements



## 6.2: Financial Reporting Council (FRC)

### 6.2.1 Role, Responsibilities and Functions

The Financial Reporting Council (FRC) is responsible for overseeing the effectiveness of the financial reporting framework in Australia. Its key functions include the oversight of the accounting and auditing standards setting processes for the public and private sectors, providing strategic advice in relation to the quality of audits conducted by Australian auditors, and advising the Minister on these and related matters to the extent that they affect the financial reporting framework in Australia.

The FRC monitors the development of international accounting and auditing standards, works to further the development of a single set of accounting and auditing standards for world-wide use and promotes the adoption of these standards.

The FRC is a statutory body under Part 12 of the ASIC Act. Section 225 of the ASIC Act outlines the following functions and powers of the FRC.

Further information about the FRC can be found at [www.frc.gov.au](http://www.frc.gov.au).

### 6.2.2: FRC General Functions

The FRC functions are:

- a. to provide broad oversight of the processes for setting accounting standards in Australia;
- b. to provide broad oversight of the processes for setting auditing standards in Australia;
- c. to give the Minister reports and advice about the matters referred to in paragraphs (a) and (b);
- d. the functions specified in subsections 6.2.3, 6.2.4 and 6.2.5 (below);
- e. to establish appropriate consultative mechanisms;
- f. to advance and promote the main objects of Part 12 of the ASIC Act;
- g. any other functions that the Minister confers on the FRC by written notice to the FRC Chair.

### 6.2.3 FRC Specific Accounting Standard Functions

The FRC functions include:

- a. appointing the members of the AASB (other than the Chair);
- b. giving the AASB advice or feedback on the AASB's:
  - (i) priorities;
  - (ii) business plans; and
  - (iii) procedures;
- c. giving the Office of the AASB advice or feedback on the Office's:
  - (i) budgets; and
  - (ii) staffing arrangements (including level, structure and composition of staffing);
- d. determining the AASB's broad strategic direction;
- e. monitoring the development of international accounting standards and the accounting standards that apply in major international financial centres;

- f. furthering the development of a single set of accounting standards for world-wide use with appropriate regard to international developments;
- g. promoting the continued adoption of international best practice accounting standards in the Australian accounting standard setting processes if doing so would be in the best interests of both the private and public sectors in the Australian economy; and
- h. monitoring:
  - (i) the operation of accounting standards to assess their continued relevance and their effectiveness in achieving their objectives in respect of both the private and public sectors of the Australian economy; and
  - (ii) the effectiveness of the consultative arrangements used by the AASB.

#### 6.2.4 FRC Specific Auditing Standard Functions

The FRC functions include:

- a. appointing the members of the AUASB (other than the Chair);
- b. giving the AUASB advice or feedback on the AUASB's:
  - (i) priorities;
  - (ii) business plans; and
  - (iii) procedures;
- c. giving the Office of the AUASB advice or feedback on the Office's:
  - (i) budgets; and
  - (ii) staffing arrangements (including level, structure and composition of staffing);
- d. determining the AUASB's broad strategic direction;
- e. monitoring the development of international auditing standards and the auditing standards that apply in major international financial centres;
- f. furthering the development of a single set of auditing standards for world-wide use with appropriate regard to international developments;
- g. promoting the continued adoption of international best practice auditing standards in the Australian auditing standard setting processes if doing so would be in the best interests of both the private and public sectors in the Australian economy; and
- h. monitoring:
  - (i) the operation of auditing standards to assess their continued relevance and their effectiveness in achieving their objectives in respect of both the private and public sectors of the Australian economy; and
  - (ii) the effectiveness of the consultative arrangements used by the AUASB.



### 6.2.5 FRC Specific Auditor Quality Functions

The FRC functions include giving strategic policy advice and reports, to the Minister and professional accounting bodies, in relation to the quality of audits conducted by Australian auditors.

Without limiting the above, the FRC functions also include giving strategic policy advice and reports, to the Minister and professional accounting bodies, in relation to any of the following:

- a. the systems and processes used by Australian auditors to comply with:
  - (i) the provisions of the Corporations Act dealing with the conduct of audits; and
  - (ii) the auditing standards; and
  - (iii) applicable codes of professional conduct;
- b. the systems and processes used by professional accounting bodies for planning and performing quality assurance reviews of audit work undertaken by Australian auditors;
- c. the action that Australian auditors who have been subject to such quality assurance reviews have taken in response to the reports prepared as a result of those reviews;
- d. the action taken by professional accounting bodies to ensure that Australian auditors who have been subject to such quality assurance reviews respond appropriately to the reports prepared as a result of those reviews;
- e. the investigation and disciplinary procedures of professional accounting bodies as those procedures apply to Australian auditors;
- f. the adequacy of:
  - (i) the provisions of the Corporations Act dealing with the conduct of audits; and
  - (ii) the auditing standards; and
  - (iii) applicable codes of professional conduct;in light of international developments in relation to audit quality;
- g. the teaching of professional and business ethics by, or on behalf of, professional accounting bodies to the extent to which the teaching of those subjects relates to audit quality.

### 6.2.6: FRC Powers

#### 6.2.6.1: General Powers

As well as any other powers conferred by the ASIC Act, the FRC has power to do all things necessary or convenient to be done for or in connection with the performance of its functions.

