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HLB MANN JUDD
ADVISORY AND ACCOUNTING

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IS AN SMSF RIGHT FOR YOU?

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Self-managed superannuation funds (SMSFs) give people greater control over their retirement savings. But setting them up and maintaining them can be complex, often requiring expert advice to get the best investment outcomes and meet regulatory obligations.

Data from the Australian Taxation Office (ATO) reveals the SMSF sector is very large and still growing. There was almost $1 trillion invested via SMSFs in retirement assets, as at 31 March, 2024, up from $856.7 billion a year earlier.

The data also showed that SMSFs had invested a record $141.8 billion in Australian residential and non-residential property investments in the March 2024 quarter and a near record $145.1 billion in cash and deposits, or around 15 per cent of total assets. Another $287.1 billion was invested in Australian and overseas shares, or around 31 per cent of total SMSF assets.

The benefit of SMFS's is that you have more control and flexibility over your savings and can respond to change. However, setting up an SMSF also involves significant responsibilities to ensure the fund's compliance with regulations as well as its effective ongoing management.

Professional advice is essential when establishing an SMSF due to the significant responsibilities involved. There are five key areas where expert guidance required:

1. Understanding legal and regulatory requirements: SMSFs must comply with the *Superannuation Industry (Supervision) Act 1993* (SIS Act), including the sole purpose test, investment restrictions and the need for an investment strategy.

A key requirement is that the assets are genuinely used for retirement, with strict restrictions on related party investments, and funds are not withdrawn before retired age.

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2. Trust deed and fund structure: The trust deed outlines the rules for operating an SMSF. It needs to be comprehensive and comply with all legal standards. Additionally, guidance on the fund's structure, including the roles and responsibilities of trustees, must be clearly articulated.

3. Investment strategy development: One of the most critical components of an SMSF is its investment strategy, which must reflect the retirement objectives of the members considering their risk tolerance and liquidity needs. A robust investment strategy is critical, measuring risk tolerance, and it should be reviewed regularly so that the fund continues to meet investment goals.

4. Administrative responsibilities: Managing an SMSF involves considerable administrative work, including record-keeping, reporting, and lodging annual returns, within all relevant deadlines. Professional support can ensure that the correct documentation is maintained and prevent costly penalties for non-compliance and streamline the fund's operations.

5. Taxation and auditing: SMSFs are subject to specific tax rules and must undergo an annual audit by an approved SMSF auditor.

ALTERNATIVES TO SMSFs

While SMSFs offer greater control over investment choices and flexibility, they may not be suitable for everyone. Alternatives such as retail, industry, and public sector funds, as well as MySuper products, offer viable options that provide professional management, lower complexity and peace of mind.

Here are some options for those who might find setting up and operating an SMSF too complex:

1. Retail superannuation funds: Retail super funds are managed by financial institutions and offer a wide range of investment options and many offer features such as insurance and financial advice. These funds are suitable for individuals who prefer professional management and are not interested in directly controlling their investments.

2. Industry superannuation funds: Industry super funds are non-profit funds well known for their lower fees and strong performance. These funds are managed by a board of trustees, including employer and employee representatives, ensuring members' interests are prioritised. Members benefit from collective investment power, which can include lower fees on investment products.

3. Public sector superannuation funds: Public sector funds are designed for government employees and offer benefits similar to industry funds.

4. MySuper products: MySuper is a default superannuation product introduced by the Australian government to simplify super choices. They are ideal for individuals who prefer a hands-off approach to their superannuation but still want a cost-effective solution.

For anyone thinking about setting up an SMSF or another option, it is essential to consider your financial situation, investment knowledge and retirement goals when deciding which superannuation strategy is right for you.

It is a major life decision and seeking professional advice is strongly recommended.

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"One of the most critical components of an SMSF is its investment strategy, which must reflect the retirement objectives of the members considering their risk tolerance and liquidity needs."

SARAH CARLI TAKES ON WORLD'S BEST AT THE PARIS OLYMPICS

Congratulations to HLB Mann Judd's Sarah Carli who represented Australia at the Paris Olympics in the 400 metres hurdles.

Sarah is a qualified financial adviser in the HLB Mann Judd Wollongong wealth management practice, and dual Olympian, who has now competed at both the Paris and Tokyo 2020 Olympics.

Sarah's first heat at the Paris Olympics was on Sunday, 4 August followed by a repechage the following day of which she placed fourth.

