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Public accountant

IPA INSTITUTE OF PUBLIC® ACCOUNTANTS

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

Lasting LEGACY

America's accounting profession has pushed to rebuild its reputation following a series of major scandals, but has its standing been restored?

inside
WHAT ALL ACCOUNTING FIRMS MUST KNOW ABOUT CYBERCRIME

| HOW EDUCATION HAS EVOLVED | BECOMING AN AUTHORISED REP | HANDLING CUSTOMER COMPLAINTS |

Public accountant

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Features

The US was rocked by a series of accounting scandals in the early 2000s, precipitating a range of regulatory responses. How effective the response has been is the focus of this issue's cover story, written by our Washington-based correspondent Aleks Vickovich.

As the industry evolves so too has the need for a different type of accountant, one well versed in delivering the service offerings now in demand from SMEs. How Australia's education institutions have sought to deliver the 'right' type of accounting graduate forms the basis of another feature in this issue.

We continue our look at licensing, reviewing the authorised representative (AR) model, and we also provide a detailed appraisal of the threat cybercrime poses to accounting firms, big and small.

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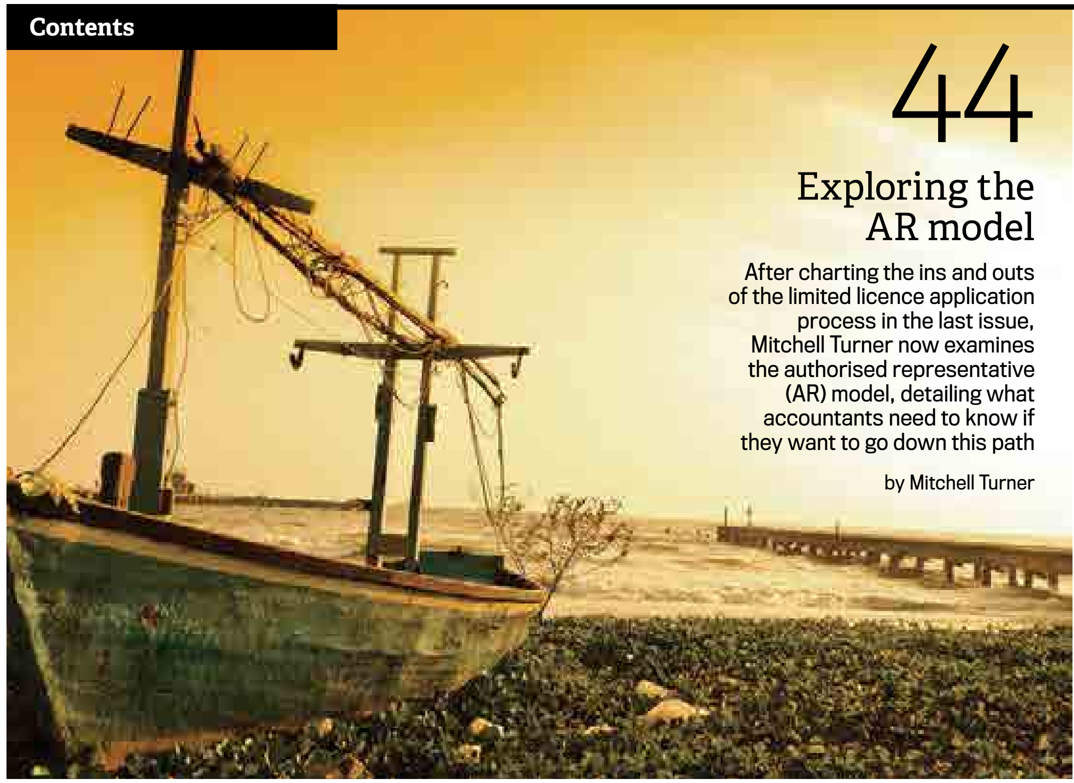
Contents



"The main thing to point out is that in becoming an AR, accountants can access the expertise and efficiencies of a proven advice system"

Regulars

Opinion

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President's report

Innovation is the name of the game

Late last year, both government and opposition put out their innovation statements which is good news for Australia.

"The *White Paper* proposes a number of initiatives to promote increased innovation across the Australian SME sector"

The IPA has long advocated for innovation, particularly within the SME sector as a means to lift productivity. There is a chapter in our *Australian Small Business White Paper* dedicated to this topic so we are very hopeful that the discussion becomes more than government rhetoric.

In the *White Paper*, the IPA argued that Australia has needed a public policy rethink to realise the massive potential for innovation in the SME sector to achieve increased national productivity and economic prosperity.

The *White Paper* proposes a number of initiatives to promote increased innovation across the Australian SME sector, including more government support for research and development by small and medium-sized firms, and government support for firms to adopt existing technologies and innovation.

The IPA believes there needs to be better links between cutting-edge research universities and industry.

Firms should also be encouraged to adopt continuous improvement methodology to embed incremental innovation as this will generate large productivity improvements more quickly.

The IPA has recommended that the government could provide tax breaks for companies acquiring new technologies not developed in-house, along with a tax allowance for companies investing in intellectual property protection in-house, and a tax allowance for companies that generate licensing income from new in-house technologies.

Innovation policy needs broad support to ensure Australia as a country and as an economy gets a real move on and realises its potential as a smart nation. The IPA team will stay across all developments in the area of innovation policy.

If you have not had the opportunity to read the *Australian Small Business White Paper*, I would encourage you to do so. It can be accessed on the IPA website at www.publicaccountants.org.au/whitepaper.

Wendy Leegel FIPA FFA

From the CEO

Extending our voice in 2016

The year ahead will no doubt be a very big year for Australia, our economy, our profession and our members.

The IPA has already lodged its 2016 pre-budget submission, which builds on the *Australian Small Business White Paper* that we launched last year. In our submission, we have continued to extend our voice in support for the SME sector with recommendations on access to finance for small business, education and training and innovation.

The year will also be marked with two large political events: elections in both Australia and the USA. We will be watchful of these elections and should not underestimate the impact the American election has on Australia.

A number of government reviews will also be set to be implemented in 2016. These include the Financial System Inquiry (Murray review) and the Competition Policy Review (Harper review).

The Murray review has some 33 recommendations, many of which will impact the IPA and our members. The government has already moved on some of the measures including equity crowdfunding and lifting education, professional and ethical standard of financial advice. These will have a huge impact on IPA members as we move towards the financial services regime at the end of this financial year.

The implementation of the Harper Competition Policy Review is already underway with a discussion paper and consultation on section 46 (Misuse of market power) and its impact on small business. This is a matter we have long advocated and echoed in our *Small Business White Paper* to ensure a more even playing field exists for small business in Australia.

We can also expect healthier debate over tax reform. We expect a truly meaningful reform to start in 2016 and look forward to the discussion over the total tax mix with expectation that the government will release its Green Paper well in advance of an election.

Free trade agreements (FTAs) will also gear up in 2016 so watch this space. The IPA has already voiced its views that the benefits of FTAs must flow through to the small business sector to reap the economic benefits that are so highly promised from such agreements.

We also anticipate further dialogue around the subject of anti-money laundering and associated regulations. This is a global issue and Australia is sure to learn from the developments in the UK and we will gain further insights from our IFA colleagues in London.

We will do our best to keep you informed and up to date as policy developments take place throughout the year.

Andrew Conway FIPA FFA

IPA submissions and views

The IPA's latest submissions cover a wide variety of areas, from the institute's pre-budget submission through to raising the professional standards of financial advisers

Pre-budget submission 2016-17

The IPA made its pre-budget submission for 2016-17. It made recommendations around four main policy areas. The IPA's taxation and superannuation policy recommendations will be made in the context of the tax reform process during 2016.

The four main areas of the submission are:

Loan guarantee scheme:
To help increase the availability of much-needed affordable loan finance to the small business sector, the federal government should introduce a state-backed loan guarantee scheme. Australia is one of the only countries in the developed world without such a scheme.

Venture capital fund:
The federal government should introduce a publicly supported venture capital (VC) fund by either providing a significant proportion of funds to assist VC managers to attract other institutional investors to publicly supported VC funds or by becoming an institutional investor in a range of individual VC funds.

This type of support by government to small business equity finance will improve the entrepreneurial environment in Australia and act as a catalyst in identifying and overcoming hurdles to successful and profitable investment.

Innovation:
Whilst we acknowledge the government's innovation statement, we strongly encourage innovation policy to support innovative SMEs in Australia. This can be achieved via governments providing strong support to R&D, enabling better linkages between cutting-edge universities and industry, and by providing support to firms to adapt existing technologies and innovation.

Accordingly, public innovation policy should encourage value capture and business model innovation more generally, including measures that nurture the diffusion and uptake of existing innovations to a broad range of firms, as well as assisting new innovations. Moreover, firms should be encouraged to adopt "continuous improvement" methods to embed incremental innovation as this will generate large productivity improvements quickly.

Education and training:
To address the significant skills deficit in the Australian economy, governments (federal and state) need to immediately tackle and reform the education system's ability to increase and improve the stock of knowledge-based workers available for employment. These results also suggest that governments should consider the inclusion of enterprise training at all levels of the education system from early school years through to further and higher education institutions.

Raising professional standards of financial advisers

The IPA made a submission to Treasury in response to the exposure draft (ED) bill on raising the professional standards of financial advisers. In general, the IPA is supportive of the majority of provisions contained within the ED, particularly the requirements for advisers to be degree qualified and needing to undertake ongoing professional development and adhere to a uniform code of ethics, making them more accountable.

The IPA believes that the combination of legal requirements, licence conditions and professional obligations can, as a whole, improve overall consumer protection. However, the IPA expressed concern with a number of provisions in relation to i) the meaning of education and training standards; ii) the approval of compliance schemes to cover relevant providers; iii) the composition of the Standards Body board of directors; and iv) transitional provisions for existing providers. We continue to advocate that existing advisers should have their existing qualifications and experience recognised, without the need for a bridging course or an exam.

Draft IFRIC Interpretation DI/2015/2 *Foreign Currency Transactions and Advance Consideration*

The IPA is of the view the proposed draft interpretation (DI) would clarify the application of IAS 21 *The Effects of Changes in Foreign Exchange Rates* and as such reduce the diversity in practice. The IPA supports the issue of the Interpretation. The IPA supports the "one-transaction" approach proposed. However, the IPA is concerned that in the case of partial consideration received or paid, the entity is exposed to foreign currency risk until settlement. Currently, IAS 21 *The Effects of Changes in Foreign Exchange Rates* does not adequately deal with this exposure and the IPA would suggest the IASB consider a project to address this issue.

Draft IFRIC Interpretation DI/2015/1 *Uncertainty over Income Tax Treatments*

The IPA broadly supports the proposals encompassed in the DI, with two main reservations:

- The proposed DI seemingly introduces an inconsistency in the treatment of non-income taxes in particular, and contingent assets and liabilities in general. This is primarily as a result of the use of the "probable" recognition criteria in the DI as opposed to the "virtually certain" criteria used in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The IPA is of the view this inconsistency should be addressed in the Basis of Conclusions.
- The IPA does not support the proposed exemption from the IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in the transition provisions. The IPA believes full retrospective application should be applied in accordance with IAS 8, unless there are overwhelming reasons to grant specific exemptions. The IPA does not believe the potential for the misapplication of hindsight is such a situation. The IPA believes IAS 8.23-35 provides sufficient exemptions for impracticable retrospective application on the introduction of new or amended requirements.

Proposed Auditing Standard on ASA 2015-3 Amendments to Australian Auditing Standards (ED 03/15)

The IPA holds the view that the proposed standard will not significantly change what is happening in practice, however, it will require audit firms to update their audit methodologies and procedures to adequately address the amendments. The IPA's comments included that whilst the proposed changes to the auditing standards reinforce audit procedures that should be occurring in practice, balancing audit quality with the need to declutter financial statements can be difficult to achieve.

Timeliness of both qualitative and quantitative material disclosures are in many instances received by the auditor usually towards the end of the audit process. Integrating presentation and disclosure assertions with account balances, classes of transactions and events embeds and reinforces the audit procedures, however, it may not provide any further changes to what is achievable in practice. This may certainly be the case

→

with qualitative disclosures (where information is provided after risk assessments are communicated and audit fieldwork is conducted).

Exposure Draft 2015/3 *Conceptual Framework for Financial Reporting*

The IPA submitted a comment on Exposure Draft 2015/3 *Conceptual Framework for Financial Reporting* and Exposure Draft 2015/4 *Updating References to the Conceptual Framework*.

The IPA supports the efforts to update the conceptual framework (CP), however the IPA believes there are a number of areas where the extent of the proposed changes need to be addressed or alternatively added to the CP.

The CP should address certain areas including: the role of the CP, 'going concern', risk, management commentary, management and investment performance, alternative performance measures, capital management and transition implementation group.

Small business restructure rollover exposure draft

The proposed changes are intended to allow the business to change legal entity without incurring significant income tax liabilities. Without rollover relief, the impact of tax liabilities on cash flow creates an impediment to restructuring.

This rollover relief provides small business with an opportunity to move away from overly complex structures to avoid unnecessary compliance costs or to move to a more appropriate structure which better suits their current circumstances or conditions. Allowing small business to select the most relevant structure to take account of the stage in the life of the business without being inhibited by certain tax costs provides more flexibility. Our submission was generally supportive but raised a few concerns such as the restrictive eligibility criteria for accessing the concession.

Review into the Australian Taxation Office's employer obligations compliance activities by the Inspector General Taxation

Employers have to comply with a multitude of other taxation and legal obligations both at the federal and state levels. Many of the issues we raised in this submission relate to the existing legislation framework which creates onerous compliance obligations on particularly small employers.

Review into the Taxpayers' Charter and taxpayer protections by the Inspector General of Taxation

Australian's self-assessment tax system relies on high levels of voluntary compliance. High levels of voluntary compliance in turn require taxpayers having trust and confidence in the fairness of the tax system. Taxpayers have expectations of what they expect when interacting with the Australian Taxation Office (ATO).

These expectations are formalised in the Taxpayers' Charter, which sets out taxpayers' rights and obligations as well as actions they may take if they are not satisfied. The ATO has considerable power and resources and it is therefore important that there are checks and balances for small and individual taxpayers to address this imbalance of authority in the ATO's favour.

In our submission we stressed the importance of getting the right balance between taxpayer rights against the ATO's ability to discharge its administrative duties efficiently and effectively.

The submission also included the issue of compensation from the ATO, by applying for a payment through the Scheme for Compensation for Detriment caused by Defective Administration (CDDA scheme). The CDDA scheme unfortunately has many shortcomings which make it problematic for providing redress.

Colin Walker, ATO assistant commissioner

ATO admits past failures

ATO assistant commissioner Colin Walker has lamented past attempts by the tax office to connect with tax agents, acknowledging that the ATO has focused too heavily on taxpayers.