The FRC may establish committees and advisory groups.

#### 6.2.6.2: Restriction on Powers

The FRC does not have power to direct the AASB in relation to the development, or making, of a particular standard.

The FRC does not have power to veto a standard made, formulated or recommended by the AASB.

The FRC does not have power to direct the AUASB in relation to the development, or making, of a particular auditing standard.

The FRC does not have power to veto a standard made, formulated or recommended by the AUASB.

### 6.2.6.3: FRC Information Gathering Powers

1. The Chair of the FRC, acting on behalf of the FRC, may give a professional accounting body a written notice requiring the body to give the FRC:
  - a. a copy of:
    - (i) a code of professional conduct of the body;
    - (ii) a proposed code of professional conduct of the body; or
    - (iii) a proposed amendment of a code of professional conduct of the body;
  - b. information about the body's planning or performance of quality assurance reviews; or
  - c. details of the body's investigation or disciplinary procedures.
2. The notice may require the body to give the FRC information under paragraph 1b or 1c only to the extent to which the information relates to audit work done by Australian auditors.
3. A professional accounting body has qualified privilege in respect of a disclosure made by the body in response to a notice given to the body under paragraph 1.
4. A person has qualified privilege in respect of a disclosure made by the person, on behalf of a professional accounting body, in response to a notice given to the professional body under paragraph 1.
5. The notice under paragraph 1 must specify:
  - a. the information or documents the professional accounting body must give; and
  - b. the period within which the body must give the information or documents.

The period specified under paragraph (b) must be not less than 28 days after the day on which the notice is given.
6. The Chair of the FRC, acting on behalf of the FRC, may, by written notice to the professional accounting body, extend the period within which the body must give the information or documents.

## 6.3: Australian Accounting Standards Board (AASB)

### 6.3.1: Role, Responsibilities and Functions

The AASB is a statutory agency of the Australian Government under the ASIC Act.

The statutory functions of the AASB are to:

- develop a conceptual framework for the purpose of evaluating proposed standards;
- make accounting standards under section 334 of the *Corporations Act 2001*;
- formulate accounting standards for other purposes;
- participate in and contribute to the development of a single set of accounting standards for worldwide use; and
- advance and promote the main objects of Part 12 of the ASIC Act, which include reducing the cost of capital, enabling Australian entities to compete effectively overseas and maintaining investor confidence in the Australian economy.

In carrying out its functions, the AASB must have regard to the interests of Australian corporations which raise or propose to raise capital in major international financial centres.

The AASB has power to establish committees, advisory panels and consultative groups.

The AASB may make or formulate an accounting standard by issuing the text of an international accounting standard. The text of the international accounting standard may be modified to the extent necessary to take account of the Australian legal or institutional environment and, in particular, to ensure that any disclosure and transparency provisions in the standard are appropriate to the Australian legal or institutional environment.

The AASB may distribute the text of a draft international accounting standard (whether or not modified to take account of the Australian legal or institutional environment) for the purposes of consultation.

Further information about the AASB can be found at [www.aasb.gov.au](http://www.aasb.gov.au).

### 6.3.2: Key AASB Pronouncements

The AASB issues 3 main types of key pronouncements:

- Framework documents.
- AASB Standards.
- Interpretations.

The full text of each pronouncement issued by the AASB is available at [www.aasb.gov.au](http://www.aasb.gov.au). A summary listing of each pronouncement is provided in the following subsections.

### 6.3.2.1: Framework Pronouncements

As at April 2023 the AASB had issued the following Framework pronouncements:

AASB No.	Title	Issue Date	Operative Date
CF	Conceptual Framework for Financial Reporting	December 2021	1 January 2022
FPP	Framework for the Preparation and Presentation of Financial Statements	March 2020	1 July 2021

### 6.3.2.2: AASB Standards

As at February 2022 the AASB had issued the following AASB Standards:

AASB No.	Title	Issue Date	Operative Date
1	First-time Adoption of Australian Accounting Standards	December 2022	1 January 2023
2	Share-based Payment	December 2021	1 January 2022
3	Business Combinations	June 2020	1 January 2022
4	Insurance Contracts	September 2020	1 January 2021
5	Non-current Assets Held for Sale and Discontinued Operations	December 2022	1 January 2023
6	Exploration for and Evaluation of Mineral Resources	March 2020	1 July 2021
7	Financial Instruments: Disclosures	December 2021	1 January 2022
8	Operating Segments	March 2020	1 July 2021
9	Financial Instruments	December 2021	1 January 2022
10	Consolidated Financial Statements	December 2021	1 January 2022
11	Joint Arrangements	February 2018	1 January 2019
12	Disclosure of Interests in Other Entities	March 2020	1 July 2021

