THE BOTTOM LINE

Issue 5

Thomas Noble & Russell

Accountants | Auditors | Business Advisers

Welcome to the latest edition of our financial reporting publication that aims to keep you in the loop with all the latest accounting and financial reporting developments, and the potential impact they may have on your business.

The world is feeling the effects of COVID-19 and financial reporting is not immune to these. Our feature article looks at the financial reporting considerations to think about when preparing financial statements in the current environment. We also continue our focus on revenue recognition for NFPs, homing in on what makes a promise in a contract 'sufficiently specific'. We discuss the recent amendments relating to the classification of liabilities as current or non-current. Finally, the issue rounds out with an overview of the new legislative requirement for companies to have a whistleblower policy in place from 1 January 2020.

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The impact of coronavirus will spread to financial reporting

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The COVID-19 situation has developed rapidly since the World Health Organisation (WHO) declared the virus a global health emergency on 30 January 2020. Global trade and markets have been significantly disrupted, and many businesses have had to, or will have to, limit or suspend their operations. As the virus continues to spread and disrupt, entities will have to consider its impact on their business and how this should be reported in the financial statements.

Most entities will not be immune to the effects of the coronavirus outbreak and will be affected, either directly or indirectly. Possible side effects of the pandemic include:

- Disruptions to supply chains
- Staff shortages and decreased productivity
- Reduction or suspension of manufacturing activities
- Difficulty raising financing
- Closure of stores
- Volatile financial markets

As the pandemic evolves on a daily basis, it is difficult to know the true extent of its impact. This introduces significant uncertainty, and thus challenges, for preparers of financial statements. Entities will have to undertake a careful diagnosis to understand how COVID-19 affects their financial reporting to ensure all material effects of the outbreak are accounted for and disclosed in their financial reports. Below we highlight some financial statement areas that could be affected.

Going concern

Accounting standards require financial statements to be prepared on a going concern basis unless management either intends to liquidate the entity or cease trading, or has no realistic alternative but to do so. The going concern assessment takes into account events both before and after the reporting date.

Entities with 31 December 2019 and subsequent reporting period ends will have to consider whether coronavirus-related events (such as those listed above) that happened after balance date caused a significant deterioration in their operating results or financial position, or introduced material uncertainties. Where material uncertainties exist that cast significant doubt on the going concern assumption, appropriate disclosure in the financial statements will be required regarding those material uncertainties.

Impairment of non-financial assets

Non-financial assets (such as buildings, plant and intangible assets) are required to be tested for impairment at the end of each reporting period whenever this is an indicator of impairment. Intangible assets with indefinite useful lives and goodwill are exceptions to this rule and must be tested for impairment at least annually.

Coronavirus-related events may adversely affect the performance of non-financial assets. For example, a manufacturing plant may become idle during an extended shutdown triggered by the pandemic, changing the extent to which, and/or possibly the way, the plant is used. This would necessitate an impairment test to be performed whereby the recoverable amount of the asset in question is determined and compared to its carrying value. Where the asset's recoverable amount is less than the carrying amount, an impairment would have to be recognised in profit or loss.

Trade receivables and expected credit losses (ECL)

The new financial instruments standard, AASB 9, requires that reasonable and supportable information about past events, current conditions and future economic conditions underpin the calculation of losses expected on trade receivables performed at reporting date.

COVID-19 will no doubt negatively impact the ability of debtors (both corporates and individuals) to settle their debts on time, if at all. The extent and severity of default that entities may be exposed to will be dependent on things like industry and geographic location. Forecasts for future economic growth may be revised downwards, increasing the probability of default by debtors. General reductions in asset prices may mean collateral values decrease which would increase loss given default rates. Entities may need to revisit their ECL models to ensure they are appropriately updated to factor in the effects of the pandemic.

Inventories

Under accounting standards, inventory is carried at the lower of cost and net realisable value (NRV). Disruptions to manufacturing and transportation into and out of coronavirus-affected areas as well as depressed demand for an entity's products may result in the NRV of inventory falling below cost.

Another consideration relates to the allocation of overheads to inventories during times of abnormally low production or when plant is idle (for example during a temporary shutdown of manufacturing facilities). In such scenarios, the amount of fixed overhead allocated to each unit of production is not increased. Instead, unallocated overheads are recognised in profit or loss in the period in which they are incurred.