The HLB global community was very excited to cheer Sarah on in her races, which were the culmination of such training and dedication.

HLB Mann Judd is immensely proud of Sarah and her achievements, both on the track and in her work with her clients.

Image credit: Fotorunners

HLB MANN JUDD LAUNCHES SUSTAINABILITY STEERING COMMITTEE

HLB Mann Judd has formed a Sustainability Steering Committee to help develop and manage sustainability initiatives both for clients and within the Association.

The committee will develop policies and processes to support clients in meeting new regulatory requirements, such as the climate-related financial disclosures, and respond to the increasing interest from organisations in understanding their climate impact. It will be jointly led by Nicholas Guest and Michelle Warren.

As part of the initiative, HLB Mann Judd has partnered with Sumday, a technology company that helps organisations measure their Greenhouse Gas (GHG) emissions to an audit-ready standard, allowing accurate and reliable carbon accounting practices.

The partnership is aligned with HLB International's 2027 global strategy and its focus on sustainability.

HLB Mann Judd Sustainability Steering Committee (L-R): Travis Rickard, Sai Ravindran, Nicholas Guest, Rebecca Zuromski, Chew Mar, David Healy, Michelle Warren, Holly Dixon and Michael Gummery.

CARBON ACCOUNTING: AN OVERVIEW

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Over the next few years – and perhaps as early as next year – Australian organisations will be required to disclose their greenhouse gas (GHG) emissions under the government's mandatory climate-related financial disclosures.

As a result, many organisations will need to prepare their boards, management and employees to understand these concepts and how to properly disclose them in their reporting.

There are already international standards known as IFRS S2 *Climate-related Disclosures*, which require organisations to disclose GHG emissions consistent with methodologies in the GHG Protocol Standard.

This Standard is a global framework developed to measure and manage GHG emissions. The GHG Protocol covers the accounting and reporting of seven GHGs – carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O) hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF_3). The seven GHGs are converted and reported as the global warming potential of one unit of CO_2.

It is likely that the Australian equivalent of IFRS S2, namely ASRS 2 *Climate-related Financial Disclosures* which is currently being finalised, will require the same.

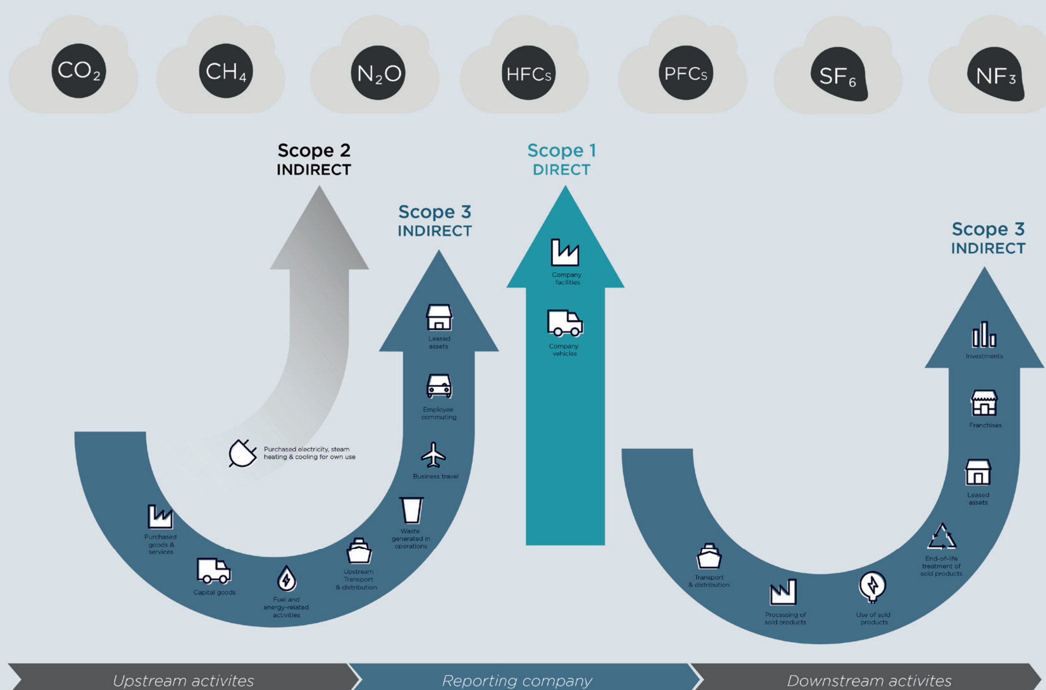
Accounting for GHG emissions goes beyond just meeting disclosure requirements. Measuring the sources of emissions enables organisations to manage GHG risks and identify reduction opportunities. It is both an opportunity and a risk for businesses that have reporting entities as their customers. An organisation's Scope 1 and Scope 2 emissions are their customers' Scope 3 emissions. Providing GHG emission information to customers assists them to calculate and disclose their GHG emissions and determine reduction opportunities more accurately.