AASB No.	Title	Issue Date	Operative Date
13	Fair Value Measurement	March 2020	1 July 2021
14	Regulatory Deferral Accounts	December 2021	1 January 2022
15	Revenue from Contracts with Customers	May 2022	1 July 2022
16	Leases	December 2021	1 January 2022
17	Insurance Contracts	March 2022	1 January 2023
101	Presentation of Financial Statements	December 2021	1 January 2022
102	Inventories	December 2021	1 January 2022
107	Statement of Cash Flows	December 2022	1 January 2023
108	Accounting Policies, Changes in Accounting Estimates and Errors	March 2021	1 January 2023
110	Events after the Reporting Period	March 2020	1 July 2021
111	Construction Contracts [for not-for-profit entities]	December 2016	1 January 2018
112	Income Taxes	June 2021	1 January 2023
116	Property, Plant and Equipment	December 2022	1 January 2023
117	Leases [superseded by AASB 16 Leases for periods beginning on or after 1 January 2019]	August 2015	1 January 2016
118	Revenue [superseded by AASB 15 Revenue from Contracts with Customers for periods beginning on or after 1 January 2018 and for NFP entities for periods beginning on or after 1 January 2019]	December 2016	1 July 2018
119	Employee Benefits	December 2021	1 January 2022
120	Accounting for Government Grants and Disclosure of Government Assistance	March 2020	1 July 2021
121	The Effects of Changes in Foreign Exchange Rates	March 2020	1 July 2021

AASB No.	Title	Issue Date	Operative Date
123	Borrowing Costs	March 2020	1 July 2021
124	Related Party Disclosures	March 2020	1 July 2021
127	Separate Financial Statements	December 2021	1 January 2022
128	Investments in Associates and Joint Ventures	December 2021	1 January 2022
129	Financial Reporting in Hyperinflationary Economies	March 2020	1 July 2021
132	Financial Instruments: Presentation	December 2021	1 January 2022
133	Earnings per Share	March 2020	1 July 2021
134	Interim Financial Reporting	December 2022	1 January 2023
136	Impairment of Assets	December 2022	1 January 2023
137	Provisions, Contingent Liabilities and Contingent Assets	December 2021	1 January 2022
138	Intangible Assets	March 2020	1 July 2021
139	Financial Instruments: Recognition and Measurement	September 2020	1 January 2021
140	Investment Property	December 2021	1 January 2022
141	Agriculture	June 2020	1 January 2022
1004	Contributions	March 2020	1 July 2021
1023	General Insurance Contracts	December 2022	1 January 2023
1038	Life Insurance Contracts	December 2021	1 January 2022
1039	Concise Financial Reports	December 2021	1 January 2022
1048	Interpretation of Standards	December 2020	Ending 31 December 2020
1049	Whole of Government and General Government Sector Financial Reporting	December 2019	1 January 2020

AASB No.	Title	Issue Date	Operative Date
1050	Administered Items	March 2020	1 July 2021
1051	Land Under Roads	March 2020	1 July 2021
1052	Disaggregated Disclosures	December 2021	1 January 2022
1053	Application of Tiers of Australian Accounting Standards	May 2022	30 June 2022
1054	Australian Additional Disclosures	December 2022	1 January 2023
1055	Budgetary Reporting	March 2020	1 July 2021
1056	Superannuation Entities	May 2019	1 January 2020
1057	Application of Australian Accounting Standards	June 2022	30 June 2022
1058	Income of Not-for-Profit Entities	December 2022	1 January 2023
1059	Service Concession Arrangements: Grantors	December 2021	1 January 2022
1060	General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities	December 2021	1 January 2022

Further information is available at [aasb.gov.au](https://aasb.gov.au).

### 6.3.2.3: AASB Interpretations

Interpretations are issued by the AASB to provide requirements concerning urgent financial reporting issues. Since mid-2006, the AASB has direct responsibility for developing both Australian equivalents of IFRIC Interpretations and domestic Interpretations, thus replacing the former Urgent Issues Group (UIG).

AASB and UIG Interpretations apply no earlier than annual reporting periods beginning on or after 1 January 2005. The previous series of UIG Abstracts applied prior to then. All UIG Abstracts have been withdrawn.

AASB and UIG Interpretations are listed in Accounting Standard AASB 1048 Interpretation of Standards, giving them authority under the Corporations Act alongside the Standards. Interpretations (like the preceding Abstracts) are mandatory for IPA members, and as such must be consistently applied in the preparation and presentation of general purpose financial statements. Interpretations may also be given authority by other legislative or regulatory bodies, such as Commonwealth, State and Territory Treasuries or their equivalent.

The AASB formally approves or rejects proposed new Interpretations. A proposed Interpretation may be published on the web site for a period of time, but has no authority. An Interpretation approved by the AASB is now formally issued as an AASB Interpretation.

As at April 2023 the AASB had issued the following Interpretations:

Int. No.	Title	Issue Date	Operative Date
1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	February 2016	1 January 2019
2	Members' Shares in Co-operative Entities and Similar Instruments	December 2021	1 January 2022
5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	December 2021	1 January 2022
6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	August 2015	1 January 2016
7	Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies	August 2015	1 January 2016
10	Interim Financial Reporting and Impairment	August 2015	1 January 2018
12	Service Concession Arrangements	May 2019	1 January 2020
14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	August 2015	1 January 2016
16	Hedges of a Net Investment in a Foreign Operation	December 2021	1 January 2022