Addressing attendees at the 2015 IPA National Congress, Mr Walker acknowledged that while very few taxpayers deal directly with the tax office, a majority of ATO actions and communications have ignored the role of the tax agent.

"I think that's a difficult thing my organisation has to come to grips with, and although we are responding to it, the reality is there has to be a lot more emphasis placed on what we do for you rather than what we do against you," Mr Walker said.

Systems implemented by the ATO have negatively impacted tax agents, he said, despite the ATO's belief that the changes were made at "the right time" – specifically to the myGov inbox and client correspondence lists.

Mr Walker also vented his own frustrations at the tax office's past failures, claiming the organisation has accomplished very little in "the portal space".

– AccountantsDaily, 30 November

Research reveals 'pressing need' for business advisory

New research has suggested that the time-poor nature of small business leaves them with a pressing need for business advisory services.

According to Findex chief of adviser services Michael Wilkins, the *Small Business Research Report* reaffirms the 'trusted adviser' approach necessary to effectively cater to clients.

"The key findings of the *Small Business Report* include small business owners being 'time poor', suggesting there is a pressing need for professional advisers to provide 'specialised business advice services' for both their business operations and personal finances, which are usually more intertwined [with] the smaller the business," said Mr Wilkins.

Mr Wilkins added that the most concerning finding of the research was that four out of 10 business owners surveyed revealed that they did not know who to turn to for advice on improving their business.

"Interestingly, and alarmingly, this same sentiment flowed to the issue of who to turn to for professional advice on the subject of retirement planning," he said.

– AccountantsDaily, 21 December

Wealth management the mainstay of mid-sized accountant firms

Accounting firms will continue to expect wealth management, superannuation, tax consulting, business advisory, and management consulting to be their primary areas of market growth in 2016, according to CommBank.

The December 2015 *Accounting Market Pulse Report* found 44 per cent of the 36 accounting firms surveyed would focus on wealth management and financial planning in Wave 1 of the 2016 financial year, up from 25 per cent in Wave 2 of the 2015 financial year.

However, large firm leaders were less enthusiastic about revenue from wealth management and financial planning. While 100 per cent of large firms forecast more revenue from this area in 2015, this was down to 50 per cent of large firms in 2016.

– SMSF Adviser, 12 October

Accounting's $4 trillion debt shift

The new rules released by the International Accounting Standards Board, which take effect from January 1, 2019 are expected to transfer about $4 trillion worth of off-balance sheet debt liabilities onto companies' books.

Australia is committed to adopting IASB standards and the IFRS 16 rule will be considered by the Australian Accounting Standards Board at its February 23 meeting.The rules will transfer billions of dollars worth of debt liabilities onto the balance sheet of groups like Virgin, Qantas, BHP Billiton and Wesfarmers. "Analysts have had this right for quite some time, this is just accounting standards playing catch up," AASB chief executive Kris Peach said.

– AFR, 14 January

'Grave concerns' for women's super initiatives

A former president of the Association of Financial Advisers has suggested there are fundamental flaws in the idea of introducing new superannuation rules specifically for women.

Several submissions to the Inquiry into Economic Security for Women in Retirement have proposed reforms specifically aimed at boosting the financial prospects of women in retirement.

For example, PwC proposed that special consideration be given to single women who do not own a home to boost their economic security once retired.

Speaking to *SMSF Adviser*, Wayne Leggett, principal at Paramount Wealth Management, said he is concerned by the notion of reforms which are "divisive" along gender lines.

"Don't make it about whether it's male or female; make it about the issues – the issues of being underpaid, or being unable to make a super contribution for an extended period of time."

– SMSF Adviser, 8 January

IPA in the media

The IPA has attracted media attention on a range of issues, including FoFA, digital disruption and becoming a trusted adviser

ASIC's regulatory role

"The government has announced its intention to massively increase the regulatory role of the Australian Securities and Investments Commission, the Australian Taxation Office and Tax Practitioners Board but has failed to provide the funding to adequately ensure those reforms are carried out."

– Andrew Conway in *Money Management*

The importance of the ombudsman

"The application of FOS is really important because whether you decide to get a limited licence, become an authorised representative or go down the referral path, the FOS is relevant to each of you in each of those situations."

– Vicki Stylianou in *Selfmanagedsuper*

FOFA

"The accounting profession has supported the Future of Financial Advice Reforms (FOFA) and Stronger Super based on the assumption that the regulators, particularly ASIC, would have the dollars to implement their roles," he said. "The refusal to adequately fund the regulators could put taxpayers at risk."

– Andrew Conway in *Money Management*

Licensing decisions

"I know some people might be thinking they can just continue doing what they're doing but no, it is a completely new world and things will be changing from 30 June, so I urge you to have a think about it and make decisions and act one way or the other."

– Vicki Stylianou in *AccountantsDaily*

Andrew Conway's CAPA appointment

IPA president Wendy Leegel said: "On behalf of the IPA board of directors, I would like to congratulate Andrew [on] this important appointment. The IPA is very committed to the objectives of CAPA and to supporting the development of the profession in our region."

– Wendy Leegel in *AccountantsDaily*

ATO controversy

Conway said members of the IPA had incurred serious damage to their reputations as well as lost time in dealing with the ATO and their clients while attempting to resolve problems during the implementation of the change program.

– Andrew Conway in *Money Management*

Disruption

"It will be critical for accountants to not just embrace ongoing change but to also be in a position to drive that change to ensure they can best service their clients who are also experiencing continual disruption."

– Andrew Conway in *SMSF Adviser*

A changing profession

"Our collective challenge is about turning ourselves from being a trusted adviser to being the trusted productivity adviser – the person that your clients come to [in order] to make their business more productive. You have that trust bestowed on you by your clients; they respect you and they want that service from you to grow."

– Andrew Conway in *Selfmanagedsuper*

From the Hub

Public Accountant's digital hub is the new source for the latest news relevant to IPA members. Stay up to date at www.pubacct.org.au

IPA chief exec to chair PAODC

Andrew Conway, the Institute of Public Accountants (IPA) chief executive officer, has been appointed as chairperson of the Professional Accountancy Organisation Development Committee (PAODC) of the Confederation of Asian and Pacific Accountants (CAPA) for the next three years.

The PAODC, under the auspices of CAPA, has a mandate to promote and facilitate the establishment and strengthening of professional accountancy organisations in support of the public interest.

IPA president Wendy Leegel said: "On behalf of the IPA board of directors, I would like to congratulate Andrew [on] this important appointment. The IPA is very committed to the objectives of CAPA and to supporting the development of the profession in our region.

"The IPA is very proud of Andrew's achievements and his contribution to global leadership and governance within the profession."

IASB unveils transparency for lease obligations

The International Accounting Standards Board (IASB) has unveiled new accounting standards which attempt to create transparency around lease obligations, bringing all leases onto the balance sheet.

IFRS 16 *Leases* replaces accounting requirements introduced more than 30 years ago that the IASB says are no longer considered "fit for purpose".

The IASB noted that previously leases have been categorised as either finance leases (which are reported on the balance sheet), or operating leases (which are disclosed only in the notes to the financial statements). The new standard attempts to solve this issue by requiring all leases to be reported on a company's balance sheet as assets and liabilities.

"These new accounting requirements bring lease accounting into the 21st century, ending the guesswork involved when calculating a company's often-substantial lease obligations," the board stated.

IPA GM appointed to Taxation Advisory Panel

The IPA's general manager of technical policy has been appointed to the Board of Taxation's advisory panel.

Confirmed by Board of Taxation chair Michael Andrew, Tony Greco FIPA will serve his initial term on the advisory panel ending 31 December 2016.

The panel itself draws together some of Australia's leading taxation professionals, who voluntarily contribute and assist the Board of Taxation in the general performance of its charter, and in advising the Treasurer on improvements to the general integrity and functioning of the tax system.

Mr Greco stated he will use his position on the advisory panel to champion the cause of small businesses and tax practitioners.

ATO seeks closer accountant partnership

Colin Walker, ATO assistant commissioner, told the 2015 IPA National Congress that the tax office is committed to working more closely with practitioners, acknowledging a number of issues causing frustration and promising to be more understanding of accountants' needs.

"My role within the ATO is very much about looking after you, tax and BAS agents," Mr Walker assured attendees. "You are very important to us and many of you would have heard me say before that we are in partnership."

According to Mr Walker, 70 per cent of individuals lodge tax returns and interact with the tax office through accountants; while as many as 95 per cent of businesses use an intermediary in tax office dealings. "The reality is there has to be a lot more emphasis placed on what we do for you," Mr Walker told conference attendees.

Member snapshot:

Julie Williams FIPA

Who are you?
Julie Williams, FIPA. Principal of Insolvency and Turnaround Solutions and National Divisional chair for the IPA.

What is your background within the accounting industry?
After some 20 years in manufacturing I was ready for a shift in career. I went back to university and in 2004 I became a registered liquidator, and then in 2005 an official liquidator.

Formerly a partner with PPB I commenced my own practice, Insolvency and Turnaround Solutions, in 2006.

What do you consider the greatest accomplishment of your career?
Commencing and maintaining my own practice. The particular field I work in can be extremely difficult as you are dealing with people, often at one of the most distressing times in their lives.

The practice was established in January 2006, as such 2016 marks 10 years in operation.

What drew you to join the IPA?
Access to information, including the latest accounting updates. However, once I joined the organisation you just naturally are drawn in. The IPA is one of the most collaborative organisations that I am a member of. Barbara Selmer Borchard, who is the general manager at the Queensland office, is amazing. She is proactive and her enthusiasm is infectious. I also enjoy working with Andrew Conway, and the entire Melbourne team. Since Andrew took up the role as CEO the organisation has, in my opinion, gained so much more recognition; its goals and innovative direction are clear. Anyone who attended the recent National Congress would have been left in no doubt that the IPA really is an organisation that is passionate about supporting the SME/SMP sector.

What does your role on the IPA National Divisional Council (NDC) entail?
I am National Divisional chair, and alongside the members from each state on the council, we meet four times a year. The role of the NDC is to appoint the board of directors and in doing so, endeavour to seek a balance between the personal and professional qualifications of the nominees to ensure a balanced board. The NDC also:

- has the ability to fill, until the next council meeting, casual vacancies on the board if required
- ensures peer reviews for the members of the board are undertaken in an impartial manner
- can make recommendations to the board from time to time regarding the effective governance of the institute.

"The IPA is one of the most collaborative organisations that I am a member of"

LinkedIn

What's on members' minds?

Share your views with fellow IPA members by joining the IPA LinkedIn Group

Payroll tax

"Cut payroll tax. That would be a good place to start. Reducing company tax from 30 per cent to 25 per cent will do absolutely nothing for micro and small businesses. Unions and employees want pay rises and the employer gets hit with payroll tax? Go figure."

Superannuation reform

"Yes, it's definitely a good point to align super contribution concessions with marginal rates in order to make it more equitable. But what about when you already have big assets in super earning large income? Or when you retire with no tax? Are these sustainable?"

SMEs losing faith in the economy

"Unfortunately I think this is correct. I have dozens of weekly conversations with accountants and SMEs across Australia who seem to anecdotally support this sentiment. Something has to change."

Outsourcing for accountants

"Unless they are well trained the process is useless! It's even worse if they are lacking experience. Cheap is not always the best option and you get what you pay for."

Increasing employee performance

"Interesting! It won't be long before we start to see the value of 'human capital' in the balance sheets of these companies."

ATO random audits

"The ATO can't audit everyone and they don't like wasting their time, therefore they will have some evidence that evasion might be taking place before embarking on an audit of any SME business."

Assisting small business

"We know the first five years are the most challenging... so whatever we can do to help them through that time, the better chance they have of being profitable. I am super proud to be part of an institute that deals with real issues!"

Adopting the cloud

"It is very easy to be left behind as the technology is evolving very rapidly, and more and more people are jumping on the bandwagon. It is much better to be an early adopter of new technology than fall in the late adopter or laggard category."

Data security concerns

"It does pay to do your homework before signing up to any provider; as like any industry there are bound to be rogue operators. That said nothing is ever 100 per cent safe and that includes the old desktop and internal server in your office."

Keeping PACE *with the* PROFESSION

The accounting profession is continually evolving, but are the educational institutions that train future accountants keeping up?

by Michael Masterman

→

Digital disruption, automation and regulatory changes are redefining the role of the accountant. While the time-honoured goals of the profession remain the same, how accountants guide their clients to reach these goals is changing.

Compare today's world, with cloud computing and all that it has brought, with the world of just 10 years ago – the difference is staggering. Now think about, or for those who can, think back to, what being an accountant 30 or 40 years ago was like.

With this continuing evolution, the day-to-day skills required to succeed in the profession have changed. While a foundation set in the technical competencies and accounting standards still is and always will be a necessity, there are so many more skills now required too.

As a result the way in which accountants are educated and trained needs to change.

Learning to unlearn

The industry of today is almost unrecognisable from the industry of 40 years ago, and who knows what it will be like in another 40 years' time. So how do you prepare budding accountants for that kind of future?

In light of rapid and unpredictable change, one of the most important skills an accountant can have is the ability to adapt.

"Students need to learn how to adapt, how to unlearn and how to change," says Geoff Frost from Sydney University.

"We need to produce students that have the capacity to learn the technical skills but we also have the capacity to unlearn them.

"You look at financial reporting and the changes that have occurred in just the last decade in that space … any student who graduated with a very strong understanding of the technical skills in that space 10 years ago would have had to relearn or retrain already."

According to Mr Frost, the foundations of accounting – the technical skills – are absolutely essential, but only to provide accountants with the tools to be able to understand the language and landscape and be part of the conversation. It's the more generic skills, he says, like the ability to effectively communicate, which are much more important these days.

This is something that becomes abundantly clear when talking to leaders across the industry. Chris Hooper, chief executive of Accodex Partners says these are the types of skills aspiring accountants need to have developed by the time they graduate, and these are the types of skills employers look for.

"Universities should take responsibility for delivering career-ready graduates," he says.

"Universities need to be providing an industry-relevant education that includes the skills required for the accountant of the future.

"Young accounting graduates will need to hit the ground running. They will be client-facing from day one. They will be expected to win clients, nurture client relationships and manage workflow with their overseas team," Mr Hooper says.

According to Mr Frost, the higher education sector has heard and accepts the demands of the profession and is altering courses accordingly.

"In terms of moving forward over the next couple of years the real change is not so much what they're learning in class, which will evolve over time anyway, it's a step up in the additional professional development skills.

"We are looking at the different types of skills, the social skills in particular that are necessary for employment environment, engagement skills, communication skills, and not just treating these as something of an ad-hoc learning," he says.

> "Students need to learn how to adapt, how to unlearn and how to change"
>
> – Geoff Frost

Employment ready

Kim Watty, an associate dean with the Faculty of Business and Law at Deakin University agrees, saying these types of skills are vital for students' career prospects.

Reflecting this, Deakin University has defined eight learning outcomes it hopes all students achieve, with just one focused on discipline knowledge.