The first step in calculating GHG emissions is to determine which businesses and operations need to be included in GHG emissions reporting. The GHG protocol sets out two approaches – the equity share approach and control approach. Organisations can choose the most appropriate approach for their operations.

Equity share approach is where GHG emissions are accounted for according to the share of equity in an operation. The *control* approach requires 100 per cent of GHG emissions to be reported from operations controlled by the organisation. Control is defined as either financial or operational.

The next step is setting operational boundaries. This defines the relevant scopes to be reported based on the determined organisational boundary and business goals of the organisation.

Australian entities captured by the new climate reporting regime will be required to disclose their gross GHG emissions generated in the reporting



Own illustration based on Greenhouse Gas Protocol

period, measured separately as Scope 1, Scope 2 and Scope 3 emissions.

SCOPE 1: DIRECT GHG EMISSIONS

Direct GHG emissions are from sources owned or controlled by the organisation and include:

- Generation of electricity, heat or steam
- Physical or chemical processing
- Transportation of materials, products, waste and employees
- Fugitive emissions.

SCOPE 2: ELECTRICITY INDIRECT GHG EMISSIONS

These encompass GHG emissions from the generation of purchased electricity that is consumed in the organisation and can be reported as location-based or market-based.

Location-based is calculated as the average of the emissions intensity of electricity generation assets inside a specific geographical boundary.

Market-based is calculated as the actual emission intensity from a direct arrangement with an electricity provider e.g. purchasing power agreement (PPA).

Under IFRS S2, location-based Scope 2 emissions are required to be disclosed, while organisations can choose to disclose market-based emissions if considered useful to users. Again, ASRS 2 is likely to align with these international requirements once finalised.

SCOPE 3: OTHER INDIRECT GHG EMISSIONS

These are other GHG emissions that occur in the value chain of the organisation both upstream and downstream, from sources not owned or controlled by the company. There are fifteen Scope 3 categories included in the GHG Protocol.

Upstream emissions are indirect emissions related to purchased goods and services including material acquisition and pre-processing:

1. Purchased goods and services – emissions from purchased goods and services not included in other upstream Scope 3 categories.

2. Capital goods – emissions from purchased capital goods such as equipment, buildings and vehicles.

3. Fuel and energy related activities – not included in Scope 1 and Scope 2.

4. Upstream transportation and distribution – transport and distribution of products purchased in vehicles not owned by the reporting entity, purchased inbound and outbound logistics.

5. Waste generated in operations – emissions from disposal and treatment of waste generated.

6. Business travel – emissions from business travel including air, rail, bus, rental cars and employee-owned cars excluding commuting to work.

7. Employee commuting – emissions from employees commuting by car, bus, rail, air and other transportation.

8. Upstream leased assets – operation of assets leased by the entity.

Downstream emissions are indirect emissions relating to sold goods and services, which includes emissions from distribution and storage, use of products and end of life:

9. Downstream transportation and distribution – transportation of products sold between the entity's operations and end consumers.

10. Processing of sold products – processing of intermediate products sold.

11. Use of sold products – the direct use emissions of sold products over the expected product lifetime.

12. End of life treatment of sold products – waste disposal and treatment of products at end of life.

13. Downstream leased assets – operation of assets owned by the reporting entity and leased to other entities.

14. Franchises – emissions from the operation of franchises not included in Scope 1 and Scope 2.

15. Investments – primarily for financial institutions.

The final step is to collect the data and calculate Scope 1, Scope 2 and the relevant Scope 3 emissions that need to be disclosed. This can be calculated in-house using carbon accounting software or outsourced to a specialised carbon accounting expert.