Deferred tax assets

Deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilised. Entities are required to assess the probability of future taxable profits being available to utilise these unused tax losses.

Where the coronavirus outbreak has put the future earnings of entities into ICU, management may have to revisit their assessment of deferred tax asset recognition to ensure it remains appropriate. Disclosure of evidence supporting recognition of a deferred tax asset will also need to be considered, as required by paragraph 82 of AASB 112 *Income Taxes*.

Borrowing covenants

With COVID-19 putting a strain on trading conditions, there is increased risk that entities will breach borrowing covenants. This could affect the classification of liabilities at reporting date.

For example, should an entity breach a specific loan covenant prior to reporting date that allows the lender to call on the loan at any time (i.e. making it repayable on demand), such a loan would have to be classified as current. Where such a breach only occurs after reporting date, it would be a non-adjusting event requiring disclosure in the financial statements where it is material. Such post-balance date breaches would also have to be factored into the going concern assessment.

Revenue recognition

Revenue is the top line in an entity's statement of financial performance and is often a critical number for investors, analysts and other stakeholders.

Under AASB 15 *Revenue from Contracts with Customers*, revenue cannot be recognised until collection of the consideration to which the entity is entitled is probable. A critically ill trading environment has seen the closure of production facilities and stores as well as cash shortages which could very well affect the 'probable collection' assessment. The amount and/or timing of revenue recognition could be impacted as a result.

In addition, entities are required to estimate variable consideration. Such estimates could be significantly affected by the current pandemic events.

Subsequent events

Entities are required to identify events that take place between balance sheet date and the date the financial statements are authorised for issue. Numbers are adjusted for those events (known as adjusting events) that provide evidence of conditions that existed at the end of the reporting period. Where events are indicative of conditions that arose after balance sheet date (known as non-adjusting events), entities are required to assess if these events are material. If they are, the nature of the event and its estimated financial effect would be disclosed in the financial report.

The spread of COVID-19 started in China before 31 December 2019 but the situation was not declared a 'public health emergency of international concern' until 30 January 2020. Things have evolved rapidly since then, with countries taking extreme measures to curb the spread of the disease. City lockdowns, domestic and international travel restrictions, shuttering of schools and non-essential services, and bans on mass gatherings are some such measures. These measures have significantly disrupted trading conditions.

Entities that have reporting periods ended 31 December 2019 will have to assess whether the impact on business operations, assets and liabilities were affected by the outbreak itself or by the subsequent measures taken to curb the spread of it. Many such entities may conclude that the 'event' (such as the shutdown of non-essential services) did not provide evidence of conditions that existed as at 31 December 2019 and will thus treat it as a non-adjusting event. Where the impact of the outbreak and subsequent containment measures is material, disclosures of such events as well as the estimated

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financial impact will be required in the financial statements. Due to the substantial uncertainty surrounding the pandemic and the extent of disruption it will cause, entities will find it challenging to estimate the financial impact, in which case a statement to this effect is required.

Other disclosures

Entities are required to disclose information about assumptions and sources of estimation uncertainty at balance date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Recent events have certainly increased the risk that carrying amounts of assets and liabilities may require material adjustments within the next financial year. Entities affected either directly or indirectly by COVID-19 will have to carefully consider the disclosures necessary to help users of financial statements understand its impact on the assumptions and judgements made by management that underly the numbers.

Areas that could be affected, apart from those discussed above, include provisions (such as employee benefit provisions and onerous contract provisions), contingent assets and liabilities, the probability of meeting performance targets in business combinations that have contingent consideration, and the likelihood of meeting vesting conditions in share-based payment arrangements.

Concluding thoughts

It is expected that COVID-19 and its impact on the world as we know it will continue to evolve over the coming months. More information comes to light on a daily basis and entities will have to continuously evaluate the situation as it applies to them to determine the financial reporting impact and adequately disclose this. Users of financial statements generally expect explicit, transparent and entity-specific disclosures. In unprecedented times such as these, this expectation will only be higher.

Charities granted reporting deadline extension

The Australian Charities and Not-for-profits Commission (ACNC) has given charities affected by the COVID-19 crisis additional time to submit their Annual Information Statements (AIS).

The recent measures taken by the Australian Government to flatten the coronavirus curve will make it difficult for charities to meet their reporting deadlines as they relate to the 2019 AIS. This may be due to, for example, charities being unable to have their accounts audited or reviewed, or hold their Annual General Meetings.