Int. No.	Title	Issue Date	Operative Date
17	Distributions of Non-cash Assets to Owners	December 2021	1 January 2022
19	Extinguishing Financial Liabilities with Equity Instruments	May 2019	1 January 2020
20	Stripping Costs in the Production Phase of a Surface Mine	May 2019	1 January 2020
21	Levies	August 2015	1 January 2016
22	Foreign Currency Transactions and Advance Consideration	May 2019	1 January 2020
23	Uncertainty over Income Tax Treatments	December 2021	1 January 2022
107	Introduction of the Euro	August 2015	1 January 2018
110	Government Assistance – No Specific Relation to Operating Activities	August 2015	1 January 2016
125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	August 2015	1 January 2016
129	Service Concession Arrangements: Disclosures	December 2021	1 January 2022
132	Intangible Assets – Web Site Costs	December 2021	1 January 2022
1003	Australian Petroleum Resource Rent Tax	May 2019	1 January 2020
1019	The Superannuation Contributions Surcharge	May 2019	1 January 2020
1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods	December 2013	1 January 2014
1031	Accounting for the Goods and Services Tax (GST)	May 2019	1 January 2020
1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities	May 2019	1 January 2020
1047	Professional Indemnity Claims Liabilities in Medical Defence Organisations	May 2019	1 January 2020
1052	Tax Consolidation Accounting	December 2021	1 January 2022

Int. No.	Title	Issue Date	Operative Date
1055	Accounting for Road Earthworks	December 2013	1 January 2014

The AASB has issued a range of amending standards affecting some Interpretations which have not yet been fully compiled. Further information is available at [aasb.gov.au](http://aasb.gov.au).

## 6.4: Australian Auditing Standards Board (AUASB)

### 6.4.1: Role, Responsibilities and Functions

The AUASB is a statutory agency of the Australian Government under the ASIC Act

The statutory functions of the AUASB are to:

- make auditing standards under section 336 of the Corporations Act for the purposes of the corporations legislation;
- formulate auditing and assurance standards for other purposes;
- formulate guidance on auditing and assurance matters;
- participate in and contribute to the development of a single set of auditing standards for world-wide use; and
- advance and promote the main objects of Part 12 of the ASIC Act, which include reducing the cost of capital, enabling Australian entities to compete effectively overseas and maintaining investor confidence in the Australian economy.

The AUASB has power to establish committees, advisory panels and consultative groups.

The AUASB may make or formulate an auditing standard by issuing the text of an international auditing standard.

The text of the international auditing standard may be modified to the extent necessary to take account of the Australian legal or institutional environment.

The AUASB may distribute the text of a draft international auditing standard (whether or not modified to take account of the Australian legal or institutional environment) for the purposes of consultation.

Further information about the AUASB can be found at [www.auasb.gov.au](http://www.auasb.gov.au).

### 6.4.2: Key AUASB Pronouncements

The AUASB issues 3 types of pronouncements:

- Framework pronouncements provide information regarding the AUASB, its operations and information about other pronouncements that it issues.
- AUASB Standards establish requirements and provide application and other explanatory material on the responsibilities of the auditor and the assurance practitioner, as appropriate, in audit, review, assurance and related services engagements.
- Guidance Statements provide guidance to assist the auditor to fulfil the objectives of an audit or assurance engagement. They include explanatory details and suggested procedures on specific matters for the purposes of understanding and complying with AUASB standards.

The full text of each pronouncement issued by the AUASB is available at [www.auasb.gov.au](http://www.auasb.gov.au). A summary listing of each pronouncement is provided in the following subsections.

#### 6.4.2.1: Framework Pronouncements

As at April 2023 the AUASB had issued the following Framework pronouncements:

- **Foreward to AUASB pronouncements** – this document sets out an overview of the range and hierarchy of pronouncements and other materials issued by the AUASB.
- **Framework for Assurance Engagements** – this document:
  - Defines and describes the elements and objectives of an assurance engagement;
  - Identifies engagements to which Australian Auditing Standards, Standards on Review Engagements and Standards on Assurance Engagements apply; and
  - Distinguishes assurance engagements from other engagements.
- **AUASB Glossary** – this document sets out terms defined or used in AUASB Standards.

#### 6.4.2.2: AUASB Standards

As at April 2023 the AUASB had issued the following AUASB Standards:

##### Australian Auditing Standards

Australian Auditing Standards are written in the context of an audit of a financial report by an auditor.

The Australian Auditing Standards contain objectives, requirements and application and other explanatory material that are designed to support the auditor in obtaining reasonable assurance. They require an auditor to exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit and, among other things:

- Identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal control.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial report based on conclusions drawn from the audit evidence obtained.

<b>Auditing Standards Made Under Section 336 of the <i>Corporations Act</i></b>			
<b>No.</b>	<b>Title</b>	<b>Approval / Compilation Date</b>	<b>Operative Date</b>
ASQC 1	Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements (Compiled)	30 June 2020	15 July 2020
ASQM 1	Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other	10 March 2021	15 December 2022

<b>Auditing Standards Made Under Section 336 of the <i>Corporations Act</i></b>			
<b>No.</b>	<b>Title</b>	<b>Approval / Compilation Date</b>	<b>Operative Date</b>
	Financial Information, or Other Assurance or Related Services Engagements		
ASQM 2	Engagement Quality Reviews	10 March 2021	15 December 2022
ASA 100	Preamble to AUASB Standards (Compiled)	30 June 2020	15 July 2020
ASA 101	Preamble to AUASB Standards (Compiled)	5 November 2021	15 December 2021
ASA 102	Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements	15 March 2023	1 January 2023
ASA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (Compiled)	10 March 2021	15 December 2022
ASA 210	Agreeing the Terms of Audit Engagements	15 March 2023	1 January 2023
ASA 220	Quality Management for an Audit of a Financial Report and Other Historical Financial Information (Compiled)	30 June 2020	15 December 2021
ASA 230	Audit Documentation (Compiled)	10 March 2021	15 December 2022
ASA 240	The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report (Compiled)	5 November 2021	15 December 2021
ASA 250	Consideration of Laws and Regulations in an Audit of a Financial Report (Compiled)	10 March 2021	15 December 2021
ASA 260	Communication With Those Charged With Governance (Compiled)	10 March 2021	15 December 2021