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PROFESSIONAL CONSULTANTS AND THE PERSONAL SERVICES INCOME RULES

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It is becoming increasingly common for people to become consultants after a successful career as a senior executive. While this may offer greater rewards and flexibility, there are several traps to watch out for under the Personal Services Income (PSI) tax rules.

The aim of the PSI rules is to ensure that when an individual is paid primarily for their personal efforts or skills, they are taxed personally in a way similar to an employee.

When the PSI rules apply, the main impacts are to prevent income splitting, or income being taxed at a lower rate (such as through a company) and also to prevent a consultant from claiming deductions that they would not otherwise have been able to claim as an employee.

While there are several tests in the PSI rules, two of the most common exclusions from PSI are the results test and the unrelated clients test. If either of these tests can be satisfied, then the consultant may be able to split income with their spouse, for example, using a family trust, or through a company or by claiming deductions for certain additional business costs that do not relate to the consulting income.

RESULTS TEST

If a consultant can show that they are paid by a client to produce a specific result, provide their own tools and equipment (where relevant), and are liable for rectifying any defects arising from their work, then they will not have to meet PSI rules.

This test will often fail where the consultant is paid based on the number of hours worked, rather than achieving specific deliverables or meeting certain performance targets.

Common situations where the results test might apply include where an individual is contracted to oversee a specific project such as a marketing campaign to increases sales, or the successful sale of a business. Having specific outcomes that determine the consulting fees or receiving a success fee make the applicability of this test more likely.

UNRELATED CLIENTS TEST

A consultant will often have multiple clients that are unrelated to each other. As long as no more than 80 per cent of their personal services income for a year is received from a single client, the PSI test may not apply.

However, a critical part of this test is that not only is the consultant offering their services to the public at large, but that consulting engagements are received from offers to the public or a section of the public.

The most common sources of work for many consultants are referrals from their existing contacts, word of mouth referrals or their strong personal reputation. The ATO's view as summarised in Taxation Ruling TR 2022/3 is that this is not sufficient to meet the unrelated clients test and the PSI tests may be failed, meaning, for example, that consulting income received through a company may be attributed under the PSI rules to the individual consultant, and some company deductions may be denied.

A consultant may point to the fact that they have a website, a LinkedIn profile and undertake promotional activities such as speaking at conferences and publishing articles in industry journals. The problem is that unless they can show that there is a direct connection between the promotion to the public and receiving the consulting engagements, the ATO considers that this is not enough to pass the test.

In order to satisfy the unrelated client test, it is necessary to show that the consulting work was obtained from sources such as website or LinkedIn enquiries, conference attendees or readers of the consultant's articles, or from direct advertising, sponsorship or other marketing activities rather than simply from word of mouth or contact referrals.

It is important for consultants to be aware of the risks of the PSI rules applying, especially where they want to split their income or work through a company. The risks will be reduced if they can clearly show that they have contracted to achieve a result, as none of the other PSI tests will have to be applied.

Failing that, if consultants seek to rely on the unrelated clients test it is critical that they take steps to show that they are offering their services to the public and that they are able to show that at least some of their consulting engagements were received directly through their own promotional activities.

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WILL AI REPLACE THOUGHT LEADERSHIP?

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There has been much discussion about artificial intelligence (AI) and what it means for the workforce – particularly which jobs are likely to be replaced by AI.

Digitalisation, automation and AI will have a profound impact on labour markets across the world. Low skilled jobs or those involving repetition or language use such as copywriting or software coding, and even legal and engineering jobs, are more at risk of being replaced by AI than jobs that can't be replicated by computers. That includes roles involving physical tasks such as nursing, gardening or cleaning and roles requiring people skills, including emotional intelligence and complex decision-making.

The question is also being asked if AI can replace the role of thought leadership?

The term 'thought leadership' was first coined in 1994. Over the past three decades, it has evolved into a marketing strategy for many professional organisations. Thought leadership offers many professionals the opportunity to demonstrate expertise as well as educate, influence and inspire. This Financial Times newsletter serves as an example, aiming to add value by offering our clients guidance via articles written by our leaders across the network.

In one sense, AI does have the potential to replace thought leadership. It can write content on any topic and at any length. This means that an article generated by ChatGPT, or another AI tool, could be written and uploaded to a website within minutes.

But however tempting this may sound, the reality is this scenario is risky and may have dire reputational consequences for any organisation that adopts such an approach.