To reduce the administrative burden on charities during these challenging times, the ACNC Commissioner has approved a blanket extension to charities whose 2019 AIS is due between 12 March and 30 August 2020. These charities will now be required to lodge their AIS by 31 August 2020.

The latest blanket extension also extends to bushfire-affected charities that had previously been granted an AIS submission extension to 28 May 2020.

The ACNC has indicated that the AIS due date in the ACNC Charity Register will be updated to reflect the extension.

ASIC takes 'no action' position on AGMs due by 31 May 2020

The recent measures taken by the Australian government in combatting the spread of coronavirus seriously impede the ability of entities with 31 December 2019 financial year ends to hold their annual general meetings (AGM) by the deadline of 31 May 2020.

For these AGMs, the Australian Securities and Investments Commission (ASIC) has indicated that it has adopted a two-month 'no-action' position. This means ASIC will not take any action against an entity with a 31 December 2019 year end that fails to hold its AGM by 31 May 2020 as long as the AGM is held by 31 July 2020. ASIC will continue to monitor the COVID-19 situation and extend the no-action period if deemed necessary.

ASIC has also indicated its support of holding AGMs using appropriate technology to circumnavigate the COVID-19 containment measures that have been implemented. Entities wishing to hold their AGM by 31 May 2020 or during the extension period could do so via a 'hybrid' AGM (where there is a physical location and online facilities) or a 'virtual' AGM (which is conducted purely online). ASIC reminds entities to first consider the legal status of such AGMs (for example, by confirming that their constitution allows them) and to seek legal advice if the validity of such meetings is in question.

ASIC stated in its media release that it will take a no-action position where an entity holds a virtual AGM in order to meet the 31 May 2020 deadline or during the extension period. This is on the condition that members are given a reasonable opportunity to participate in the meeting by:

- being able to ask questions of the auditor and about management; and
- voting by a poll rather than a show of hands.

Where there is concern that the technology will not facilitate the above, entities should rather postpone their AGM to a later date based on ASIC's no-action position on deferred AGMs discussed above.

In relation to entities with 31 March and 30 June balance dates, ASIC will continue to monitor the COVID-19 situation and how it is impacting financial reporting and AGM obligations for these entities. Guidance will be updated as ASIC deems necessary.

To read ASIC's full media release (20-068MR), click here.

COVID-19 financial reporting and auditing resource

The Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB) have released a joint FAQ document that considers the impacts of the coronavirus outbreak on financial reporting and audit considerations. This is a useful publication that preparers and auditors alike may find helpful as they navigate through the COVID-19 financial reporting and auditing complexities.

Click on the link to access the FAQ: The Impact of Coronavirus on Financial Reporting and the Auditor's Consideration.

Are my performance obligations 'sufficiently specific'?

For a contract with a customer to be within the ambit of AASB 15 *Revenue from Contracts with Customers* instead of AASB 1058 *Income of Not-for-Profit Entities*, the arrangement must 1) be enforceable, and 2) contain sufficiently specific performance obligations. This article focuses on the second requirement - whether the promises in a contract are detailed enough for you to know when you have met them.

In our experience, it is this requirement that is causing the most difficulty for NFPs as they implement AASB 15 and AASB 1058. Meeting this requirement has an important consequence – the potential deferral of revenue under AASB 15. Without it, the arrangement would fall within the scope of AASB 1058 and income would generally be recognised immediately upon receipt.

Assessing whether performance obligations are sufficiently specific is oftentimes not straight-forward and requires the application of judgement. Let's take a closer look at what makes promises in a contract 'sufficiently specific'.

Transfer of goods and services

Under AASB 15, a performance obligation is a promise to transfer a distinct good or service to a customer. Each performance obligation is accounted for separately. Sometimes, a good or a service is not distinct on its own but becomes distinct when bundled with other goods or services promised in the contract.

Identifying performance obligations in a NFP context can be challenging. Very often, funding agreements are generic, containing high-level objectives or broad outcomes. The goods or services being provided by the NFP are often described in vague terms, or not described at all.

Appendix F of AASB 15 provides NFP-specific guidance and states that all conditions specified in an arrangement regarding the promised goods and services must be considered including those relating to the:

- Nature or type of goods or services
- Cost or value of goods or services
- Quantity of goods or services
- Period of time over which goods or services are transferred.

