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What's New for 30 June 2021 * v8_6_2 *?/

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Welcome

2020 Snapshot *since 7/12/2020 What's New*

COVID-19 (The On-Going Norm!)

ASIC Audit & Accounting Focus Areas

ASX Corporate Governance Principles and Recommendations (4th Edition)

Future changes

Questions at any time

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Disclaimer *

This presentation is intended for instruction. It is general information only, and is not specific business advice or financial advice and no person should rely on the contents without first obtaining advice from a qualified professional person acting in that role or reference to source materials such as accounting standards.

Nevertheless, all care has been taken in preparing this information to the time of its distribution at the training event.

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Crypto/Bitcoin Investments

2021 Commonwealth Budget Opportunities

Accounting Scandals - Wirecard (12/20)*

https://en.wikipedia.org/wiki/Wirecard_scandal

Allegations of accounting malpractices have trailed the company since incorporation, reaching a peak in 2019 after the *Financial Times* published a series of investigations with whistleblower complaints & internal documents. On 25/6/20, Wirecard filed for insolvency after revelations that €1.9 billion was "missing". Questions are raised with regards to the regulatory failure of Federal Financial Supervisory Authority (**BaFin**), and possible malpractice of its long time auditor Ernst & Young.

Red flags were raised as early as 2008 when the head of a German shareholder association attacked Wirecard's balance sheet irregularities. After EY conducted a special audit in response to the criticisms, it took over as the main auditor for Wirecard.

Critics point to Wirecard's global acquisitions to mask trouble with organic growth by adding revenues from external sources. Early criticisms were directed towards Wirecard's purchase of smaller businesses at significantly above market value

Accounting Scandals - Wirecard*

In 2019, *Financial Times* reported on irregularities uncovered by Wirecard's Singapore investigation, which began in 2018 internally but whistleblower was squashed. It was accused of creating forged and backdated contracts in order to artificially Inflate profit, creating questions as to the reliability of Wirecard's balance sheets

Wirecard has a pattern of unusually aggressive tactics towards those who raise questions about the company's business operations or accounting. In 2019, the company hired the former head of Libyan foreign intelligence to conduct sting operations against journalists.

As revealed by KPMG's special audit, Wirecard's long time auditor EY failed to verify the existence of cash reserves in what appeared to be fraudulent bank statements. The special audit also revealed inability to verify the majority of Wirecard profits from 2016 to 2018. During the special audit, Wirecard made misleading statements to investors, resulting in a criminal investigation after a complaint was referred to prosecutors by BaFin.

Accounting Scandals - Wirecard*

https://www.ft.com/wirecard

https://www.cityam.com/ey-failed-to-request-wirecard-bank-statements-for-three-years/#:~:text=EY%20failed%20to%20carry%20out,black%20hole%20in%20its%20accounts.

EY failed to carry out a standard audit procedure on Wirecard for more than three years that could have uncovered colossal fraud at the fintech, it is claimed.

A report by the Financial Times claims that between 2016 and 2018 EY did not directly check with Singapore's OCBC Bank to confirm the lender held huge amounts of cash on Wirecard's behalf.

Instead, the auditor relied on documents and screenshots provided by Wirecard and a third-party trustee.

Wirecard has no banking relationship with OCBC and that the firm's former trustee does not have an escrow account with the bank.

Additionally, the lender did not receive any query from EY in relation to Wirecard between 2016 and 2018.

In a statement on Thursday, EY said "even the most robust audit procedures may not uncover this kind of fraud".