Because, according to Ms Watty, students should leave university with an array of skills to guide them through their working life.

"We have eight graduate learning outcomes at the university level, and one of them is about discipline knowledge; the other seven are about communication, critical thinking, problem-solving, digital literacy, self-management, team work and global citizenship."

Of course, Ms Watty says that doesn't mean that technical skills are only worth one eighth of the whole show, "but what it says is that we are listening to employers who tell us that's just one part of the expectations they have of students".

In fact, a lot of the research around employers' expectations of graduates conducted by Deakin says that employers have a "minimum expectation", according to Ms Watty, of a "reasonable level of technical skills" but it's the other skills that are much more important.

"We are not downplaying the technical but most students who come through an accounting degree are going to have that base technical knowledge, that's a given.

"It's these other differentiating employability skills that we are really committed to.

"We don't need any more research about what they want. We are very clear based on our own research of academics here and international research that says it is more than just the technical skills. We need graduates who are going to be adaptable, resilient, work well in teams, problem solve – the usually suspects that come out," she says.

Ms Watty speaks passionately about these types of skills, even defending them against the term "soft", which she believes devalues them.

"For me 'soft skills' is a bit outdated," she says.

"We think of them as employability skills, I think 'soft skills' has a connotation that they aren't as important as the hard technical skills.

"In our accounting major we mandated last year that all of our units would have at least 20 per cent of their assessment aligned to those employability skills."

This mandate, according to

Training for IPA members

The IPA offers a range of education pathways for members, which include:

1. IPA Program
In conjunction with the University of New England, this program gives students the tools and skills to become a qualified accountant, and a means of attaining full member (MIPA) status. The program includes two components: a Graduate Certificate in Public Accounting (GCPA) and a Master in Commerce (MCPA).

2. Diploma of Financial Planning
For those accountants looking to be RG146 compliant. This course is offered in conjunction with Mentor Education, one of the longest established and reputable RG146 compliance trainers in the country.

For more information about these or any of the other training courses on offer through the IPA, please visit **https://www.publicaccountants.org.au/students**

Education

Why corporate governance education is important

An understanding of the legal and regulatory frameworks by which boards and corporations operate is an important part of an accountant's armoury of skills.

"In general terms it's very important for accountants and financial professionals to be on top of corporate governance and corporate governance issues," says Steven Burrell, CEO of the Governance Institute, "if they're to be effective advisers to their businesses or their clients."

Mr Burrell notes the lines of governance are often blurred in many smaller organisations, with accountants and finance professionals expected to understand and advise on a great range of issues.

"From the accountants' point of view this means understanding the regulatory and governance frameworks," he says.

"Education and training lays the platform, and you need to continually update your knowledge. Learning never stops when you're a professional, and it's absolutely vital that you don't rest on your laurels."

With many accountants often having aspirations of one day sitting upon a board of directors or moving into an executive position, the necessity for governance education becomes paramount.

"An understanding of how governance works and an understanding of board dynamics is an important component to allow progression through their professional careers," Mr Burrell says.

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Ms Watty, is a big step forward for the university and demonstrates the importance placed on imparting a wider range of skills.

"Mandating the 20 per cent of assessment across all of our core accounting units must provide opportunities for students to evidence those employability skills is really quite a big thing.

"The department of accounting has decided it is so important that we want to be sure that in every accounting unit the students are actually exposed to the development of these skills."

Reiterating what is now commonly known throughout the industry, Ms Watty says Deakin's own research in accounting education shows that good scores and a demonstrated knowledge of the technical skills might get a graduate's "foot in the door", but candidates have to show more skills to actually get the job.

Now they're technically learning

One of the biggest changes that has occurred, and continues to occur across the profession is the evolution of accounting technology.

From the first basic computerised ledgers to today's cloud-based systems, with all their additional plug-ins, to whatever the future brings, technology defines the industry – accountants need to keep up.

"Deakin sees itself as being differentiated based on our use of technologies in learning," notes Ms Watty. She says the university offers the accounting major in through four campuses – one of which is the cloud, a fact she seems particularly proud of.

"Digital literacy is a big thing at Deakin. We recognise that students are going into a world where being able to manipulate and understand data is absolutely critical … Deakin

Reskilling for accountants

One of the biggest changes to hit the profession in recent times has been the withdrawal of the accountants' exemption.

Among many implications, this decision has affected the educational requirements of many accountants.

Practitioners whom have long left university are now being forced to undertake further training to provide, for many, advice they have always provided. Mark Sinclair, CEO of Mentor Education who runs courses for these types of accountants, says going back to study can be tough for many professionals.

While Mentor offers both face to face and online courses, Mr Sinclair says there's one method much more successful than the other.

"My experience is if they are going to complete the training, they're going to do it face-to-face," he says.

"Accountants are time poor; they block off a particular day to do a block of training and they do the assessment there they walk away and it's done – because they're capable.

"Give it to them online and they just don't do it. Something always comes up that's more important," he says.

Mr Sinclair says that for a time-poor profession like accounting, time management is tricky but vital. Effectively organising your schedule to fit in the required training is imperative.

"Accountants need to book into a workshop and the associated assessment needs to be conducted then and there," he says.

Mark Sinclair, CEO of Mentor Education

prides itself around being at the forefront of digital literacy."

Of course, it's not just Deakin focusing on digital literacy, as Mr Frost points out, "we have shifted the emphasis and make sure that there is accounting information systems well embedded in the programs".

However, Mr Frost notes that universities are faced with constraints when it comes to overhauling their accounting curriculum that many disciplines don't face.

"There is a struggle in terms of meeting the essential requirement for the professional accreditation and making sure we are flexible enough to adapt to what is the changing environment, not just servicing a very constrained definition of what is accounting."

Nevertheless, both Mr Frost and Ms Witty agree there are novel ways in which universities can adhere to the professional requirements and still expand the curriculum to suit the changing industry.

Ms Watty says Deakin has implemented a system that helps improve accounting students' technological skills while also helping to build employability skills.

The university has rolled out what it calls an e-portfolio, based in the cloud, in which students are required to evidence professional capabilities as they relate to the accounting discipline with a view to improving their outcomes and providing evidence to employers of their ability to work in a team and to think critically.

They do these e-portfolios in each of the majors and with the intention that the students will learn to accumulate this information.

Ms Watty says it's another way of embedding cloud technology and online information systems into the students thinking, as well as building employability skills, while continuing to cover the essential technical content too. Tasks like this, she says, implant a digital literacy into students while also teaching other valuable skills.

For the future

Given how quickly the industry is changing, very few technical skills learnt now will be relevant in 10 years' time but more generic skills, like critical thinking, problem-solving and the ability to effectively communicate are timeless.

For a profession as vital to the entire economy as accounting is, an outdated education system in not good enough.

Regardless of restrictions, education providers must find ways to deliver capable graduates. It is novel ideas that combine technical, technological and more generic skills that will help education providers to keep up, remain relevant and produce great graduates. This is where the future of education lies.

Read this article online at pubacct.org.au

US accounting profession

Lasting LEGACY

The American accounting profession has worked hard to rebuild its reputation following a number of high-profile scandals, but not all are convinced the evolution is complete

by Aleks Vickovich

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In the well-heeled, tree-lined suburbs of Houston, Texas, the legacy of Enron's monumental fall from grace still looms large. 2016 will mark the 15th anniversary of the energy giant's shock filing for bankruptcy, but for the Texan business community, the scars are still fresh.

"It was truly a horrible time for businesspeople in this city," a local oil and gas executive tells me between sips of Kentucky bourbon. "To see such prominent members of our community become disgraced like that and even go to jail … well, it was no pretty sight. [It] gave us all a bad name."

The impact was not endemic to the country's fourth-largest city. The American accounting profession also bore the brunt.

Having become implicated in the vast fraud underlying Enron's financial position, Arthur Andersen would be accused of shredding documents and other nefarious activities, leading ultimately to the dissolution of the then 'big five' accounting firm.

The media storm that would follow would see the accounting profession viewed through an increasingly negative light, severely straining the relationship between accountants and the public.

Speaking with *Public Accountant*, prominent tax accountant Gail Prather says the fallout was not confined to those Arthur Andersen employees directly responsible for the misbehaviour at Enron.

"Any businesses that were tied to Enron in any way suffered reputational damage as a result and a lot of revenue was lost as well by innocent third parties," Ms Prather says.

"One of my clients is only just getting back on their feet.

"Any [public accountants] who worked with Enron have been even more tainted within the profession and that is really unfair I think given the collusion was right at the top."

While the Enron-Arthur Andersen saga was almost certainly the most high-profile case of accounting fraud, there were numerous similar cases in the US in the 1990s, including at companies such as Bausch and Lomb, Rite Aid, Cendant, Sunbeam, Waste Management, Superior Bank and Dollar General.

Indeed, a Public Broadcasting Service (PBS) documentary aired in 2002 estimated that accounting industry "failures, lapses or outright fraud" cost investors an estimated US$200 billion in the 1990s.

As a result, the accounting profession as a whole came under considerable scrutiny and became engulfed in a heated debate over the professional and ethical standards and – always controversially – the role to be played by government in all of this.

A fresh pair of SOX

Given the notoriously complex system of political checks and balances laid out in the US Constitution, and the liberty-minded dynamism of its free market business culture, reform never comes easy in Washington.

But like the Dodd-Frank regulations that followed the global financial crisis of 2008-09, the Enron scandal and other high-profile cases of accounting fraud had sufficient teeth – in the form of public outcry – to see new rules passed through the usually slow-moving US Congress.

Officially enacted on 30 July 2002, the *Public Company Accounting Reform and Investor Protection Act* – which came to be known as Sarbanes-Oxley (or SOX) after bipartisan co-sponsors Democratic Senator Paul Sarbanes and Republican Congressman Michael G. Oxley – was an attempt at a major overhaul of the status quo for American accountants.

Among a number of new regulations, SOX delivered greater oversight powers for company boards and the Securities and Exchange Commission, and enhanced financial disclosure, risk assessment and confidentiality requirements for practitioners and senior management of accounting firms.

Upon signing the bill into law, former president George W Bush proclaimed that the "era of low standards and false profits is over", describing the act as one of the most significant pieces of financial sector reform in US history.

It also mandated the creation of a new regulatory body, the Public Company Accounting Oversight Board (PCAOB), to oversee and, where necessary, hand down punishments to auditors of public companies.

In comparison to how the accounting profession was regulated previously, there is little doubt SOX reflected a significant change.

Introducing the PCAOB

In the wake of the Enron scandal, tougher government laws under 2002's Sarbanes-Oxley Act (SOX) were imposed to stop misleading and faulty financial reporting and gave birth to a new regulatory entity, the Public Company Accounting Oversight Board (PCAOB). The PCAOB oversees the big firms that sign off on the books of America's listed companies.

However, assessing the effectiveness of the new regulations is more contentious, with stakeholders bitterly divided between those that feel self-regulatory professional standards enforced by the associations are better placed to fix problems in the industry than a statutorily created bureaucracy, and those that feel government intervention must go further still.

In December 2015, PCAOB chairman James R. Doty issued a defence of his organisation's track record since its controversial inception.

"What, you ask, has the PCAOB achieved? I look at three resulting, demonstrated trends," Mr Doty said.

"As the public has sought to know more about what we see in and think about the audit, auditor conduct has changed; as we have emphasised remediation in our communication to the firms, audit quality has improved; as audit quality gains credibility from credible regulation, better access to capital accrues."

Mr Doty went on to provide some statistical evidence supporting the three achievements he points to since the enactment of SOX, including the resolution of 128 enforcement proceedings.

But – perhaps appropriately given the American penchant for free speech and its commitment to vibrant democratic exchange – not all members of the accounting profession see things quite so neatly as the regulator has outlaid.

The consulting conundrum

While he believes SOX went some of the way to addressing the problems in the accounting profession, Professor Stephen E. Zeff of Rice University believes there is a significant elephant in the room that remains untouched by the 2002 regulations.

One of the country's foremost historical scholars studying the accounting profession, Professor Zeff says perhaps the largest concern affecting standards and professionalism stems not from fraudulent or unethical activity but from the business models inherent in the larger firms.

"My strong concern remains with respect to the great volume

of consulting activity performed by the big firms," Professor Zeff tells *Public Accountant* in an exclusive interview.

"The margins have narrowed [for these companies] since the 1970s and '80s and they have rapidly expanded their consulting services and now perform a great deal of consulting work.

"The conflict exists in that the audit firm partner may be under some pressure to ingratiate himself enough so that the client will purchase additional consulting services, which of course increases overall revenue and profits."

In other words, how can an auditor truly be independent and objective if the firm he or she works for is separately remunerated for advice that is aimed at raising the profitability and revenues of the client company?

Professor Zeff explains that in addition to outright illegal and unethical behaviour, these murky ties between audit firm and client were a related problem in the 1990s that contributed to the profession's reputational crisis.

"The firms were under pressure to be 'friendly' with the people they were engaged to perform independent audits of," he explains. "That was the concern with Arthur Andersen in particular."

Consulting is now such an integral part of the larger firms' revenue base that the scholar predicts should they be forced to choose it would be auditing – which he describes as a far more "essential function" within the practice of accounting – that would receive the chop. Despite this, it has not, according to Professor Zeff, stopped what the academic sees as a general malaise in the auditing function.

"Auditors, now with so many 'standards' out around the world, really do little more than tick off a checklist.

"I wonder whether they bring the same thinking game to their work as they used to now that consulting is equal to or greater than the audit function.

"The profession no longer stands up for what it thinks … and that is a great disappointment," he says.

The remaining big four firms have been understandably hesitant to address some of these perceived conflicts – declining, for example, to offer comment for this article – but some commentators intimately acquainted with their operations have spoken out.

Former KPMG international chairman Sir Mike Rake made comments to London's *Financial Times* about this topic.

"There are dangers in being all things to all people," he said.

Like Professor Zeff, the industry luminary worried that should regulatory pressure force the big firms into an ultimatum that auditing would no longer be a sacred cow.

"If this were to lead to the splitting up of the firms and the loss of multidisciplinary capabilities to large global, sophisticated companies, it would not be conducive to [audit] quality," Sir Rake fretted.

US accounting profession

Auditing alone

Some have suggested the narrow focus of SOX means the PCAOB's ability to bring about the changes desired by the crafters of the legislation are relatively limited.

While the newly established authorities may have had some success in regulating the auditing function, other professional disciplines within accounting have largely remained untouched, thereby potentially reducing the ability to see behavioural change across the whole industry.

Ms Prather, for instance, says the regulations were slightly misplaced in their focus.

Asked if she found the SOX rules overbearing, she replied that, as a tax practitioner, they hardly impacted her practice at all.

"The federal regulations focus so narrowly on auditing," she says. "If anything, I think we need more regulation of tax practitioners."

So while debates about auditing have consumed the regulatory discourse in the US since Enron, tax accountants meanwhile have been operating in an unsupervised free zone.