ETHICAL AND AUTHENTIC CONTENT GENERATION

Those who have dipped their toe in the water of AI would have quickly discovered that the content generated by tools such as ChatGPT is more than a little bland. Although intelligent, AI lacks human emotion. It is not driven to help make change or assume the role of a 'trusted adviser.' It is also not bound by ethics and values.

Simply put, Martin Luthur King's 'I have a dream' speech could never have been written by AI.

Our ability to learn and absorb information is incredible. Recent studies indicate that we have the capacity to process 34 gigabytes, or approximately 100,000 words, per day. Additionally, human intelligence understands the nuances of language, tracing back to the first humans sharing knowledge through storytelling. Therefore, we know how to decipher what is real and what is not.

AI BOTS POLICING AI CONTENT

Marketers are well aware of the power of search engine optimisation (SEO) and search engine results pages (SERPs). Ranking organically in the right keywords searches is the holy grail for marketers who seek to promote their brands. Whole industries are dedicated to helping organisations adapt to Google's ever-evolving algorithms and SEO optimisation.

For some years now, a rule of thumb for online thought leadership is to make sure that 80 per cent of the content is original. Google penalises websites for duplicated or plagiarised content, as well as poor grammar or spelling and the over-use of keywords, known as keyword stuffing.

In 2022, shortly after the launch of ChatGPT, Google indicated it had no issue with thought leadership generated by AI as long as it was content created by people, for people. However, earlier this year, Google shifted its position, announcing its latest algorithm update could decipher AI-generated content through pattern recognition, naturalness, phrases, originality and user behaviour.

THE FUTURE OF THOUGHT LEADERSHIP

AI is undoubtedly set to play a role in thought leadership generation. It will be used for fact checking, ideation, structuring and even grammar and spell checking. However, it's unlikely to replace human-driven thought leadership – that is, the creation of ideas and professional insight.

Marketers and communications professionals will play a vital role in ensuring that content produced by their organisations remains expert, authentic and trustworthy. It is original content that adds value and connects people through stories and language that strengthens human connections.

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IPO MARKET REMAINS SUBDUED

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The challenging economic environment continues to weigh heavily on the market for initial public offerings (IPOs) in 2024, with higher interest rates and persistent inflation restricting listing activity.

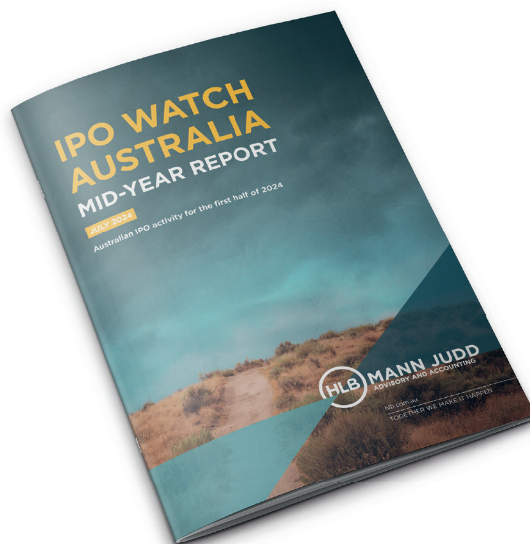
The HLB Mann Judd IPO Watch Australia Mid-Year Report published in July 2024, found there has been just 13 listings in the first six months of the year, one fewer than in the same period last year. This follows a lacklustre year for IPOs in 2023, when the total funds raised from ASX listings was $847 million, the first time since 2012 where the total amounts raised did not exceed $1 billion.

While the number of listings was down compared to the first half of 2023, the good news was that the capital raised was much higher than the first half of 2023, and almost the same as the full 2023 year due to the presence of two larger listings during the period.

Materials company Metals Acquisition Limited (ASX: MAC) was the first big listing of the year in February, raising a total of $325 million. That was followed by the June listing of Mexican-themed restaurant chain Guzman y Gomez Limited (ASX: GYG), when $335 million was raised from investors.

Driven by these larger listings, total funds raised in the first six months of 2024 were $809.5 million, an increase of 440 per cent compared to the same period last year ($149.9 million).

> "During the first half of 2024, six industry sectors contributed new listings during the period, up from three sectors in the first half of 2023."



In addition, these two large IPOs were fully or oversubscribed, highlighting that there is investor appetite for the right listing on the ASX, and both performed well on their first day.

More generally, the share price performance of new listings during the period was an improvement on the previous year.