The guidance goes on to say that no specific number or combination of the above conditions need to be specified in an agreement for a promise to be sufficiently specific. Furthermore, there may be other conditions not listed above that need to be considered in making this assessment.

Must be able to determine when promises have been delivered

Under AASB 15, revenue is only recognised when, or as, a performance obligation is satisfied. Thus, in a NFP context, the overriding principle when assessing if a performance obligation is sufficiently specific is that it will not be sufficiently specific if it cannot be determined when the promise has been delivered.

Activities to fulfil a contract

Important to remember when determining if performance obligations are sufficiently specific is that there must be a performance obligation to start with. Activities that are necessary to fulfil a contract very often do not transfer a benefit (good or service) to the customer, meaning they cannot be performance obligations.

Funding agreements can be very 'wordy' and contain lists of 'activities' the NFP must undertake in fulfilling its obligations. These could relate to administrative requirements such as planning, reporting, regulatory compliance and progress meetings. While these activities are essential to supporting the satisfaction of the sufficiently specific performance obligations contained in the arrangement, they rarely transfer a benefit to the customer.

Capital grants

There are special rules in AASB 1058 that apply to capital grants. These are grants received for the purpose of acquiring or constructing a recognisable, non-financial asset (such as a community library) that will be controlled by the NFP. In effect, these grants are accounted for as though they fall within the ambit of AASB 15 in that the income is recognised when, or as, the NFP satisfies its obligations to construct or acquire the asset (and not on receipt of the grant).

Let’s take a look at an example.

NFP is awarded a two-year grant of $800,000 by Local Government to provide frail, older people with access to meals. NFP is required to return the funds if not spent as required by the agreement (i.e. the contract is enforceable). NFP receives the $800,000 just before year end, on 25 June 2020.

Under the terms of the funding agreement, NFP is required to spend the money as follows:

- Purchase three mini vans to transport meals to frail, older members of the community ($150,000)
- Hire a qualified nutritionist for six months to develop a balanced menu ($50,000 in total)
- Hire a chef to cook the meals over the two-year period ($75,000 per year; $150,000 in total)
- Deliver a total of 130,000 meals over the two-year period to 180 frail, older members of the community ($450,000)

On a quarterly basis, NFP is required by the agreement to report certain milestones to Local Government.

Analysis

Internal activities (nutritionist and chef)

The promises to employ a nutritionist and a chef are not performance obligations as they do not transfer any goods or services to a customer (being Local Government who directs that certain members of the community be given access to meals). Rather, these are activities that NFP must undertake in order to be able to meet their objective of providing meals to frail, older members of the community.

Capital grant (mini vans)

The promise to acquire three mini vans is not a performance obligation as it does not transfer any benefit to a customer. However, since cash has been received to acquire non-financial assets (mini vans), the special rules in paragraphs 15 to 17 of AASB 1058 apply. On initial recognition, the cash received ($150,000) would be credited to a contract liability. Revenue would be recognised when, or as, NFP acquires the three mini vans.

Goods or services transferred (meals)

The promise to deliver 130,000 meals to 180 frail, older members of the community over the two-year period is a performance obligation as there is transfer of a benefit (meals) to certain members of the community on behalf of Local Government (who is the customer). NFP will be able to determine when they satisfy this performance obligation (i.e. as they deliver meals). This performance obligation is therefore sufficiently specific, and revenue will be accounted for under AASB 15 as NFP performs.

Administrative requirements (quarterly reporting)

The reporting requirement is not in itself a performance obligation as it does not transfer any benefit to a customer.

> “...the overriding principle when assessing if a performance obligation is sufficiently specific is that it will not be sufficiently specific if it cannot be determined when the promise has been delivered.”

Amendments to classification of liabilities as current or non-current

On 12 March 2020, the Australian Accounting Standards Board (AASB) issued narrow-scope amendments to AASB 101 *Presentation of Financial Statements*. As a result, paragraphs 69 to 76 which set out the requirements for classifying liabilities as current or non-current, have been changed.

Important to note is that the amendments do not change the current requirements contained within AASB 101, but rather clarify them. This is to align accounting practice in an area that has been subject to differing interpretations, resulting in similar liabilities being classified differently by entities and undermining comparability of financial information.

What is being clarified?

Rights that exist at year end

Firstly, the amendments clarify that the current or non-current classification of a liability is determined by an entity's **rights that exist at the end of the reporting period**.