"On the assurance side we are subject to peer review and [Inland Revenue Service rules] which don't have a lot of teeth to regulate people who prepare tax returns," Ms Prather says. "It actually needs more scrutiny."

Having said that, practitioners in various states face vastly varying degrees of regulation based on the state-based accounting boards that oversee licensing for public accountants.

In the absence of federal laws governing non-auditor accountants, the professional associations have really led the charge for increasing standards, in conjunction with the state licensing authorities.

However, while continuing education for accountants has been an increasingly important part of the profession – like in Australia – Professor Zeff wonders whether the curriculum is up to scratch.

"The continuing education is often nothing more than 'how to implement the latest standards' or an explanation of a new tax law, a new pronouncement," he explains.

"That does not instil a critical faculty with respect to accounting. They're just nuts and bolts type things."

By 2018
the accounting industry is expected to generate around US$160 billion
(Source: Statista)

US accounting profession

Enron: A collapse of epic proportions

The collapse of the Enron Corporation is one of the most infamous falls from grace that has ever gripped the modern financial sector, having a lasting impact on the accounting profession.

Formed in 1985 following the merger of natural gas pipeline companies Houston Natural Gas and InterNorth, Enron quickly became the largest seller of natural gas in North America. 1999 and 2000 would see stock price increases of 56 per cent and 87 per cent respectively, at a time when the rest of the market seemed to be heading in the other direction.

Complex financial statements, a confusing business model and a raft of unethical practices resulted in the company utilising accounting limitations to drastically misrepresent earnings and falsify performance levels. Enron became the first non-financial company to utilise a mark-to-market accounting method. Under this model, income from projects could be recorded regardless of actually being obtained, which in turn increased documented financial earnings.

A spotlight began to shine on the questionable practices of the Enron reporting process, and news of a U.S Securities and Exchange Commission (SEC) investigation was made public. Enron's auditor firm, Arthur Andersen, one of the five largest audit and accountancy partnerships in the world, would shred several tons of relevant documents as a result, and ordered the deletion of approximately 30,000 e-mails and computer files.

The firm was also accused of a conflict of interest regarding consulting fees generated by Enron. In 2000, Arthur Andersen earned US$25 million in audit fees and US$27 million in consulting fees.

Enron would suffer a spectacular stock plummet, with share prices falling from US$90 in August 2000, to US$0.12 in January of 2002. In the four years leading up to the company's eventual bankruptcy, shareholders lost a total of US$74 billion.

The concerns regarding Arthur Andersen's performance would lead to the break-up of the firm, their actions deemed unsatisfactory by the investigating Powers Committee. For its role in the collapse, Arthur Andersen was found guilty of obstruction of justice for the document destruction. The SEC is not allowed to accept audits from convicted felons, effectively putting the firm out of business, with 85,000 employees losing their jobs on 31 August 2002.

Big profits

Accounting, tax preparation, bookkeeping and payroll services are collectively the most profitable industry in the U.S., according to a new ranking from financial information company Sageworks. Accounting firms led the way with a net profit margin of 19.6 per cent, followed by real estate lessors at 16.0 per cent, and automotive equipment rental and leasing at 15.8 per cent. Dentist offices and legal services were tied at 15.4 per cent.

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Regulatory roadmap

While it will continue to focus – perhaps disproportionately – on auditors, the PCAOB has not been deaf to the concerns around potential conflicts and seems unlikely to rest on the laurels of previous legislation.

PCAOB board member Lewis H. Ferguson gave a speech to a National Association of State Boards of Accountancy conference in 2012 in which he acknowledged the consulting conundrum and others, albeit with a caveat that he was not speaking officially on behalf of the board.

The US is yet to adopt the International Financial Reporting Standards

Source: IFRS

"There is an inherent conflict built into our system of auditor compensation where the company whose financial statements are being audited hires, fires and pays the auditor," Mr Ferguson conceded.

"Second, the average tenure of the auditors of the Fortune 100 companies is about 45 years, with some much longer. IBM, for example, has had the same auditor for more than 100 years, and Coca-Cola for 91 years.

"Some have questioned whether tenure of that length by itself, with its implication of a large stream of audit fees continuing into the indefinite future, undermines independence."

In order to deal with these questions, Ferguson explained that the PCAOB would be embarking on what he expected to be a "highly controversial" project to improve "the auditor's independence, objectivity and professional scepticism".

As part of that consultation process, the PCAOB specifically included the contentious issue of term limits and mandatory rotation of audit firms.

However, four years on, change of this kind remains a distant prospect, as the profession and PCAOB board remain split on the issue, despite mandatory rotation becoming law of the land in the comparable market of the European Union.

With action being taken across the Pacific and the lasting legacy of scandals past continuing to haunt the profession, it is likely the debates around further regulation will only grow more vocal and heated in the years ahead, especially as the US enters a presidential election cycle.

But while government intervention will probably always play a role in governing professional standards for accountants, there is also something to be said for the very American philosophy of individual responsibility.

While she supports the prospect of sensible regulations, Ms Prather says that in reality these regulatory efforts only have so much impact on her professional conduct since a self-imposed standard already exists.

"From my standpoint the way I do business never changed [with the introduction of new laws]," she explains. "I always held myself to a pretty high standard."

In addition, she implores foreign observers of the US industry to judge it by the many consummate professionals and not the few unscrupulous operators.

"Just because there was Enron, doesn't mean we should view the profession like that. In a time of plenty you build a grain silo in order to store the grain for times of less bountiful harvest," she says

"When you do that you always attract rats – but that doesn't mean you don't build the silo – you just need to find ways of dealing with the rats."

Playing the LONG GAME

Young, successful and in charge of a growing recruitment firm, Steve Gilles knows what it takes to lead a small business against a backdrop of change

by Emma Ryan

Never one to waste an opportunity, Steve Gilles kick-started his career at 19 by co-founding tech firm BGIT while studying for a Bachelor of Science in IT at the University of Technology Sydney.

Just over 10 years later, he now has a thriving tech-driven recruitment firm dubbed Lookahead Search, which offers specialised solutions to a broad range of companies looking to grow their staff numbers.

Not one to brag, Mr Gilles says his deliberately small team is the recipe for the firm's success, highlighting culture as the most important thing to push for as a successful business leader.

Identifying a need

What makes Mr Gilles someone to watch is his ability to take an opportunity and run with it.

He may be one of the youngest in the recruitment biz, but it was a reflection on what was already in the marketplace that led him to create a firm that had a unique key point of difference compared to its competitors.

"I went from running a tech company to going into a recruiting company where I was like a fly on the wall watching what was going on. I saw a lot and I thought there was a gap in the market for someone who was technical," Mr Gilles says.

He notes that while he was fortunate enough to work with expert recruiters, they were all lacking one fundamental aspect: "They weren't nerds".

"Most of the people that work in our company have come from a software and computer background," Mr Gilles adds.

But it isn't easy to create a distinctive recruitment firm from scratch, with patience and a keen eye being a necessity in his quest to construct Lookahead Search.

"I was in no way prepared to go straight from my tech business to my now-business, but I got the opportunity to work in a large, listed recruitment firm," Mr Gilles explains.

"I got to observe 40 different people doing their job and understand their style, take parts that I liked from each and every one of them and make my own way of doing things."

Creating the right culture

Mr Gilles believes a leader is nothing without a strong team behind them.

"We have a blatant 'no dickheads' policy," he says matter-of-factly.

"You've got people who may be amazing and know what they're doing, but if they're a dickhead, then it's not going to work.

"For us, culture is so important, attitude is super important. We hire people who are nice people, good to work with, good communicators and most importantly, life-long learners."

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> "For us, culture is so important, attitude is so important"

Mr Gilles says rather than focus on recruiting when you need to, anyone looking to expand their business should aim to always keep their door open for potential team members whenever talent arises.

"I think you've always got to have a role open and always be ready to go when interesting people come up," he explains. "We've been really lucky where most of our hiring has been opportunistic."

Maintaining a stable team environment where everyone has an input will help keep a growing business on track, according to Mr Gilles.

"A lot of people could fault me when it comes to being a leader, because I don't make all the decisions. I throw so much stuff out [to my staff]," he says.

"There's been a bunch of times where I was so wrong on things and it was only because we chatted about it as a team that we came to the right conclusion.

"I think that's empowering as well. We're all working this out together," Mr Gilles adds.

Making it count

While working his way up the ladder, Mr Gilles embarked on what he calls 'The Lunch Experiment' – a concept where an individual makes a commitment to have lunch with someone different every day for 30 days.

He says this helped him learn a lot more about the industry and acquire more mentors – all of which played a pivotal role in shaping what his firm is today.

"I just made it so all my meetings were at lunch and it was really awesome because you had a solid hour to go and chat with someone," Mr Gilles notes.

"As a result, I learned more about them, I did my job better and now it's just how I plan my day."

Mr Gilles encourages his team to avoid working weekends and late into the night, abiding by the philosophy that creating a work-life balance is extremely important.

"I actually found that once I went past 40-hour weeks, I wasn't really doing great work. I wasn't getting through the information needed," he says.

"We really try to encourage that and have a go at [employees] if they're answering their emails too late."

Combatting challenges

With two offices based in Sydney and Melbourne, Mr Gilles says getting communication right between them has been the biggest challenge faced by the firm so far.

"Nothing bad has happened, no one has left, no big disagreements have come up, but it's been our biggest challenge because we used to run the company with four people in a room, so any decision that comes up, you quickly talk, people get their work done and you hear about what's getting done so you're in the loop," he explains.

"Starting up a new office has created the need to make a conscious effort to really communicate. With that in mind, what processes do you put in place?"

Three charms that make up the ideal leader, as told by Steve Gilles.

1. Being transparent.
2. Having curiosity.
3. Remaining humble.

To deal with this issue, Mr Gilles has created a consistent system to ensure each employee is on the same page.

"Twice a week we sit down and ask: who are the candidates I'm working with? Who are the ones that might move interstate or go remote? Who are the companies that I'm hiring for?" he says.

"Then we have a retrospective once every fortnight: what are we doing that's bad? What are we doing that's good? What can we fix?"

Going forward

"I'm immersed in a world where there are a lot of start-ups, there's a lot of funding, there's a lot of easy money around and people are going for that aggressive growth," Mr Gilles says.

Because of this, his biggest business goal moving forward is simply "staying in business".

"When you take VC [venture capital] money, the idea is that they're looking for those high multiple returns, high risk. We're the opposite of that," Mr Gilles explains.

"It's never been about building this business up to sell it to someone else, to have a big payday and go live on an island. For me, it's probably the best thing I have going for me."

There are key questions that Mr Gilles reiterates to himself each day to ensure his business remains in it for the long run.

"How can I build a company that I really like to go to work at every day? How can I keep it running for 20 years? For me, the biggest challenge is continuing to play that long game," he says.

Trusted advice

To meet that challenge Mr Gilles says he, like so many small business owners, relies heavily on his accountant.

"He has sort of grown in his role with us quite a bit, he started off as our accountant, now he is more like an outsourced CFO," Mr Gilles says.

"We meet up quarterly and he shows me shiny graphs and pie charts, tracks growth and budgets and does things like that, which is great."

Mr Gilles says his accountant has been a massive help in a number of areas but highlighted his advice on growing the business as perhaps most valuable.

"He makes sure that the growth in the company is the right sort of growth," Mr Gilles says.

"If we are adding people but our profit margin is suffering or no better off – say if we went from six to eight – and our profit was the same then we are screwing something up and you may as well just have fewer moving parts so our accountant helps with those types of things.

"He keeps track of things and makes sure the growth is being done in the right way."

Arming yourself against CYBERCRIME

With the influx of new technologies and the increasing pace of their adoption, it can be challenging for accountants to keep abreast of the growing threat of cybercrime

by Mitchell Turner

If you've read about someone who's been targeted by cybercrime and thought that could never happen to me, now would be the time to think again.

Anyone can be a target of cybercrime, including accountants – that's the very real assessment of a series of reports undertaken by a number of leading organisations.

In recent research undertaken by PwC, respondents of the *Global State of Information Security Survey 2016* indicated that exploits of operational, embedded and consumer systems in 2015 had increased by 152 per cent over the previous year.

Another report released by KPMG, entitled *Cyber security: Are Australian CEOs sleepwalking or a step ahead?*, revealed a frightening statistic: on a global scale, only half of CEOs are fully prepared for a future cyber-security event with their Australian counterparts lagging at 35 per cent.

The report deems cyberattacks as one of the biggest threats to Australian businesses. Malcolm Marshall, global head of cyber security at KPMG summed up the state of affairs rather bluntly, "Collectively we sleepwalked into a position of vulnerability and failed to learn lessons of embedding security into products right out of the gate."

If the global economic outlook on cyber security continues to remain poor, it is even more vital that accountants act now to implement measures to ensure that they do not become the next example of an information and data breach.

The truth of the matter is that even the smallest suburban accountant has a plethora of confidential financial data relating to all of their clients, often stored on site. In many cases, that data may not be stored with sufficient security, opening the door for potential breaches.

As Boaz Fisher, managing director of cyber consultancy CommsNet Group notes, cyber criminals are most often financially motivated.

"It is not so much about the data; it's all about how to fleece users and organisations of their hard-earned money."

Mr Fisher notes that the biggest growth in cybercrime has been the emergence of ransomware. Put simply, ransomware is a type of malicious software which infects a user's computer, and restricts access to data (usually via an encryption).

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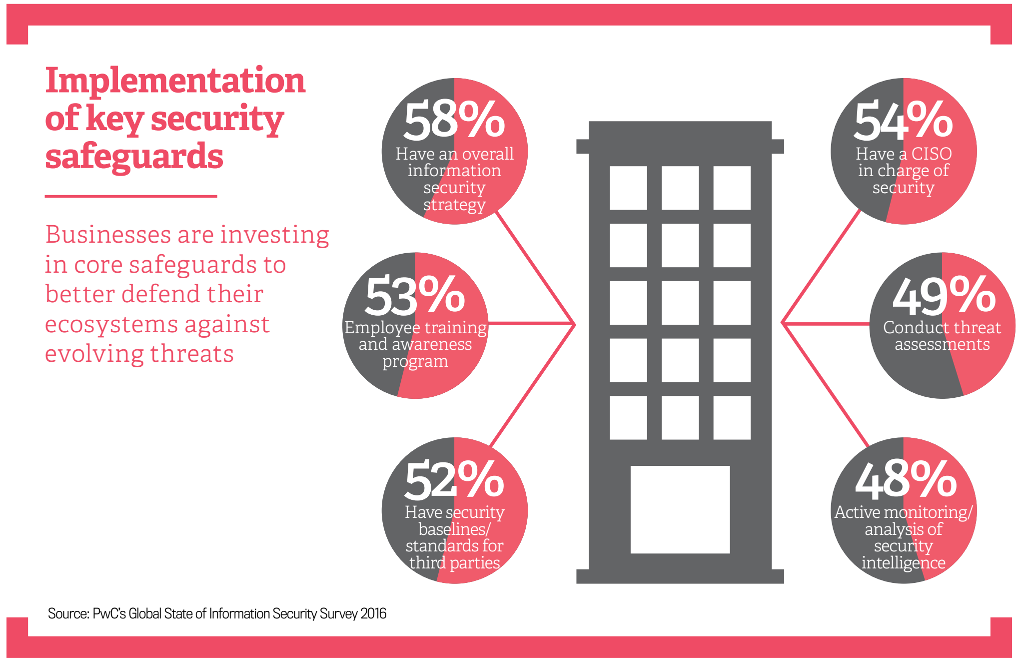


In order to access the data again, the user is required to pay some form of ransom to the operators to remove this restriction. Accountants value their data more than most, making them the perfect target for exploitation.