The average first day gain across all new listings was 32 per cent for the first six months of 2024, compared to the average first day gain of just 6 per cent for the full 12 months of 2023. By the end of June 2024, the average increase over the listing price was 13 per cent, compared to an average year-end loss in 2023 of 10 per cent.

New IPOs performed well relative to the wider share market, with the ASX All Ordinaries closing just above 8,013 at the end of the period, representing a 2 per cent increase for the period. IPOs performed much better, indicating a positive investor appetite for new listings.

During the first half of 2024, six industry sectors contributed new listings during the period, up from three sectors in the first half of 2023. Materials listings dominated, comprising seven of the thirteen listings in the period, including Metals Acquisition.

All six sectors recorded a first day gain on average. Both the Materials and Diversified Financials sectors recorded average first day gains of 40 per cent across all listings, followed by Consumer Services, with Guzman y Gomez up 36 per cent.

Breaking listings down by size, of the 13 listings in over the first half of 2024, most were small cap

listings (companies with a market capitalisation of less than $100 million at the time of listing). Small cap listings raised $90.5 million across 10 listings during the period, contributing just 11 per cent of the total funds raised, in contrast to the first half of 2023, when small caps contributed 67 per cent of total funds raised.

The average amount raised per listing by small caps increased marginally to $9.05 million in 2024 compared to the average of $8.3 million in the first half of 2023, a 9 per cent increase.

However looking ahead, uncertainty persists regarding a recovery in the IPO market, and the extent of any wider recovery remains to be seen, given current economic challenges and interest rate and volatility concerns.

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HLB COMMUNITIES DAY

On Friday 7 June 2024, HLB firms came together to support their local communities through #HLBCommunities Day. In its sixth year, #HLBCommunities Day is HLB's way of saying 'thank you' to the places where we live and work and to those who make them what they are.

This year, HLB's impact exceeded global objectives with a total of 10,803 hours donated by 2,201 global volunteers across 55 community projects.

Firms in the HLB Mann Judd Australasian Association once again participated in #HLBCommunities Day. Together, 75 volunteers donated 349 hours to community projects in Australia and Fiji.

APPOINTMENTS

The HLB Mann Judd Australasian Association has made several new partner and director appointments, effective 1 July 2024.

NORMAN NEILL
Managing Partner, Perth

Norman Neill has been appointed managing partner, replacing Lucio Di Giallonardo who was in the role for four years, reflecting the firm's policy of rotating the position within the partnership. Norman was previously managing partner between 2014 and 2020. He joined HLB Mann Judd as a graduate in 1992 and became a partner in the corporate advisory and audit services division in 2003.

GEORGINA RIDHALGH
Partner, Sydney

Georgina Ridhalgh joined HLB Mann Judd in 2003 after gaining her Bachelor of Commerce (accounting and finance) from the University of Sydney. She became a director in the business advisory division in 2021, specialising in family businesses and high net worth family groups. Ms Ridhalgh is a member of Chartered Accountants Australia and New Zealand.

JAMES FRIEND
Partner, Sydney

James Friend has over 15 years' audit and advisory experience. He has been with HLB Mann Judd since 2009 and became a director in 2019. He holds a Bachelor of Commerce (accounting) from Macquarie University and is a member of Chartered Accountants Australia and New Zealand.

VANESSA ABBOUD
Partner, Sydney

Vanessa Abboud joined HLB Mann Judd in 2008 as a senior auditor before becoming a director in 2019. She holds a Bachelor of Commerce (accounting) from Macquarie University and is a member of Chartered Accountants Australia and New Zealand.

PETER BARDOS
Partner, Sydney

Peter Bardos is a tax specialist who joined HLB Mann Judd in 2009 and become a director in 2021. He holds a Bachelor of Business, majoring in accounting and finance, with the University of Technology Sydney and is a member of Chartered Accountants Australia and New Zealand as well as a chartered tax adviser with The Tax Institute.

MATTHEW LEVESQUE-HOCKING
Partner, Sydney

Matthew Levesque-Hocking has 15 years' experience in business recovery and insolvency and is a Registered Liquidator. He joined HLB Mann Judd in 2005 and became a director in 2019. He holds a Bachelor of Commerce (accounting) from the University of Adelaide and is a member of Chartered Accountants Australia and New Zealand.