Under the existing requirements, a liability is classified as current when there is no *unconditional* right to defer settlement of the liability for at least 12 months from the end of the reporting period. The word 'unconditional' has been removed under the amendments. This is because a right to defer settlement hardly ever comes with 'no strings attached' - such rights are often conditional on, for example, compliance with covenants. Under the new guidance, where an entity's right to defer settlement of a liability is subject to the entity complying with stipulated conditions, the entity will have a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date, regardless of whether the lender tests for compliance as at reporting date or at a later date.

Example 1 - Entity A has a bank loan that is repayable in three years as at year end (30 June 2022). Under the terms of the loan, it becomes repayable on demand if Entity A does not meet a specific working capital requirement based on audited numbers submitted to the bank within four months of year end.

As long as Entity A does the calculation and meets the working capital requirement as at 30 June 2022, the loan can be classified as long-term even though the bank only tests for compliance based on audited financial statements a few months later.

Where a condition attached to a liability (such as a loan covenant) is breached before year end and a waiver is obtained after year end, such a liability will be classified as current. A liability will be classified as non-current where a condition is breached after year end but before the financial statements are authorised for issue. In both cases, disclosures would be made in the financial statements to enable users to understand the impact of subsequent events on the status of liabilities and ultimately the financial position of the entity.

Management expectations and intentions

The second aspect the amendments clarify is that classification is **unaffected by management's intentions or expectations** regarding whether they will defer settlement or not.

Paragraph 75A has been added to AASB 101 that states '*Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period*'.

Any expectations about events after reporting date but prior to the date the financial statements are signed do not impact the classification assessment as at period end. Therefore, although management may have an intention to settle a liability shortly after the end of the reporting period, as long as it has a right to defer settlement for at least 12 months as at year end, the liability is classified as non-current.

Example 2 - Company X has a loan facility that expires on 30 June 2025, with the substantive right to roll over the facility for an additional 12 months as at 30 June 2024. As at this date, Company X has the intention to settle the loan on 22 August 2024, which is before the financial statements for 30 June 2024 are signed (assume the financial statements are authorised for issue on 15 September 2024).

Under the new guidance, the loan would be classified as non-current at 30 June 2024 since Company X has the right to defer settlement for at least 12 months from that date. That is, Company X's intention to repay the loan on 22 August 2024 does not affect classification. Repayment of the loan before the financial statements are signed would, however, require disclosure as a subsequent event.

The above treatment may differ from what entities are currently doing under the existing guidance in AASB 101 whereby the loan may have been classified as current based on the fact that Company X did not intend rolling over the loan as at 30 June 2024.

Expanded guidance on 'settlement' of a liability

Guidance has been added to clarify what is meant by 'settlement' of a liability via the inclusion of two new paragraphs, namely 76A and 76B.

Paragraph 76A links settlement of a liability with the outflow of resources of the entity, which could take the form of cash, other economic resources or the entity's own equity instruments.

The addition of paragraph 76B clarifies how an entity classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the host debt component in accordance with AASB 132 *Financial Instruments: Presentation*. The AASB has now clarified that, when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognised as equity.

Example 3 - Borrower issues a $200,000 convertible note, exercisable at the option of the holder at any time prior to redemption date. There is no interest on the note and the note is repayable in four years' time unless the holder converts before then, in which case the note coverts into 200,000 shares of Borrower (i.e. fixed number of shares).

The convertible note gives rise to a compound financial instrument with a financial liability component (the note payable) and an equity component (the conversion feature). Applying the new guidance in paragraph 76B, the conversion feature (which can be exercised at any time by the holder) does not affect the note's classification because the conversion feature is an equity instrument. This means the liability would be classified as a non-current liability as the principal is not due for four years, meaning Borrower has the right to defer settlement for at least 12 months. A similar assessment would not be required for the conversion feature since equity is not classified as current or non-current.

Example 4 - Assume the same facts as Example 3 except conversion of the note results in a variable number of shares being issued due to the exercise price being in USD.

In this case, the convertible note would give rise to a financial liability component (the note payable) and a derivative financial liability (the conversion feature). Applying the new guidance in paragraph 76B, the conversion feature (which can be exercised at any time by the holder) does affect the note's classification because the conversion feature is not an equity instrument. The note payable would therefore be classified as a current liability because the option can be exercised at any time by the holder, meaning Borrower does not have the right to defer settlement of the liability for at least 12 months. The derivative financial liability would also be classified as current for the same reason.