"There has been such a huge return for cyber criminals," says Mr Fisher.

"There have been a number of iterations of ransomware, each one getting more sophisticated and stealthier than the previous edition."

> "The challenge for a small business is that they don't have the resources, capital, expertise and people to properly protect their business effectively"
>
> – Boaz Fisher

The global scale of the internet has resulted in a situation in which the next threat could potentially come from anywhere, and is constantly adapting and evolving.

"These threats are coming from all over world, and are extremely dynamic in nature. If you are a small business owner, you are a target just like an enterprise.

"The challenge for a small business is that they don't have the resources, capital, expertise and people to properly protect their business effectively."

Typical targets

There are particular facets of information and data which prove particularly tempting to budding cyber criminals.

Simon Raik-Allen, chief technical officer at MYOB identifies that tax file numbers (TFNs) are particularly sensitive right now, with a significant rise in the number of breaches in recent years.

A compromised TFN can subsequently be used to lodge false tax returns, causing significant headaches for all afflicted parties.

"Invoicing is another area to be careful of," says Mr Raik-Allen, "it's the start of money changing hands and you do not want things to be intercepted."

Mr Raik-Allen insists that accountants should not store the credit card data of clients under any circumstances, and to ensure that company data backups are not stored in an online location.

"If you are hacked and your backups are also compromised you could be in trouble."

Making an index of all of the data that is stored by a practice, its location, and arranging it accordingly in order of how sensitive you think it may be is a valuable tool to ensure that adequate measures are taken to protect particular groupings of information, he says.

Mr Raik-Allen also notes that accountants should make their clients well aware of what they will and will not ask them for over email conversation, which will in turn keep them aware of potential phishing attacks (webpages or email links which attempt to coax a user into providing personal information).

Cyberattacks on mobile devices, operational systems and consumer technologies have all doubled during 2014-15 according to PwC, particularly as mobile payment methods and wireless technology continue to establish a foothold in the market, and prove to be an attractive means of assisting cash flow and speeding up the payment process for accountants and their clients.

Combatting cybercrime

Mr Fisher notes that accountants need to demonstrate to their clients that they follow security best practices, which spans far beyond simply installing anti-virus software and maintaining a firewall.

"It doesn't require much financial investment, but requires regular attention," he claims.

There are several steps which can easily lead to a safer and solidified security system. Ensure:

- your workstation operating system is up to date
- your applications are all up to date
- your anti-virus solution is up to date
- you have a working firewall and it is up to date
- you adopt a strong password/ authentication for your key applications. If you have trouble remembering what they are, use a password manager program, which collates and stores all of your passwords in the one location
- administration privileges are restricted, as well as logging into a workstation on a separate account.

By utilising these rather simple measures, Mr Fisher believes that an accountant could potentially reduce their risk exposure by up to 80 per cent. The added bonus of such a simple process is that accountants can easily pass on these tips to clients of their own, to ensure that all parties concerned are actively seeking to secure information and data.

While Mr Fisher notes that there is no such thing as a "silver bullet" when it comes to security, it is of vital importance that an accountant demonstrates their ability to act in the best interest of their client. "Accountants have a duty and responsibility; they need to lead and show an example of governance, accountability and demonstrate their duty of care to their clients and prospects."

Accountants have been entrusted with sensitive information; it is only fair that they repay this trust with adequate protective measures.

Is the cloud cause for concern?

Some accountants may be concerned by the rapid rise of the cloud in terms of data storage, particularly with high-profile leaks grabbing the mainstream media's attention over the past few years.

In reality, cloud computing has emerged as a sophisticated tool for cyber-security safeguards, and has strengthened the foundations of many firms, with PwC reporting a 69 per cent increase in cloud-based security services, and the adoption of advanced authentication, alongside identity and access management.

Read this article online at pubacct.org.au

Considering a cyber policy?

Karen McDonald, associate director of professional risks at Accountancy Insurance, offers some key considerations for accountants when weighing up their insurance options.

Many accountants believe that when it comes to a cyber breach, "it's just not going to happen to me". Accountants need PI insurance, but cyber-insurance is often viewed as a "nice to have, not a need to have". A cyber-insurance policy should be on the radar for accounting firms as the digital sector's presence rapidly expands and there are a number of factors which can greatly assist in choosing a policy which is the right fit for your firm.

It is vital that accountants are aware of how rapidly their policy can respond and offer protection as accountants, along with the rest of the global community, have no choice but to be involved in the digital space in some capacity or another. Alongside the hefty fines an accounting firm can be faced with if they are deemed ill-equipped by the Australian Privacy Principles, accountants must also consider the downtime that can affect their business as a result of a cyber breach. A cyber-insurance policy can assist in getting up and running sooner.

Consider the broadness and scope of the policy on offer – the cheapest is very rarely the best. Some PI insurance offerings contain what is referred to as a 'cyber extension', which only provides coverage up to $100,000, an almost negligible amount when you are potentially faced with the real, significantly higher, cost. You will not be receiving the broad coverage that an extensive cyber-insurance policy provides.

Once you have taken out a cyber-insurance policy, there are companies which can review your risk management, as well as make suggestions on how you can improve your security. Utilising a cyber-insurance policy is also a good marketing tool for attracting prospective customers, as it portrays your firm as prepared and protected in the event of a cyber breach.

→ The firm notes that many of these tools have integrated capabilities which improve intelligence gathering, enhance collection learning and accelerate incident response times.

"Does the cloud change things?" poses David Martin, director of IPA Insure, the institute's in-house insurance solution. "Absolutely. To be perfectly frank I think the cloud makes it more secure because the data centres, eg those who are supporting and looking after cloud-based infrastructure are far more secure than the suburban accountant sitting in their lounge room with a PC under their desk."

The cloud can however cause much confusion as to where data is stored, and who is ultimately responsible if a breach does occur, alongside a potential ownership debate. Nitin Comar, also of IPA Insure, claims that while many accountants are seeking to outsource their data storage, they may be putting their clients at risk.

"These days the bottom line is important to all businesses, so wherever they can find the cheapest solution is what they may choose to go with, regardless of whether it's the most secure solution or not."

Mr Comar notes that even with outsourced operations to a third party, the legal costs associated with passing on claims to a cloud provider can be catastrophic.

"I think a lot of people don't understand that a claim will come against them and they will have to spend the legal costs to dispute that claim. That's where cyber-insurance comes to rescue them."

Is the cloud cause for concern?

"What can't be protected can be insured" is the message from PwC's *Global State of Information Security Survey 2016*. The big four firm indicates that cybersecurity insurance is one of the fastest-growing sectors in the insurance market, with recent forecasts indicating that the cyber-insurance market will reach $7.5 billion in annual sales by 2020.

Mr Martin notes that more and more accountants are waking up to the idea of cyber-insurance, and the added protection it can provide for even the smallest firm.

The rise of cybercrime

Every 24 seconds	Every 34 seconds	Every 5 minutes	Every 6 minutes	Every 36 minutes
A host accesses a malicious website	An unknown malware is downloaded	A high-risk application is used	A known malware is downloaded	Sensitive data is sent outside the organization

Source: *CheckPoint 2015 Security Report*

"They've started to realise that in the event that there is a breach of some description, it's prohibitively expensive and prohibitively dangerous to shut it down and resolve your client-related issues."

Mr Martin believes that accountants grossly underestimate the costs of recovery when dealing with potential breaches. "The cost of actually reporting and securing the environment moving forward is far, far more than anyone would expect," he says. Potential costs can run into thousands of dollars per record compromised.

Alongside the economic impact, Mr Martin adds that, understandably, an instance of compromised data will result in the loss of clients, and the trust and rapport garnered by the accountant can be instantly shattered, with little chance of reparation. While there is an upsurge in the recognition of cybercrime, Mr Martin suggests that there is still reluctance for some accountants to believe that a data breach could occur within their firm, with complacency posing a real barrier to protection.

"Historically the exposure of the issue has related to the internal, ie. a staff member has stolen data, or someone has lost a laptop or left it lying around in an airport lounge," Mr Martin adds.

"Historically that's where the problems have arisen but with the advent of everyone being online all the time, the dynamic is changing.

28%

Only 28 per cent of mobile apps are trustworthy or benign

(Source: Webroot *2015 Threat Brief*)

"Most cyber criminals are looking for a soft target; they don't spend a lot of time and effort trying to hack into someone who's got a reasonably well-maintained firewall. Why? Because they can get 16 other people who haven't.

"There will always be an element of 'well that's not going to happen to me'," says Mr Martin, while adding that IPA Insure has elevated cyber-insurance as a policy, and increased its communication regarding the subject matter across the board in an attempt to combat the digital threat.

"In terms of being a real risk, we believe it is, the IPA believes it is and as a consequence we've got to make it a high priority to ensure that accountants are being made aware of it and what their options are."

Mr Fisher agrees, acknowledging that with cyber breaches on the rise and the added cost of dealing with mandatory notifications, cyber-insurance will become a more attractive option in the near future, deeming its most successful use as a "risk transfer option".

It is clear that the cybercrime epidemic will continue to make its presence known, particularly if businesses are not taking the adequate steps to ensure that their data and sensitive information is protected.

Accountants have been deemed a soft target, and it is now increasingly important that firms big and small are vigilant in combating their cyber threats.

Exploring the AR model

After charting the ins and outs of the limited licence application process in the last issue, Mitchell Turner now examines the authorised representative (AR) model, detailing what accountants need to know if they want to go down this path

As the clock keeps ticking and the licensing deadline looms large, many accountants will be eager to continue offering SMSF services with as little hassle as possible. As accountants are time poor, many will find obtaining their own limited licence far too onerous and time consuming. In addition, it can be expensive to obtain, and the costs associated with maintaining a licence can be a significant burden too.

Of course, obtaining a limited licence is not the only option; aside from referring out SMSF work, accountants can choose to become an AR of a licence holder.

There are many factors which could influence an accountant's decision as to which path to follow: resources, cost, risk, ease of implementation and autonomy are some of the most common. So what are the distinguishing factors that set apart the AR model from the limited licensing process, and how can an accountant find the best fit for their firm?

Where the benefits lie

Put simply, an AR is authorised to offer services under an existing Australian Financial Services Licence (AFSL) holder. There is no need to obtain a licence of your own, and the onus for ongoing maintenance of the licence lies with the licensee. Risk is understandably a major consideration for many firms, and it's easy to see why some accountants would be eager to avoid navigating the Corporations Act.

A limited licence holder bears the risk of compliance with the relevant legislation, which is of course associated with severe penalties for potential breaches, something that the vast majority of firms simply cannot afford to deal with. Upon becoming an AR, the licensee you are aligned with bears this risk.

Their focus is to ensure that their representatives comply under the respective licence; the onus is on them to put in place the adequate measures to support these practices and ensure that the correct procedures are followed.

It is the IPA's view, detailed in their *Removal of Accountants' Exemption and Licensing under the Future of Financial Advice Reforms – FAQs* document (published in October 2015), that the AR model provides accountants with ease of implementation and the convenience of technical and practical support, saving them valuable time and resources.

"Otherwise (as an AFSL holder), you have to do all of this yourself, outsource it, or employ someone to do all the compliance work. It is not worth your professional time to do this."

Adding to this Stuart Abley, head of AFSL licensee SMSF Advice, says "the main thing to point out is that in becoming an AR, accountants can access the expertise and efficiencies of a proven advice system".

"They can outsource all the conditions around the advice process through an AR model, instead of having to go and reinvent the wheel if they got their own licence, because an AR model provides all of that to you.

"We just feel that with the compliance and regulatory burden in running your own licence, accountants are just crazy to take that on," Mr Abley adds.

It is important to note that the path you decide to follow will rely heavily on the type of advice and services you wish to offer to current and prospective clients. An accountant who wishes to advise on limited recourse borrowing arrangements (LRBAs), contribution strategies or transition to retirement strategies, may find a limited licence to be insufficient and too restrictive.

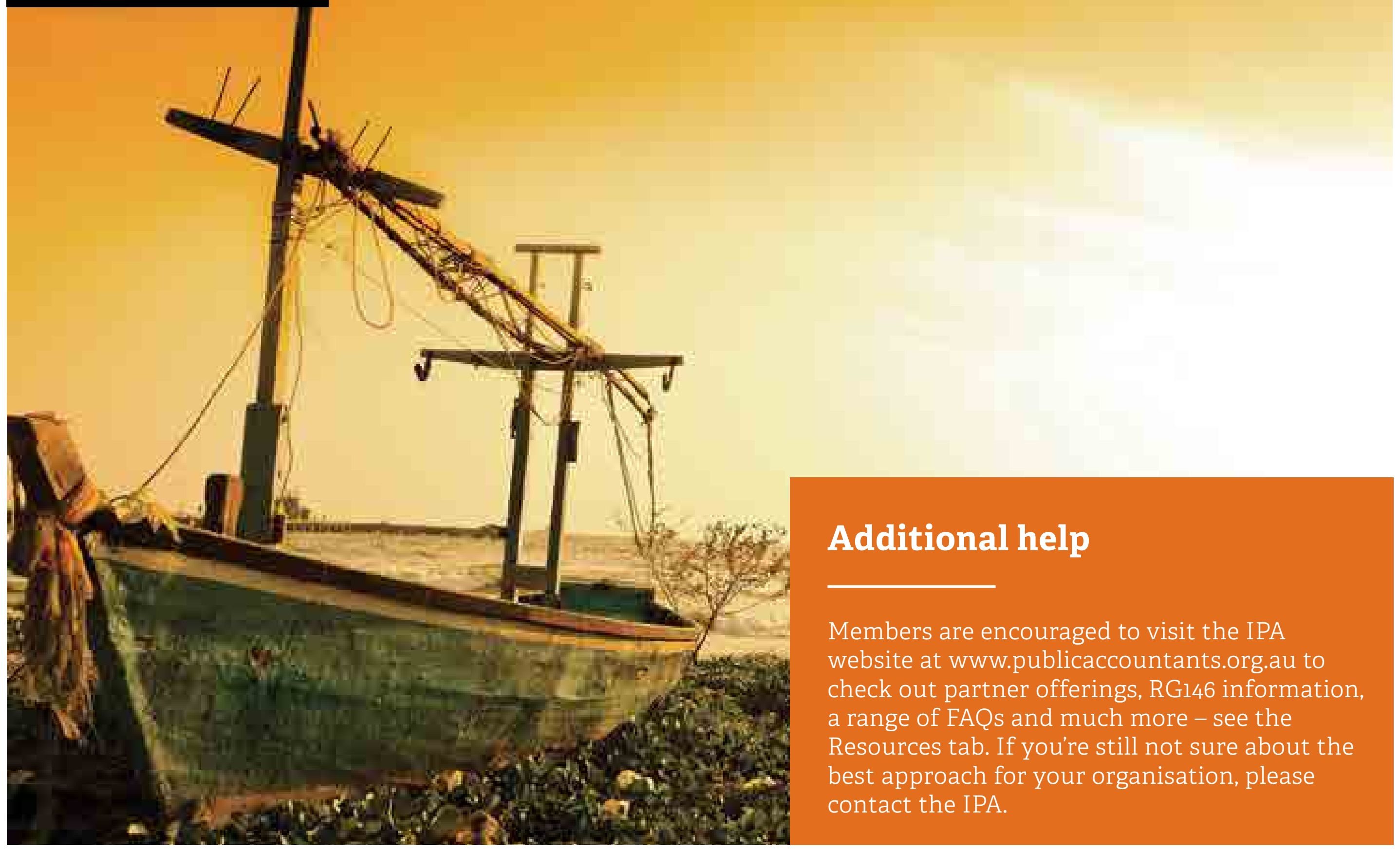
In regards to the limited licence itself, the IPA notes that "it was designed to include fairly basic or essential services, including whether an SMSF is appropriate, setting it up, advising on general and life insurance, basic deposit products and simple managed investment schemes".