DONY KURNIADI
Partner, Brisbane

Dony Kurniadi has over 20 years' experience, starting his career in Indonesia before moving to Australia in 2006 and joining HLB Mann Judd in 2015. He holds a Bachelor of Economics (accounting) from Tarumanagara University in Jakarta, a graduate diploma of chartered accounting from the Chartered Accountants Australia and New Zealand and a graduate certificate in internal auditing from the Institute of Internal Auditors Australia.

JAKE VAN DER HOEK
Director, Adelaide

Jake van der Hoek is corporate governance professional with nearly a decade of experience in the financial services industry. He holds a Bachelor of Health Science from Flinders University, a graduate diploma of applied corporate governance and risk management from the Governance Institute of Australia and he is a member of the Governance Institute of Australia.

CHRISTIAN OEY
Director, Brisbane

Christian Oey is the director of compliance services in Brisbane. He joined HLB Mann Judd in 2011 has has nearly 20 years of experience. Christan holds a Bachelor of Professional Accounting from Queensland University of Technology and is a member of CPA Australia.

PETER GARDINER
Corporate Development Executive, Sydney

Peter Gardiner has over 30 years' experience in the financial services, accounting, and banking industries in Australia, Asia, and the UK. He first joined the firm in late 2023 in a business development capacity which has now been formalised into the new role. Peter's main area of focus will be driving opportunities in corporate and funds management.

Disclaimer: All material contained in this newsletter is written by way of general comment to clients of member firms of the HLB Mann Judd Australasian Association. No material should be accepted as authoritative advice and any reader wishing to act upon the material contained in this newsletter should first contact a member firm for properly considered professional advice which will take into account each client's own specific conditions. No responsibility is accepted for any action taken without advice by readers of the material contained herein. **ISSN 1037-1915** © Copyright on all contents of this newsletter is held by the HLB Mann Judd Australasian Association. Articles may be reproduced only if acknowledgement to an HLB Mann Judd member firm is given.

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HLB Mann Judd firms are members of HLB International, the global and advisory accounting network.

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NEW PRIVACY AND AI REGULATIONS FOR BUSINESSES

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New regulations have been introduced by the Federal Government that affect the way companies manage their customers' information, and also how they use artificial intelligence (AI) in their business.

CUSTOMER PRIVACY

A recent review by the Australian Competition and Consumer Commission (ACCC) has resulted in the introduction of new and expanded individual rights, impacting Australian organisations.

The Government's Privacy Act Review Report includes strict rules on consent, data retention, and the right for individuals to request data erasure.

The rules will overhaul personal data collection, recording, and handling, necessitating significant investments in new systems, staff training, and updated practices, including geolocation data rules.

One significant change is the right for individuals to request the deletion of their personal information.

Organisations that collect and store customers' Personally Identifiable Information (PII) will therefore need to invest in personnel, processes, and technology to handle such requests, ensuring compliance with the Privacy Act and the Consumer Data Right initiative.

The following measures must be implemented to satisfy the ACCC's new requirements:

- **Update Policies:** Revise data retention, deletion, and consumer rights policies.
- **Data Mapping:** Conduct comprehensive data mapping to track where consumer data is stored, including databases, third-party services, and backup systems, ensuring proper handling and deletion.
- **Data Management Systems:** Upgrade systems to support automated, secure, and irreversible data deletion.
- **Backup Systems:** Modify backup systems to allow specific data deletions without compromising integrity.
- **Consumer Request Processes:** Create online forms and customer service channels for data deletion requests.
- **Audits:** Conduct regular internal and external audits to ensure policy compliance and continuous monitoring.
- **Employee Training:** Provide ongoing training on data privacy regulations and proper data deletion practices.
- **Third-Party Compliance:** Ensure contracts with third-party service providers include data deletion requirements and conduct compliance checks.

USE OF AI

In addition, mandatory rules for high-risk AI are also under discussion. The Government is seeking to ensure AI is designed, developed, and deployed safely and responsibly, especially in high-risk areas where harm from AI use could be irreversible.

In addition, mandatory guardrails to promote the safe design, development and deployment of AI systems will be considered, including possible requirements relating to:

- **Testing:** Safety testing before and after product release.
- **Transparency:** Transparency about model design, data sources, AI system labelling, and AI-generated content watermarking.
- **Accountability:** Training for AI developers and deployers, possible certification, and clear accountability expectations.

Clients will notice HLB firms introducing new systems and procedures in response to these changes.

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