Effective date

The amending standard will be effective for annual reporting periods beginning on or after **1 January 2022**, with **retrospective restatement required**.

Entities are encouraged to assess the impact of the amendments sooner rather than later to avoid any unfavourable consequences once the standard takes effect, such as breach of a loan covenant due to reclassification of liabilities.

Is your whistleblower policy compliant with the new laws?

Reforms to Australia's whistleblowing laws were passed in 2019 and apply to almost all companies. The amendments include expanding protections and remedies for whistleblowers in the corporate and financial sectors, as well as increasing legislative requirements for companies.

One particular change is the mandatory requirement for the following entities to have an internal whistleblower policy in place by 1 January 2020:

- **Public companies** - relief exists for NFP companies limited by guarantee with consolidated revenue less than $1 million
- **Corporate trustees of registrable superannuation entities**
- **Large proprietary companies** – 'large' being as defined by the *Corporations Act 2001*

> The *Corporations Act 2001* defines a proprietary company as 'large' when it meets any two of the following three requirements:
>
> - consolidated annual revenue for the financial year greater than $50 million
> - consolidated gross assets at the end of the financial year greater than $25 million
> - more than 100 employees at the end of the financial year

The policy must be made available to officers and employees and contain information about:

- the protections available to whistleblowers;
- how and to whom an individual can make a disclosure qualifying for protection;
- how the company will support and protect whistleblowers;
- how the company will investigate protected disclosures;
- how the company will ensure fair treatment of employees mentioned in protected disclosures, or to whom such disclosures relate;
- how the policy will be made available to officers and employees of the company; and
- any other matters prescribed by regulations.

Failure to comply with the requirement to have and make available a whistleblower policy is an offence of strict liability that carries a penalty of 60 penalty units for individuals and companies (currently $12,600), enforceable by the Australian Securities and Investments Commission (ASIC).

For guidance on whistleblower policies, refer to [ASIC Regulatory Guide 270: Whistleblower Policies (RG 270)].

Other key amendments

Whistleblowers play an important role in detecting corporate misconduct and wrongdoing. The reforms to Australia's whistleblowing regime aim to provide more opportunities for eligible whistleblowers to report misconduct whilst offering them greater protections.

Key features of the reforms include:

- Expanding who can be an 'eligible whistleblower'. Former and current employees are now eligible for protection, as well as former and current officers, contractors, suppliers and their family members, spouses and dependents.
- Expanding who can be an 'eligible recipient' of disclosures. This includes directors, officers, senior managers, actuaries and auditors (both internal and external).
- Broadening the range of conduct that can be reported and receive protection. Conduct needs to concern 'misconduct' or an 'improper state of affairs' which are broadly defined.
- Whistleblowers can now make disclosures anonymously and have their identity protected.
- Whistleblowers no longer need to make disclosures in 'good faith', as long as they have 'reasonable grounds' to suspect wrongdoing.
- Increasing penalties for breaches of whistleblower protections. Breaching a whistleblower's anonymity without consent or engaging in detrimental conduct towards a whistleblower could result in a fine of up to $1,050,000 for an individual and $10,500,000 for a company.
- A separate tax regime provides similar protections for whistleblowing on tax matters. Eligible recipients for tax-related disclosures include registered tax and BAS agents, as well as any employee who has functions or duties related to the tax affairs of the company.

Action required by companies

Whistleblower policies

Companies that fall within the ambit of the mandatory whistleblower policy requirement should, by now, have developed a policy and made it available to employees. It should not be assumed that policies that existed prior to commencement of the changes will comply with the new law - these will, in all likelihood, need to be revisited and updated. Where companies have not yet considered developing or updating their whistleblower policies, this should be made a matter of high priority.

Training

Training is another element that companies will need to consider. Those that are 'eligible recipients' of protected disclosures under the laws should be educated in:

- identifying whistleblower disclosures that are subject to the new laws;
- the process to be followed for disclosures that are made, and what critical information is needed from whistleblowers;
- the importance of protecting whistleblowers' rights to anonymity, unless they consent to their identity being disclosed.

All staff should receive training on how the whistleblower regime works under the new laws, the process they should follow when making disclosures, the process the company follows when investigating disclosures, and the protections afforded to eligible whistleblowers.

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