Questions to ask a licensee

In order to ascertain whether a licensee is the right fit for your firm, there are several inquiries that should form the basis of your research:

- Is the offering designed solely with accountants in mind?
- What are the expectations on me as an AR?
- How easy is the process of switching licensees?
- Who owns the client base under the agreement?
- What training/education does the licensee provide?
- Am I expected to push particular financial products on clients?
- What costs can I expect to incur? How are they accrued?

Licensing



Additional help

Members are encouraged to visit the IPA website at www.publicaccountants.org.au to check out partner offerings, RG146 information, a range of FAQs and much more – see the Resources tab. If you're still not sure about the best approach for your organisation, please contact the IPA.

When do I need to act?

Time is of the essence, with the 30 June 2016 deadline fast approaching. While the AR option can save accountants time, it's important not to underestimate how long it will take to attain the required RG146 qualifications associated with this approach. These qualifications are needed in order to understand the related areas of SMSF advice and services that they plan to continue offering.

The time it takes in order to complete the AR process will vary from accountant to accountant, and will of course depend on the current education standards that a particular practitioner has met.

Mr Abley estimates that it takes an approximate period of three to four months to navigate through the education process, although it may take longer to become fully inducted and ensure that the proper measures are in place within the business to adhere to the model.

"Some people will say that it can be done a lot quicker, but we have found that in working with accountants who are of course running their firms it generally takes that amount of time because we need to manage that in conjunction with their existing business."

> "Should you choose to be authorised by a licensee who is institutionally owned, you may find the business environment can be more restrictive"
>
> – Grant O'Riley

Finding the right fit

Accountants will be eager to align themselves with the licensee that best understands their needs and is an ideal fit for the culture of their firm. There is of course a plethora of options on offer, which can be overwhelming in its own right for any accountant looking to solidify the future of their practice.

As with the firms that accountants themselves operate within, the licensees will range from smaller, boutique offerings to large-scale operations, and all should be researched and carefully considered before a decision is made. Some licensees are themselves aligned to or owned by larger institutions, may be associated with a household name, and may provide a larger scale and range of resources.

Often these institutions offer a wide range of licensees in order to suit and cater to the different types of clients and practices that seek particular services.

→

The authorised rep route

Travis Allen, director of Hillyer Riches, talks about his decision to go down the authorised representative (AR) route

What has the AR model provided you and your firm?
A clear path to providing a compliant financial planning service. Being an AR of Capstone Financial Planning, we have support services and tools to keep doing what we have been doing and in accordance with the new licencing obligations.

We have access to para-planning services that provide us with the technical back-end work required and they have provided training to enable us to prepare our own statements of advice (SOA).

As part of being an AR we have an extensive training program provided.

Professional indemnity insurance also needs to be considered and is also included by our licensee (which we are running through a separate company).

Why did you opt for the AR model as opposed to your own limited licence?
We opted for the AR model because without any practical experience in preparing SOAs, our preference was to go for a model that gave us ongoing coaching and support through a licensee, including a dedicated compliance manager to review that our SOAs were compliant and the quality of advice was high from the very beginning.

Have you found the process easy to manage while operating within a practice?
Given the landscape of financial services has changed, and will no doubt change further, the giving of quality SOAs and advice is a process that requires a lot of support. The process was made far easier being an AR rather than going it alone.

How long did the process take you to complete?
Once we had made the decision which model we would adopt, and the licensee we would use, the process took about two to three months. Having said that, I already had a diploma in financial services. Without that, I would estimate it would take six months to be ready. Given ASIC is already shadow shopping, I would move now so you are compliant on 1 July.

Travis Allen

→

Meanwhile, other licensees are not aligned to a major institution and as a result, may not always be able to offer the same solutions and services that a larger counterpart could potentially provide.

Mr Abley believes that there are a multitude of questions that accountants should be asking when shopping around for the right fit, particularly enquiring if the licensing model is accountant specific.

"I think they (accountants) should be asking questions about accountancy-related services, in terms of the advice and technical services on offer.

"We have found that accountants require a lot of strategic advice and SMSF expertise services, because really the reason they're becoming licensed is to focus on these SMSF advice opportunities.

"If you're going with a model that's not focused on accountants, you're probably going to be provided with a lot of traditional financial planning services, and those types of services aren't really relevant," he says.

Grant O'Riley, managing director of fellow AFSL licensee Capstone Financial Planning, adds that it is particularly important to ensure that a licensee has sufficient resources on hand to deliver the relevant training needed in order to satisfy the short- and long-term expectations of ASIC.

Considering the cost

"In becoming an AR, it's important that you understand the costs you will incur when joining a licensee. Licensees generally charge either a flat fee per annum and/or a percentage of revenue received from clients," says Mr O'Riley.

There is no one set price when undertaking the authorised representative process. Different levels of licensing and authorisation come at different prices, and the IPA has provided members with an approximation of the annual costs accountants should expect to incur. Entry level is generally $3,000-$5,000, the cost which most closely mirrors that of obtaining a limited licence. Middle or strategic level authorisation is generally around $10,000-$12,000 and a comprehensive level of authorisation is generally within the realm of $18,000-$25,000.

The IPA makes particular note, however, that a practice would only be paying these fees if they were making a profit from the advice. "This is advice which you are currently not able to provide under the accountants' exemption and you should view licensing fees as an investment in your business, not as a cost of doing business."

Addressing the concerns

There has been some concern that operating as an authorised representative lacks the freedom of a limited licence, and may influence the activity of an accountant. Many accountants are concerned that they will be pigeon-holed into a restrictive set of products and will be forced to upsell particular products and services in order to satisfy their respective licensee.

"I can understand the concern, I really can," notes Mr Abley, "but it is very misunderstood by the industry in today's environment.

"You can't meet best interest duty by pushing a particular product upon a client, so that's why I think it's a bit misunderstood now. You can't do those things in today's advice environment with FOFA, it's just not feasible."

Mr Abley himself notes that accountants value their freedom in the SMSF area and appreciate a set of circumstances that allow them to continue operating with minimal hindrance.

However, Mr O'Riley warns that some licensees may not always provide the desired flexibility.

"Should you choose to be authorised by a licensee who is institutionally owned, you may find the business environment can be more restrictive.

"Large groups may have substantial resources; however this usually comes at a cost. If your qualifications allow you to be authorised to provide product advice, what is the licensee's approved product list (APL) and research process?" he asks.

Accountants may also seek to leave the door open for future decisions within the business which may subsequently lead to a desire to switch licensees or sever ties with their respective model.

Situations and disputes may arise as to who owns the client base if an accountant chooses to disassociate with their licensee.

> "If you're going with a model that's not focused on accountants, you're probably going to be provided with a lot of traditional financial planning services, and those types of services aren't really relevant"
>
> – Stuart Abley

Mr Abley notes that some licensees may not offer a smooth transition, and the exit process is "a very relevant point that they should investigate with any licensee they're considering".

Mr O'Riley agrees. "Will the licensee provide you the opportunity to change your authorisation at a later point in time if you meet the training and education criteria?"

Arriving at a decision

The IPA has indicated that the AR model is particularly suitable for those accountants eager to expand beyond the restrictions of a limited licence, and that characteristic alone may be the deciding factor that influences their decision.

After examining the risk, autonomy, training and restrictions that a prospective licensee provides, accountants will put themselves in the best position to make an informed decision – one that provides flexibility in the future and a solid foundation for advisory services.

Read this article online at pubacct.org.au

The Queen of CASH FLOW

For IPA member Tracey Loubser, a genuine love of small business has allowed her own practice to flourish

by Mitchell Turner

Since relocating from South Africa, Tracey has cooked up a recipe for success to ensure that public practice accountants are in the perfect position to make their own business advisory shift.

After completing her honours degree at the University of KwaZulu-Natal, she began her accounting career within the big four at Deloitte, and was immediately drawn to the variety and environment that public practice presented, namely the plethora of small businesses she would encounter on a daily basis. After a brief hiatus dabbling in corporate accountancy, handling risk, as well as financial and management accountancy, Tracey decided that a change of scenery was needed for herself and her young family.

Arriving in Western Australia, Tracey began working with small business owners, where some clear and apparent issues began to catch her attention. "I found that the conversations I was having with small business owners were really about the frustrations that they had; they didn't really understand what was happening with their accounts, what was happening in their business money-wise."

What began as bookkeeping work for her small business clients quickly morphed into financial performance management, with Tracey taking on a more hands-on approach to small business, a method that would eventually become her business as it stands today: Confident Cashflows Plus. A rigorous process over the course of six years has allowed Tracey to fine-tune her templates and processes, giving her a blueprint for small business success, one that she is more than willing to share with her fellow IPA members to ensure that they are on the same path to success.

The perfect fit

Tracey notes that the IPA provided the perfect introduction to a professional accounting body within Australia. She undertook her initial skills assessment under the previous NIA. The relationship blossomed from there as Tracey and her family quickly began to settle into the Australian way of life, although some South African traditions remain just as strong as ever. "We just prefer to cook on an open fire instead of a BBQ," she jokes, "but other than that it's much the same!"

Tracey soon learned that the institute shared her own love and passion for small business. "I'm just really lucky, I chose the right organisation and it worked out perfectly," she says, "I think the thing I love the most about →

Name: Tracey Loubser
Company: Confident Cashflows Plus
IPA status: AIPA
Location: Baldivis, WA

the IPA is that they're so focused on small business, at least 70 per cent of their members deal with SMEs."

Cash-flow coaching

Approaching almost a decade liaising with Australian small business, Tracey understands the importance of the accountant offering more than just compliance services to what she deems "the driving force of the economy".

"We've got this amazing skill, in that we actually understand how numbers work, this awesome skill is at our disposal and it's really being wasted by not getting in front of more small business clients and helping them to understand where the money leaks are in their business."

The IPA has given Tracey and Confident Cashflows Plus the perfect platform to assist her fellow accountants in the ways in which they can advise their own small business clients. "For the past two years I've been specifically running workshops and coaching with public practice accountants," she explains. Her passion for assisting the backbone of the Australian economy is clear as she recounts stories of clients who have effectively transformed their lives and businesses from losses to profits, to clients who have embarked on long overdue holidays as their cash-flow concerns and strains have eased.

"One of my clients, after he received a 62 per cent increase in net profit over seven months, went on a three-week cruise. He hadn't gone on a holiday like that in five years of working from his own business.

"It's really rewarding and good fun to be a part of business owners getting the time that they want out of their business," Tracey explains, "generally they go into business in the first place because they want freedom of time and freedom of money, but in the beginning it doesn't necessarily work like that, sometimes they've got lots of time and not enough money."

Tracey emphasises that the role of the accountant in business advisory is truly cemented when things are going pear-shaped, and while it is much more exciting and rewarding to report on high numbers, the ability to support and nurture a business as it navigates cash-flow concerns is a necessity.

As part of her coaching sessions, Tracey enables accountants to adopt her own process: "I train public practice accountants to basically duplicate my model, because it's based on successes with small business owners, and it's a recipe for what to do, and what not to do."

Tracey notes that accountants particularly resonate with her sessions as they are built upon the trial and error of her own experience in public practice; she has already made the mistakes so that the tax agents who adopt her model do not have to. "We're similar personalities in that we need a recipe, we need a process, and we need structure," she says of her fellow accountants. The plan, Tracey notes, is to expand her seminars and workshops to the other side of the country in 2016, to ensure that a blueprint for business advisory is available Australia-wide.

> "It's really rewarding and good fun to be a part of business owners getting the time that they want out of their business"

Industry observations

As a result of her own experiences, Tracey has identified several important factors which accountants must integrate into their own businesses as they embark on diversifying their service offerings.

"I'm a strong believer that climbing in and just preparing a budget for a small business client is really just duplicating the past," she says.

"You need to be able to see what has worked and what hasn't worked, where the money leaks are, so that you can actually decide which areas of the business are stronger, and which areas are not as strong."

While accountants are blessed with a strong attention to detail, Tracey notes the importance of not overwhelming a small business client with the weight of numbers and information. "Most small business owners are not comfortable with numbers, and that's why they have us as their accountants," she says, "What we tend to do is overanalyse and give them too much information, too many ratios and scenarios.

"It just confuses them, it's overwhelming and people don't generally like to spend money in an area where they feel confused and overwhelmed. We need to be slow and steady in our approach, give them information which is helping them understand one area of the business first, and then build on that step by step."

With a growing insistence on technology and online interaction within the profession, Tracey voices her concern that a push for efficiency and digital processes is taking valuable face-to-face time away from SME clients and businesses.

"SMEs need that face-to-face time with their accountant so they can understand what has happened, and that's where the value comes in via the financial performance area."

For Tracey, assisting her clients stems far beyond shooting off an email and waiting for any client queries or questions, with monthly meetings forming the backbone for sound financial decisions and to ensure that she is keeping her finger firmly on the pulse.

While the digital revolution has presented some obvious hurdles, there is an even greater challenge for accountants that Tracey has uncovered in her time presenting countless workshops and seminars: a struggle to grasp marketing and sales.

"I know because I experience that for myself, it is not our strong point, we need the recipe in terms of how to actually talk to clients about the specific product area."