<b>Auditing Standards Made Under Section 336 of the <i>Corporations Act</i></b>			
<b>No.</b>	<b>Title</b>	<b>Approval / Compilation Date</b>	<b>Operative Date</b>
ASA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management (Compiled)	3 March 2020	15 December 2021
ASA 300	Planning an Audit of a Financial Report (Compiled)	10 March 2021	15 December 2022
ASA 315	Identifying and Assessing the Risks of Material Misstatement (Compiled)	10 March 2021	15 December 2022
ASA 320	Materiality in Planning and Performing an Audit (Compiled)	3 March 2020	15 December 2021
ASA 330	The Auditor's Responses to Assessed Risks (Compiled)	5 November 2021	15 December 2021
ASA 402	Auditing Considerations Relating to an Entity Using a Service Organisation (Compiled)	3 March 2020	15 December 2021
ASA 450	Evaluation of Misstatements Identified during the Audit (Compiled)	30 May 2017	1 January 2018
ASA 500	Audit Evidence (Compiled)	10 March 2021	15 December 2022
ASA 501	Audit Evidence—Specific Considerations for Inventory and Segment Information (Compiled)	3 March 2020	15 December 2021
ASA 502	Audit Evidence—Specific Considerations for Litigation and Claims (Compiled)	5 November 2021	15 December 2021
ASA 505	External Confirmations (Compiled)	3 March 2020	15 December 2021
ASA 510	Auditing Standard ASA 510 Initial Audit Engagements—Opening Balances (Compiled)	15 March 2023	1 January 2023

**Auditing Standards Made Under Section 336 of the *Corporations Act***

<b>No.</b>	<b>Title</b>	<b>Approval / Compilation Date</b>	<b>Operative Date</b>
ASA 520	Analytical Procedures (Compiled)	3 March 2020	15 December 2021
ASA 530	Audit Sampling (Compiled)	3 March 2020	15 December 2021
ASA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures (Compiled)	10 March 2021	15 December 2022
ASA 550	Related Parties (Compiled)	5 November 2021	15 December 2021
ASA 560	Subsequent Events (Compiled)	5 November 2021	15 December 2021
ASA 570	Auditing Standard ASA 570 Going Concern	15 March 2023	1 January 2023
ASA 580	Auditing Standard ASA 580 Written Representations	15 March 2023	1 January 2023
ASA 600	Auditing Standard ASA 600 Special Considerations – Audits of a Group Financial Report	15 March 2023	1 January 2023
ASA 610	Using the Work of Internal Auditors (Compiled)	10 March 2021	15 December 2022
ASA 620	Using the Work of an Auditor's Expert (Compiled)	10 March 2021	15 December 2022
ASA 700	Auditing Standard ASA 700 Forming an Opinion and Reporting on a Financial Report	15 March 2023	1 January 2023
ASA 701	Communicating Key Audit Matters in the Independent Auditor's Report (Compiled)	10 March 2021	15 December 2022
ASA 705	Auditing Standard ASA 705 Modifications to the Opinion in the Independent Auditor's Report	15 March 2023	1 January 2023

<b>Auditing Standards Made Under Section 336 of the <i>Corporations Act</i></b>			
<b>No.</b>	<b>Title</b>	<b>Approval / Compilation Date</b>	<b>Operative Date</b>
ASA 706	Auditing Standard ASA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	15 March 2023	1 January 2023
ASA 710	Auditing Standard ASA 710 Comparative Information-Corresponding Figures and Comparative Financial Reports	15 March 2023	1 January 2023
ASA 720	Auditing Standard ASA 720 The Auditor's Responsibilities Relating to Other Information	15 March 2023	1 January 2023
ASA 800	Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks (Compiled)	7 September 2021	15 December 2021
ASA 805	Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement (Compiled)	30 May 2017	15 December 2016
ASA 810	Engagements to Report on Summary of Financial Statements	13 September 2016	15 December 2016

#### Standards on Review Engagements (ASREs)

Standards on Review Engagements establish requirements and provide application and other explanatory material on the responsibilities of an auditor, or assurance practitioner, when engaged to undertake a review engagement and on the form and content of the auditor's, or assurance practitioner's, review report.

<b>No.</b>	<b>Title</b>	<b>Issue Date</b>	<b>Operative Date</b>
ASRE 2400	Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity	30 May 2017	1 January 2018
ASRE 2405	Review of Historical Financial Information Other than a Financial Report	21 August 2008	1 October 2008

No.	Title	Issue Date	Operative Date
ASRE 2410	Review of a Financial Report Performed by the Independent Auditor of the Entity (Compiled)	10 March 2021	15 December 2022
ASRE 2415	Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation (Compiled)	10 March 2021	15 December 2022

#### Standards on Assurance Engagements (ASAEs)

Standards on Assurance Engagements establish requirements and provide application and other explanatory material for undertaking and reporting on assurance engagements other than audits or reviews of historical financial information covered by Australian Auditing Standards or Standards on Review Engagements.