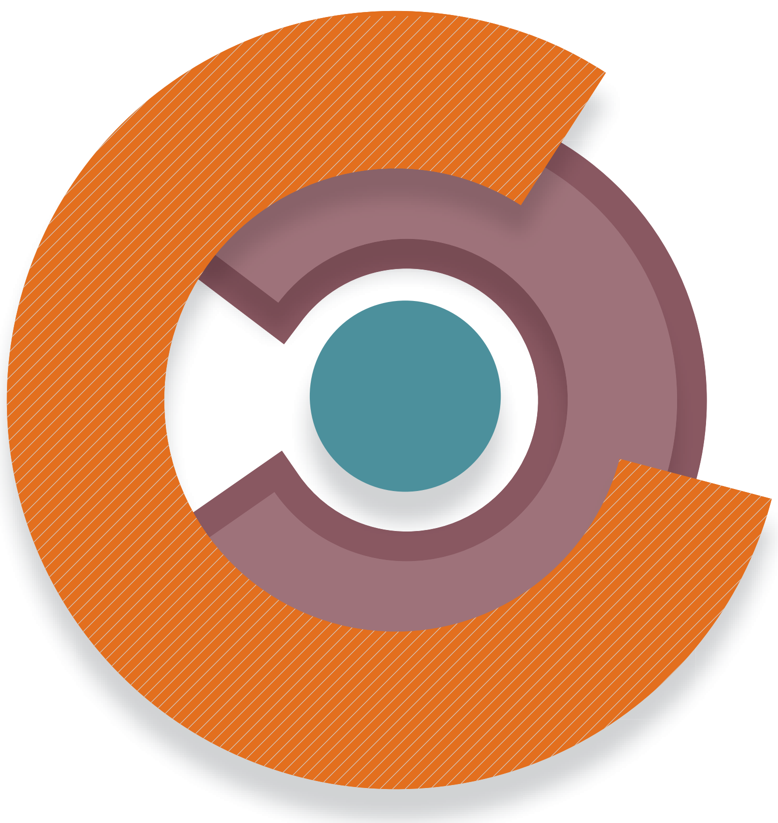
According to Tracey, the ease of selling tax and compliance is a result of its necessity, but in order for accountants to offer financial performance management advice, there is a need to learn how to effectively market and sell the services to prospective clients.

"We need the recipe; we need the process in terms of how to actually talk to clients about the specific product area."

Thankfully, Tracey has cooked up the perfect concoction. A tried-and-tested recipe for accountants, that not only benefits a plethora of small business clients, but ensures that firms and practices are well equipped to handle their own shift into the business advisory space.

360 DEGREES

How big an issue is cyber security and what can accounting firms do to protect their clients' data?



Jamie Johns

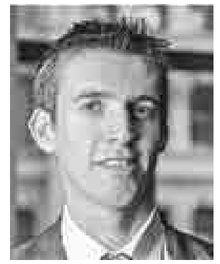
Jamie Johns is managing director of Sky Accountants

It's of great importance

In terms of importance, it's absolutely critical that cyber security is on the agenda for an accounting firm, particularly as more and more people become complacent with online technology. It's of great importance that accounting firms protect the information and data of their clients as more and more generations become accustomed to the cloud and their mobile devices. I rarely get asked by clients regarding our cyber security and data housing policies, so it becomes a greater necessity to protect sensitive information if our customers are unaware of just how dangerous cybercrime can be. A security threat could potentially come from anywhere, so precautions must always be taken.

Our whole practice is in the cloud, and we have certain protocols in place which delegate access to data; the more senior staff have access to all the programs, and others who log in may have limited access – a hierarchy of security. We also ensure that all of our passwords are updated regularly; there are programs available which can be set to automatically update passwords. We make particular note to continuously monitor and update our antivirus software, and consult with IT companies who can provide a greater insight into protecting our data.

My advice to other firms is to definitely have procedures and policies in place so that your security is covered as best you can. There's probably no absolute means of protection but as long as you're thinking about it and have procedures in place, that's the best way to go.



Mark Williams

Mark Williams is partner at Caunt and Lowbeer

An issue we take very seriously

Cyber security for Caunt and Lowbeer and our clients is a major issue and one which we take very seriously.

In regards to our own clients, the majority do feel safe using the cloud and cloud technology, however there will always be some who have their doubts about the safety of the digital space. Our opinion is that security is good online.

We have noticed that increasingly, providers are installing multiple layers of security.

It is important to have steps in place to protect your security. We have put in place these steps in regards to cloud technology and our firm:

1. Check with the software provider on what type of security they provide themselves.
2. Inquire as to what they suggest the client should do (such as using strong passwords).

Measures we have implemented are:

1. Educating our employees and clients. We are constantly educating our staff not to open any emails that look suspicious, even if it is from someone they know.
2. Be up to date on best practices. Our staff use strong passwords to access sensitive information.
3. Have the right technologies in place. We have a security appliance in place protecting our network, which filters incoming and outgoing traffic on our network. We have also installed antivirus and anti-malware and we update all of our software regularly.

Trent Innes

Trent Innes is the managing director of Xero Australia

Security focus is a must

The original founders of the internet designed it with the intent of a fast, open and frictionless environment. This is certainly the case in the world of cloud accounting, where accountants can now be connected to their customers at any time.

One of the key areas that we all need to be aware of is how to do this in a secure way. Phishing scams that attempt to steal account names and passwords are an ongoing issue for all online and financial services, so it's vital that businesses everywhere that use these services ensure they have strong security practices and keep their information secure.

Security is an issue that everyone needs to take seriously. Even those using desktop-based software on any machine connected to the internet must take precautions to ensure data is safe and secure. We have security teams working around the clock to ensure the data we're entrusted with is only viewed by approved eyes. And we have product teams working on security features to stay ahead of the scammers.

Two-step authentication adds another layer of control that makes it significantly more difficult for anyone other than the Xero account holder to access their information. We are always building extra security features to the Xero suite to bolster the service, but education has always been, and will continue to be a core component of ensuring that every user's dashboard remains secure. Of course, security is never stagnant and there's always more that everyone can do to effectively secure their systems and ensure critical data is not compromised.

David Martin

David Martin is the managing director of IPA Insure

Privacy demands good security

Cybercrime has certainly been around for a while, but it was only recently in 2012 with the introduction of the *Privacy Amendment (Enhancing Privacy Protection) Act 2012* (Cth) that Australian privacy and confidentiality principles were lifted to the same standard as the United States.

There are heavy penalties imposed on small to medium-sized firms if there is a breach of confidentiality, and where third-party data is compromised from their systems. As a result, cyber-insurance has now become a big feature in protecting from potential threats. I believe that cyber-insurance is a necessity for firms that should be implemented now, however most accountants don't realise how cybercrime can impact their business. If someone's data is compromised from an accountant's systems, it is usually of very little concern to the victim if their data was housed via a data centre or a third-party server. They will bring a claim against the accountant to start with regardless.

Most accountants aren't made aware of their risks in being uninsured, and probably fail to realise just how much confidential client data they're actually storing. Cyber-insurance will assist accounting firms with the costs of passing claims on to the right parties or to defend their business in the event of a data breach. As technology continues to evolve more security issues will inevitably come to light, so it is of the utmost importance that accountants continue to keep their cyber security in mind – for the sake of their clients and for the future of their firms.

As managing partner of Business Aptitude, **Dale Crosby** provides strategic and operational advice to firms that want to take control of their workflow, employees and client relationships

High tech with a soft touch – the future of accounting

Accounting firms must invest the time understanding and adapting to new technology if they're to capitalise on business opportunities and improve workflows and efficiencies, writes Dale Crosby

by Dale Crosby

The so-called 'digital disruption' is leading to significant changes in the way that the leaders of accounting firms manage their work, their people and their clients. Cloud accounting, bank feeds, client portals, standard business reporting and eLearning platforms are just some of the ways that leaders are really leveraging their time and capability to provide better value to their clients and make work a lot more interesting for their people.

Technology's impact on revenue and profit

In theory, these technological changes should be leading to increased capacity, revenue and profit. However, most firms are not seeing clear benefits at this time. Last year's *Good Bad Ugly National Benchmark Report* highlighted that, for the first time in 14 years of reporting on industry KPIs, there was a reduction in both average revenue and profit across the industry. What's happening and what can firms do to return to solid growth and profits?

There's no doubt that effective use of technology is leading to increased efficiency of compliance workflow. However, in the absence of significant development in the value of services provided to clients in the short term, firms are experiencing clear challenges in converting capacity into revenue and profit.

The J curve of change is a good analogy, with an initial decline as firms adjust, followed by significant growth, especially for those firms that are able to adapt more quickly.

> "Realistically, smaller firms are in an ideal situation to lead the pack in transitioning from compliance to an advisory focus"

Making the most of technology

It's clear that IT investment on its own will not generate productivity and profitability benefits. IT must be combined with business innovation to yield significant 'bottom line' improvements. This means that a focus on business culture, values, behaviour and processes is just as important as technology in driving change.

Remember that relationships are at least as important as technology. They serve as the basis for competitive advantage, whilst technology serves as an enabler to build relationships that influence client acquisition, retention, loyalty and profitability. The key is to align processes between client and firm, so that it becomes easier for clients to work with you and more difficult for them to move to another firm.

Realistically, smaller firms are in an ideal situation to lead the pack in transitioning from a compliance to an advisory focus with the ability to change and adapt rapidly.

In the midst of doom and gloom, there are certainly some great examples of firms that are already achieving strong growth through a change in 'the way we do things'.

The real opportunity is to use technology as a key mechanism that accounting firms use to define who they are. It's how they do business, how they communicate, how they engage their staff and, most importantly, how they engage their clients that really matters.

10 ways accounting firms can use technology

There are a number of ways accounting firms can use technology to improve team engagement and client relationships. Here are 10 suggestions:

1. Automate processes and improve business process mapping to create significant efficiency gains. Start with compliance workflow. This should free up more time for client engagement and advisory work.

2. Wherever possible, take administrative tasks away from relationship managers. Develop stronger administrative support roles and give partners and managers more time to focus on client needs and solutions.

3. Wherever possible, transfer clients to cloud accounting software for greater timeliness and quality of financial data. Be aware that clients need to be educated and trained on how to process information in a timely and accurate manner.

4. Use client portals to make it easy for the firm and client to share financial information. Firms should also think about how they can use technology to share information on the status of workflow. The more information available to the client, the more they are able to make decisions on the level of support they need.

5. Get a better understanding of CRM software and how it can be used to improve the quality of engagement with clients. Just one example is using existing data to trigger engagement points with clients in specific ways by using predictive intelligence software.

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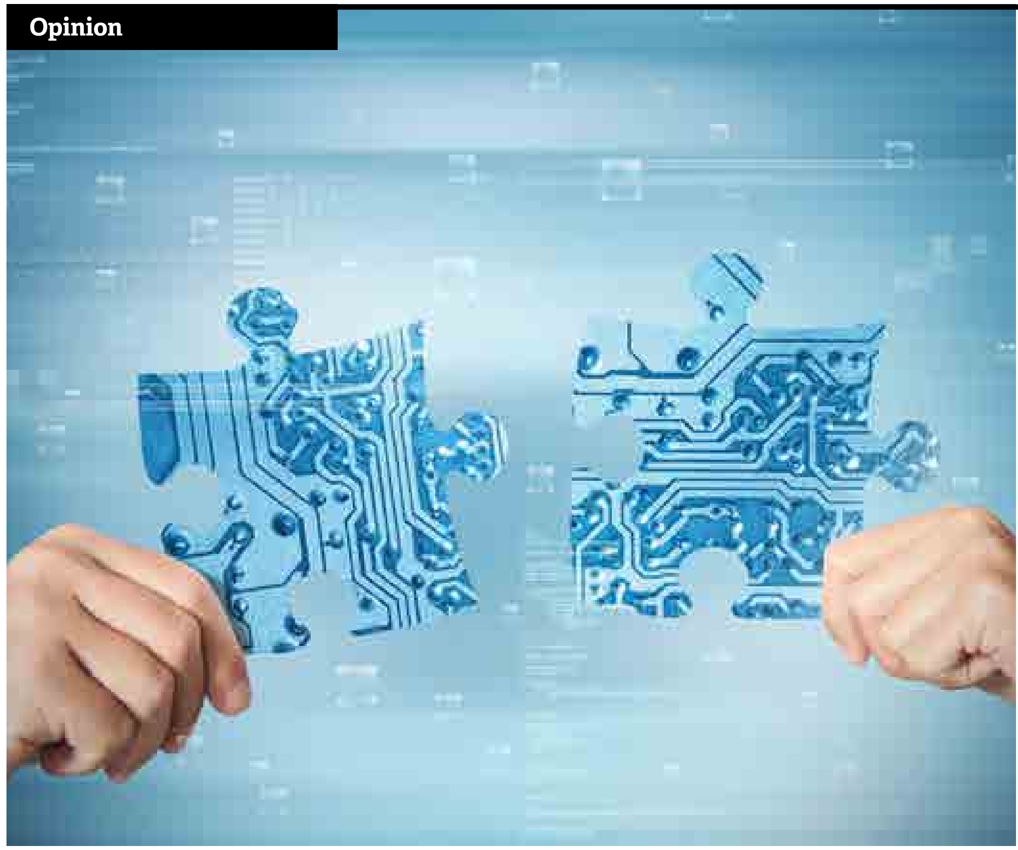

6. **Explore how you can use your website and social media to really engage with prospective and current clients.** Don't allow your firm to drift into complacency by believing your clients are not interested. Increasingly, the evidence suggests they will engage online.

7. **Implement client engagement tools to streamline the process whereby clients accept and pay for compliance and advisory services.** Tools like Practice Ignition allow firms to on board clients, create proposals, deploy workflow and collect client payments within one platform.

8. **Use collaborative tools to improve the sharing of knowledge and information internally.** Traditionally, emails and workflow management systems have been used. Firms should also explore Wikis, weblogs and collaborative online workspaces to create greater staff engagement.

9. **Explore the use of eLearning platforms to move from a centralised approach to training,** where people assemble for scheduled general training, to a decentralised approach when training is delivered on demand, to individuals and teams based on specific learning objectives.

10. **Engage with similar-minded firms to discuss what they are doing to effectively utilise technology to drive production and engagement with clients.** Be aware that few firms are doing it right. Most, like you, are struggling with the 'soft touch.'

Be aware that many of your clients are also struggling to really see how they can use technology to drive growth. A recent Deloitte report *Harnessing the bang; stories from the digital frontline* suggested that around two thirds of businesses are still not using cloud technology. Many still don't understand the positive impact that technology can have on how they run their business. This is a real opportunity for progressive accounting and advisory firms.

Of course, there will always be clients and firms who continue to do things the way they've done them in the past. For firms, increasing price competition will force their hand in the long run. For clients, they will also need to adapt to ensure that they have access to the same information and resources as their competitors.

Where should your firm start?

When implementing major change, it's best for firms to work in 90-day cycles. This gives you the opportunity to set some tangible short-term objectives and focus your team on what needs to be done.