No.	Title	Issue Date	Operative Date
ASAE 3000	Assurance Engagements Other than Audits or Reviews of Historical Financial Information	6 September 2022	15 December 2022
ASAE 3100	Compliance Engagements	6 September 2022	15 December 2022
ASAE 3150	Assurance Engagements on Controls	6 September 2022	15 December 2022
ASAE 3402	Assurance Reports on Controls at a Service Organisation	6 September 2022	15 December 2022
ASAE 3410	Assurance Engagements on Greenhouse Gas Statements	6 September 2022	15 December 2022
ASAE 3420	Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document	6 September 2022	15 December 2022
ASAE 3450	Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information	6 September 2022	15 December 2022
ASAE 3500	Performance Engagements	6 September 2022	15 December 2022



## Standards on Related Services (ASRS)

Standards on Related Services establish requirements and provide application and other explanatory material on the responsibilities of an assurance practitioner, when engaged to undertake engagements other than assurance engagements covered by Australian Auditing Standards, Standards on Review Engagements or Standards on Assurance Engagements.

No.	Title	Approval Date	Operative Date
ASRS 4400	Agreed-Upon Procedures Engagements	6 September 2022	15 December 2022
ASRS 4450	Comfort Letter Engagements	30 May 2012	1 July 2013

## Guidance Statements

Guidance Statements provide guidance to auditors and assurance practitioners on the application of AUASB Standards and assist auditors and assurance practitioners to comply with Standards. Guidance Standards are intended to assist auditors and assurance practitioners in applying an existing standard(s) of general application to particular circumstances or specialised industries/sectors.

Accordingly, Guidance Statements refer to, and are written in the context of:

- Specified AUASB Standards;
- And where relevant, legislation, regulation or other authoritative publication.

Guidance Statements, while formally approved and issued by the AUASB, do not establish new principles or amend existing standards. Guidance Statements therefore do not include any additional requirements or extend or vary the existing requirements of any AUASB Standards and are not legally enforceable.

No.	Title	Issue Date	Operative Date
GS 001	Concise Financial Reports Under the <i>Corporations Act 2001</i>	May 2017	May 2017
GS 002	Audit Implications of Prudential Reporting Requirements for Registered Superannuation Entities	January 2014	January 2014
GS 003	Assurance Relating to Australian Financial Services Licences issued under the <i>Corporations Act 2001</i>	September 2022	September 2022
GS 004	Audit Implications of Prudential Reporting Requirements for General Insurers and Insurance Groups	May 2013	May 2013

No.	Title	Issue Date	Operative Date
GS 005	Evaluating the Appropriateness of a Management's Expert	March 2020	March 2020
GS 006	Electronic Publication of the Auditor's Report	March 2010	January 2010
GS 007	Audit Implications of the Use of Service Organisations for Investment Management Services	October 2011	October 2011
GS 008	The Auditor's Report on a Remuneration Report Under Section 300A of the <i>Corporations Act 2001</i>	March 2010	March 2010
GS 009	Auditing Self-Managed Superannuation Funds	June 2020	June 2020
GS 010	Responding to Questions at an Annual General Meeting	September 2021	September 2021
GS 011	Third Party Access to Audit Working Papers	April 2009	April 2009
GS 012	Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions (ADIs) and ADI Groups	September 2020	September 2020
GS 013	Special Considerations in the Audit of Compliance Plans of Managed Investment Schemes	August 2009	August 2009
GS 014	Auditing Mortgage Schemes	August 2009	August 2009
GS 015	Audit Implications of Accounting for Investments in Associates	November 2009	November 2009
GS 016	Bank Confirmation Requests	June 2022	June 2022
GS 016*	Bank Confirmation Requests <i>Bank Confirmation Audit Request Forms General Treasury and Other Operations</i>	June 2010	June 2010
GS 017	Audit Implications for Prudential Reporting Requirements of a Life Company	December 2014	December 2014

No.	Title	Issue Date	Operative Date
GS 018	Franchising Code of Conduct – Auditor's Reports	May 2017	May 2017
GS 019	Auditing Fundraising Revenue of Not-for-Profit Entities	April 2011	April 2011
GS 020	Special Considerations in Auditing Financial Instruments	March 2012	March 2012
GS 021	Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes	November 2012	November 2012
GS 022	Grant Acquittals and Multi-Scope Engagements	June 2015	June 2015
GS 023	Special Considerations – Public Sector Engagements	March 2023	March 2023

## 6.5: Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF)

### 6.5.1: Overview – Professional and Ethical Standards

Accountants are at risk of being exploited by criminals to launder money.

From an ethics and professional standards perspective, IPA members have professional obligations which arise from:

- APES 110 Code of Ethics for Professional Accountants. Section 210 deals with matters that may arise on professional appointment – in particular IPA members are required to determine whether acceptance or continuance with a client engagement may create any threats to compliance with the fundamental principles of APES 110. Threats could include client involvement in illegal activities such as money laundering, dishonesty, questionable financial reporting practices or other unethical behaviour (refer Module 2); and
- APES 320 Quality Control for Firms addresses issues related to acceptance and continuance of client relationships and specific engagements. IPA members are required to consider the integrity of the client including consideration of issues that may indicate that a client lacks integrity (refer Module 4).

It is important to note that these professional requirements do not override the specific requirements of local laws and regulations. This section outlines legislative requirements applicable in Australia. IPA members operating in other jurisdictions will need to consider the legislative requirements of those jurisdictions.

### 6.5.2: Australian Legislation

The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (the AML/CTF Act) sets out how the Australian Government monitors financial transactions for the purposes of deterring, preventing and detecting money laundering and terrorism financing. The AML/CTF Act is designed to reduce the amount of money laundered in Australia, updating Australian AML/CTF systems in line with international best practice and preserving Australia's financial market reputation.

The AML/CTF Act implements the first tranche of the Government's proposed AML/CTF reforms and applies to:

- the financial sector (including financial planners who make arrangements on behalf of clients to invest in a financial product);
- the gambling sector; and
- bullion dealing.

The AML/CTF Act sets out the primary obligations of providers of designated services (reporting entities). It is supplemented by Regulations, AML/CTF Rules and Guidelines. The AML/CTF rules contain practical and operational detail of the AML/CTF regime and have legislative force. The Guidelines are not legally binding and are intended to assist reporting entities to interpret their obligations – essentially the Guidelines represent a 'best practice' approach for reporting entities.

Generally, the AML/CTF Act and AML/CTF Rules implement a risk-based approach to compliance. This approach:

- recognises that reporting entities are best placed to assess and mitigate their money laundering and financing of terrorism risk (ML/TF risk); and
- should allow reporting entities to concentrate their resources on areas where their ML/TF risk is higher.

### 6.5.2.1: Designated Services (Reporting Entities)

A reporting entity is a financial institution, or other person, who provides designated services.

The AML/CTF Act lists 70 types of designated services, including:

- opening accounts or allowing a transaction or a person to become a signatory;
- making loans in the course of a business of making loans;
- providing cheque books or similar facilities;
- issuing debit cards;
- issuing or selling securities or derivatives;
- buying or selling securities, derivatives or foreign exchange contracts on behalf of another;
- providing life insurance and sinking funds policies;
- payments, contributions and rollovers by superannuation funds, Approved Deposit Funds (ADFs) and Retirement Savings Accounts (RSAs);
- providing a custodial or depository service;
- being involved in funds transfers; and
- in the capacity of a holder of an Australian financial services licence, making arrangements for a person to receive a designated service (other than a service provided by this item) (an entity which provides such a service is referred to as a licensee arranger).

Refer section 6 of the AML/CTF Act for a complete listing of other designated services.

### 6.5.2.2: Core Requirements of the AML/CTF Act

Core requirements of the AML/CTF Act include:

- customer identification;
- ongoing customer due diligence;
- suspicious matter reporting;
- implementation of an AML/CTF program; and
- record keeping.

#### 6.5.2.2.1: Customer Identification and Ongoing Customer Due Diligence

The customer identification obligations require reporting entities who provide designated services to identify and verify (and in some circumstances, re-verify) the identity of their customers before they provide a designated service and carry out ongoing customer due diligence. Generally, existing customers and customers who receive only low-risk designated services will be exempt from the customer identification requirements.

The customer identification procedures are contained in AML/CTF rules. The procedures use a risk-based approach where reporting entities decide what customer identification information is required based on what they assess as their ML/TF risk.

Reporting entities can engage an agent to carry out any obligations under the AML/CTF Act, but will remain liable for the conduct of their agent subject to general law agency principles. Reporting entities can also rely on a customer identification procedure carried out by another reporting entity. Reporting entities can also rely on electronic verification and documentary verification of customer identification information.

In accordance with AML/CTF Rules, a reporting entity must monitor its provision of designated services in Australia with a view to identifying, mitigating and managing the risk that it might reasonably face that it might facilitate money laundering or financing of terrorism.

Elements of an ongoing customer due diligence program include risk-based systems and controls to determine whether further 'know your customer' information should be obtained for ongoing due diligence (as distinct from initial customer identification), an enhanced due diligence program and a transaction monitoring program.

Refer Part 2 of the AML/CTF Act for further information.

### 6.5.2.2.2: Suspicious Matter Reporting

Reporting entities who suspect on reasonable grounds that:

- a customer (or potential customer) is not who it claims to be; or
- that information about the provision of (or prospective provision) of a designated service may be:
  - relevant to the investigation or prosecution of a person for:
    - a criminal offence;
    - tax evasion; or
    - a money laundering or terrorism financing offence;
  - of assistance in the enforcement of laws relating to proceeds of crime; or
  - preparatory to the commission of a money laundering or terrorism financing offence,

must report that suspicion, and the grounds on which it is based, to AUSTRAC within three business days (or, in some circumstances, 24 hours). The Explanatory Memorandum to the AML/CTF Act indicates that the relevant time period will only begin to run when a 'responsible officer' forms the relevant suspicion.

The obligation may arise before there is any business relationship between the reporting entity and a potential customer.

Tipping off is an offence but some suspicious matter information can be disclosed within a designated business group where members of that group share a joint AML/CTF program and where the disclosure is made for the purpose of informing the designated business group about the risks involved in dealing with the particular customer.

Part 3 of the AML/CTF Act sets out other reporting obligations where:

- a reporting entity provides a designated service that involves a threshold transaction;
- a person sends or receives an international funds transfer instruction; and
- when a reporting entity may be required to give AML/CTF compliance reports to AUSTRAC.

Refer Part 3 of the AML/CTF Act for further information.

### 6.5.2.2.3: Implementation of an AML/CTF Program

A reporting entity must put in place and maintain an AML/CTF program. Providing a designated service without doing so will attract a civil penalty of up to \$11 million. There are three types of programs:

- a standard AML/CTF program which applies to individual reporting entities (but not to licensee arrangers);
- a joint AML/CTF program which applies to reporting entities who are a member of a designated business group; or
- a special AML/CTF program which applies only to licensee arrangers and is restricted to customer identification procedures.

A 'licensee arranger' is an entity which, in the capacity of a holder of an Australian financial services licence, makes arrangements for a person to receive a designated service (other than the service of making such arrangements).

Every standard or joint AML/CTF program must be divided into two distinct parts:

- Part A (general part): to identify, mitigate and manage the risk that a reporting entity may reasonably face that the provision of designated services at, or through, a permanent establishment in Australia might (inadvertently or otherwise) involve or facilitate money laundering or the financing of terrorism
- Part B: to set out the applicable customer identification procedures which will apply to the reporting entity's customers.

Some general principles apply to the implementation of an AML/CTF program:

- it can be implemented using a risk-based approach involving risk-based systems that have regard to the nature, size and complexity of the reporting entity's business and type of ML/TF risk it might face;

- it must be designed to identify and recognise significant changes in ML/TF risk and assess the ML/TF risk posed by all new designated services and delivery methods and technologies (before they are adopted);
- it must be applied to all areas of business that are involved in the provision of a designated service, including in relation to any function carried out by a third party; and
- a Money Laundering Compliance officer must be appointed.

Refer Part 7 of the AML/CTF Act for further information.

#### **6.5.2.2.4: Record Keeping**

Generally, the AML/CTF Act specifies that records (or copies of records) should be retained for a retention period of seven years. The record-keeping obligations apply to:

- transaction and customer generated documents which are related to the provision of a designated service;
- records of customer identification procedures;
- records related to AML/CTF programs; and
- records relating to transferred Authorised Deposit-taking Institution (ADI) accounts, electronic funds transfers and correspondent banking.

Refer Part 10 of the AML/CTF Act for further information.

#### **6.5.2.3 Overview of AUSTRAC's Role as AML/CTF Regulator**

AUSTRAC is Australia's financial intelligence agency with regulatory responsibility for anti-money laundering and counter-terrorism financing.

AUSTRAC identifies threats and criminal abuse of the financial system, and acts to protect Australia's economy. AUSTRAC works in partnership with industry and government agencies in Australia and overseas to:

- help keep Australia safe from financial and other serious crime; and
- build and maintain trust in Australia's financial system as part of the global community.

The AML/CTF Act provides AUSTRAC with a number of enforcement tools. These include the power to:

- require reporting entities to carry out an ML/TF risk assessment;
- require reporting entities to appoint external auditors to assess reporting entities' risk management and compliance;
- require annual compliance reports; and
- issue remedial directions to reporting entities.

AUSTRAC can also apply to the Federal Court for injunctions in relation to contraventions of civil penalties provisions and, as an alternative to prosecution or litigation, enter into enforceable undertakings with reporting entities.

Failure to comply with the AML/CTF requirements under the AML/CTF Act can attract civil penalties of up to \$11 million for body corporate or \$2.2 million in all other cases.

The AML/CTF Act also sets out various criminal offences, such as disclosing that a suspicious matter report has been made to AUSTRAC, or providing a designated service using a false customer name or where the customer is anonymous.

#### 6.5.2.4: AML/CTF References

- *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* can be accessed from: <https://www.legislation.gov.au/Details/C2017C00268>.
- *Anti-Money Laundering and Counter-Terrorism Financing (Prescribed Foreign Countries) Regulation 2016* can be accessed from: <https://www.legislation.gov.au/Series/F2016L00154>.
- Registered AML/ CTF Rules are contained in *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1)* which can be accessed from: <http://www.comlaw.gov.au/Series/F2007L01000>.
- AUSTRAC Compliance Guide which consolidates a range of AUSTRAC guidance material and replaces the AUSTRAC regulatory guide can be accessed from: <http://www.austrac.gov.au/businesses/obligations-and-compliance/austrac-compliance-guide>.
- Annual AML/CTF compliance reports issued by AUSTRAC can be accessed from: <http://www.austrac.gov.au/businesses/obligations-and-compliance/amlctf-compliance-reports>.
- AUSTRAC guidance notes can be accessed from: <http://www.austrac.gov.au/businesses/obligations-and-compliance/guidance-notes>.
- Numerous related publications are available on AUSTRAC's website at [www.austrac.gov.au](http://www.austrac.gov.au).

#### 6.5.3: Legislative Reform

The Australian Government's Joint Committee on Law Enforcement handed down its report on financial-related crime on 7 October 2015, recommending the expansion of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* to cover second-tier professions, such as accountants, lawyers and real estate agents.

The Australian Government completed its review in 2016 and consultations are now underway on the proposed changes.

Further guidance on expected legislative reform will be provided to IPA members in due course.