As a first step, focus on client relationships and needs rather than available tools. Don't be sucked into purchasing a technology solution when you don't clearly understand the client need. A great place to start is with client engagement.

Month 1 - Identify areas of opportunity to engage with clients. Look at the client experience, what's working well, what could be improved. For example, go back to the client engagement process (scope of work, fee, and terms of engagement). What can you do better?

Month 2 - Explore tools and systems that are available or could be developed to drive the client engagement process. Often, the best place to start is with client understanding of scope of work, terms of engagement and fee for service. It's a lot more than simply providing an engagement letter.

Month 3 - Start to implement specific changes in the way the firm engages with clients. Pilot the process with some clients and get their feedback. Ensure that your team is committed to the process. Measure and monitor results.

Always remember to practice 'high tech with a soft touch'. Success in growing your firm is all about leveraging technology to improve relationships and communication with employees and clients.

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More changes from the 2015-16 federal budget to plan for

Practitioners need to communicate to affected clients the impacts from a raft of changes from the 2015-16 federal budget

by Tony Greco

The 2015-16 federal budget had small business front and centre with many positive changes being announced.

The increase in the small business instant asset write-off threshold and the small business tax cut changes for both incorporated and unincorporated entities received most of the attention.

There were also a number of other changes announced on budget night which practitioners need to plan for in the year ahead. One relates to how taxpayers can claim for work-related car expense deductions. Another relates to costs incurred when starting up a business, and last but not least, limiting the concessional treatment of salary-packaged entertainment.

Practitioners need to plan for and communicate these changes to clients who are likely to be impacted by these measures.

Car expense deductions

The government announced that it will simplify the car expense deductions for individuals. Prior to 1 July 2015, taxpayers could use one of the following methods to claim car expenses:

- cents per kilometre – capped at 5,000 kilometres
- logbook – unlimited kilometres
- 12 per cent of original value
- one third of actual expenses.

To simplify the rules, from 1 July 2015 the government abolished the one third of actual expenses method and 12 per cent of original value method.

> "It is important that these changes are communicated to practitioners' clients who might be impacted"

The cents per kilometre method (with the existing 5,000 kilometres cap) and the logbook method (with unlimited kilometres) will remain.

The cents per kilometre method will be simplified to use a standard rate of 66 cents per kilometre rather than a rate based on the engine size of the car. Individuals using larger cars that have an engine capacity greater than 1.6 litres will be disadvantaged. The logbook method is the most onerous option for calculating car expense deductions but some taxpayers may now find this option more popular given that the cents per kilometre may now not reflect actual running costs of running a larger vehicle.

Practitioners need to ensure affected clients are aware of these changes especially if they want to consider a change to the logbook method. In the first year of using the logbook method, one must be kept during the income tax year for at least 12 continuous weeks. That 12-week period needs to be representative of travel throughout the year.

If you started to use your car for business purposes less than 12 weeks before the end of the income year, you can continue to keep a logbook into the next year so it covers the required 12 weeks.

Immediate deductibility for small business start-up expenses

From 1 July 2015 small businesses have been able to immediately deduct a range of expenses associated with starting a new business, including professional, accounting and legal advice. Such outlays could only previously be deducted over a five-year period.

This allows small businesses and individuals to immediately deduct costs incurred when starting up a business, including government fees and charges as well as costs associated with raising capital.

This amendment does not extend the scope of what is currently deductible as they only apply to amounts that would otherwise give rise to a deduction under section 40 880 of the ITAA 1997, commonly referred to as black hole expenditures. Instead the amendments bring forward the time at which certain deductible expenditure can be recognised.

Immediate deductibility under these amendments is only available for a subset of expenditure that is deductible under section 40-880 – expenditure incurred in relation to a business that is proposed to be carried on.

The amendments do not apply to expenditure incurred in relation to an ongoing business or a business that has ceased to operate (including expenditure relating to the liquidation or winding up of an entity).

The amendments also further limit immediate deductibility to two categories of expenditure:

- expenditure on advice or services relating to the structure or the operation of the proposed business
- paying an Australian government agency fees, taxes or charges relating to establishing the business or its operating structure.

Advice or services relating to the structure of a business encompasses, for example, advice from a lawyer or accountant on how the business may be best structured as well as services such individuals or firms may provide in setting up legal arrangements or business systems for such structures.

Similarly, advice and services obtained in relation to the operation of the proposed business includes professional advice on the viability of the proposed business (including due diligence where an existing business is being purchased), and the development of a business plan.

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It also covers the costs associated with raising capital (whether debt or equity) for the operation of the proposed business including, for example, costs incurred in accessing crowdsourced equity funding, but not the direct costs of the capital itself such as interest, dividends or capital repayments.

Deductibility for advice and services does not include other expenses an entity itself may incur in relation to the operation of a proposed business (such as the cost of travelling to a particular location as part of assessing locations for a business).

If the claimant entity carries on a business in the income year, it must itself be a small business entity. Broadly speaking, the tax law defines a small business entity as an entity with an aggregate annual turnover of less than $2 million.

FBT concessions on salary-packaged entertainment benefits

The last of the budget changes to be covered by this article relates to salary-packaged entertainment. The government proposes amendments to the FBT rules to introduce a separate grossed-up cap of $5,000 for salary-sacrificed meal entertainment, and entertainment facility leasing expenses for certain employees of not-for-profit organisations. In addition all use of these salary-sacrificed benefits will become reportable.

The changes propose to limit the concessional treatment of salary-packaged entertainment benefits by:

- Removing the reporting exclusion in respect of salary-packaged entertainment benefits. This ensures salary-packaged meal entertainment and entertainment facility leasing expense benefits will always appear as part of an employee's reportable fringe benefits total which is included on their payment summaries.
- Removing access to elective valuation rules such as the 50/50 rule when valuing salary-packaged entertainment benefits to prevent unintended and excessively concessional values being applied to those benefits.
- Introducing a cap on the total amount of salary-packaged entertainment benefits that employees can be provided by exempt employers (covered by section 57A) and rebatable employers (covered by section 65J) that are subject to a reduced amount of FBT.

The changes are proposed to apply to the 2016-17 FBT year and all later FBT years.

For many years, the IPA has been advocating that the government should introduce a cap on the total amount of salary-packaged entertainment that employees can include as part of their remuneration package. There has been ample evidence over many years that this concessional treatment has been exploited beyond its original intended purpose. While we support the introduction of a cap for salary-sacrificed meal entertainment and entertainment facility leasing expenses, the proposed threshold of a grossed-up amount of $5,000 may be deemed too low for cash-strapped NFPs trying to attract and retain employees. The introduction of a cap will remove the exploitation of the concession and ensure that it is not unevenly used by employees on higher salaries.

As stated in the opening paragraph, it is important that these changes are communicated to practitioner's clients who might be impacted. All these changes have now been passed into law and taxpayers may want guidance from their trusted adviser on how best to adapt to the changing tax laws.

Technical

Our technical section keeps you abreast of the latest news and updates affecting the industry

Technical | Tax ruling

Small business CGT concessions– Case update

Two decisions in late 2015 highlight the alternate tests that must be satisfied in order to access the small business CGT concessions

by George Kolliou

George Kolliou is principal of Kolliou Tax Pty Ltd. He can be contacted at George@kollioutax.com.au

Taxpayers wanting to access the small business CGT concessions (SBCGTC) must satisfy either: the $6 million net asset test (MNAVT) or the $2 million turnover test (SBET) as well as the other precondition to access the SBCGTC – the active asset test.

The MNAVT and statute-barred loans

In Breakwell v FCT [2015] FCA 1471, on appeal from the Administrative Appeals Tribunal (AAT), the Federal Court held that the face value of a loan of over $1 million owed to a taxpayer had to be included in the MNAVT despite the taxpayer's argument that the loan was statute barred and had a market value of zero dollars.

The facts

The taxpayer was a beneficiary and the trustee of a discretionary trust that held units in a unit trust. The unit trust carried on a finance broking business. That business was sold giving rise to a capital gain to which the taxpayer was entitled. The discretionary trust (a connected entity of the unit trust) was owed $1 million by the taxpayer because the discretionary trust had lent that money to the taxpayer (presumably as the taxpayer was a beneficiary of the trust). The taxpayer argued that the discretionary trust could not recover the loan because it was 'statute barred' under the six-year state of limitations in the *Limitation of Actions Act 1936* (SA) and therefore the loan had no value. Similar legislation exists in other jurisdictions.

The AAT decided that the loan was not 'statute barred' as it had been legally acknowledged by the taxpayer, as trustee of the discretionary trust, by the signing of the accounts evidencing the loan and that the face value of $1 million should be included in the MNAVT.

The decision

The Federal Court dismissed the taxpayer's appeal and found that:

- The statutory time limit in section 35(a) of the *Limitation of Actions Act 1936* (SA) did not of itself extinguish the discretionary trust's claim in contract for the repayment of the loan because that section may provide a 'bar to the remedy' but not a 'bar to the cause of action'. The provision effectively provides a debtor or defendant with a defence to a claim for recovery of the debt and that defence could be waived by the debtor or defendant.
- Section 48 of the *Limitation of Actions Act 1936* (SA) allowed a court to extend the limitation period. The fact that the taxpayer was the trustee and the debtor beneficiary was relevant to this consideration because: an arms-length trustee would be expected to seek an extension to the limitation period; and the debtor beneficiary would be in a difficult position if limitation of action defence was raised when in his capacity as trustee of the trust he had fiduciary duties to act in the best interest of the trust.

> "This case highlights the non-tax technical issues that must be carefully considered when dealing with connected entity loans and transactions"

This case highlights the non-tax technical issues that must be carefully considered when dealing with connected entity loans and transactions, especially where a tax advantage is sought.

The SBET and receipts for disbursements

The $2 million SBET requires a determination to be made about what receipts or inflows are included in the turnover.

Section 328-120(1) of the ITAA 1997 provides that the 'ordinary income' of a taxpayer derived in the ordinary course of carrying on a business is included in the SBET. Obviously capital receipts and income from passive investments are not included in the SBET and the 'ordinary income' must be derived from the business being carried on.

In *Re PFGG v FCT* [2015] AATA 972 the taxpayer made a capital gain from the sale on mining tenements it held in Western Australia. In order to access the SBCGTC, a connected entity of the taxpayer (Drill Co) had to satisfy the SBET. The issue in this case was whether fuel reimbursements received by Drill Co from its clients had to be included in the turnover for the purposes of the SBET. If so, the SBET would not be satisfied.

The taxpayer argued that the fuel reimbursements were not the 'ordinary income' derived in the course of carrying on its business, and alternatively the fuel reimbursements were excluded from its turnover pursuant to section 328-120(3) of the ITAA 1997 as the receipts were from the sale of 'retail fuel'.

The decision

The AAT found, after reviewing case law and the explanatory memorandum to the bill introducing the SBET, that although the fuel reimbursement receipts were not regularly derived as part of the business, the receipts were to be included in the annual turnover.

The reimbursements were ordinary income and were derived from carrying on the drilling business. Further the AAT noted that the fuel reimbursement receipts were an incident of, or directly related to the business carried on by Drill Co.

As to the second argument the AAT found that Drill Co purchased and paid for the fuel, used it in its operations to provide the contracted drilling services to its clients and subsequently recovered the cost of the fuel from its clients.

There was no sale of the fuel to the client as there was no intention to transfer title to the fuel to the client as is required in a 'retail sale' and the exception in section 328-120(3) did not apply.

This case highlights the importance of determining what is and is not included in turnover for the SBET.

This article is for general information only and should not be relied upon without first seeking advice from an appropriately qualified professional.

Amnesty on related party LRBAs

The ATO has confirmed that a temporary 'amnesty' will operate to allow SMSF trustees the opportunity to review and amend related party loans that are not strictly arm's length dealings

by Bryce Figot & Rebecca James

Bryce Figot is a director of DBA Lawyers. He has worked predominantly in the fields of tax and superannuation over the past 10 years and holds a Master of Laws from the University of Melbourne

Rebecca James is an experienced self-managed superannuation fund lawyer, with expertise in advising accountants, financial planners, trustees and financial institutions on superannuation and taxation law matters

It is not uncommon for a related party to make a loan to a SMSF trustee to purchase a 'single acquirable asset' in accordance with section 67A of the *Superannuation Industry (Supervision) Act 1993* (Cth) (SISA).

The terms of such a loan, however, have been a vexed matter. It is trite to state that the borrowing provisions under the SISA do not provide any guidance as to the terms of the loan, other than requiring the loan to be limited recourse, such that the rights of the lender (or any other entity) as against the SMSF trustee are limited to rights relating to the asset acquired with the borrowing.

Thus there has been considerable uncertainty and varying industry views as to whether 'uncommercial' terms would result in tax or superannuation law consequences.

Amnesty on related party LRBAs

The position has now been clarified as the ATO have confirmed its view that the non-arm's length income (NALI) provisions in section 295-550 of the Income *Tax Assessment Act 1997* (Cth) (ITAA 1997) may apply to LRBAs.

In a stroke of pragmatism, the ATO confirmed at a meeting of the Superannuation Industry Relationship Network on 10 November 2015 that a temporary 'amnesty' will operate to allow trustees the opportunity to review and amend related party loans that are not strictly arm's length dealings. In particular, the ATO will not require related party LRBAs that are not on arm's length terms to be retrospectively adjusted, subject to the loan terms being amended prospectively.

The ATO has noted, however, that compliance resources are likely to be

allocated to reviewing LRBAs from 1 July 2016 onwards. However, if an officer discovers an uncommercial LRBA through usual audit activity in the meantime, the SMSF's income relating to the LRBA is likely to be taxed as NALI.

Similarly, the ATO have confirmed that if required to take a formal position in relation to an uncommercial LRBA ie. in a litigious situation or private ruling context, the ATO will adopt an approach consistent with ATO ID 2015/27 and ATO ID 2015/28.

Thus trustees would be prudent to put existing LRBAs on arm's length terms as soon as possible to avoid the SMSF's income relating to the LRBA being taxed at the non-concessional rate applying to NALI.

Background

The ATO confirmed in ATO ID 201/162 that a nil interest loan would not contravene section 109 of the SISA, as the arrangement was no more favourable to the lender than would apply if the parties were dealing on arm's length terms.

ATO ID 2010/162, however, only considered this particularly narrow aspect of the superannuation law.

As a result, a number of related parties entered into nil interest (or low interest) loans in connection with LRBAs.

Following a number of private rulings, the ATO released ATO ID 2015/27 and ATO ID 2015/28, which confirm that in certain circumstances, the NALI provisions may apply to income derived from an LRBA.

While fact specific, ATO ID 2015/27 and ATO ID 2015/28 provide persuasive guidance as to how the commissioner is likely to apply the NALI provisions in an LRBA context where similar facts exist.

To illustrate this point, the key facts of ATO ID 2015/27 for present purposes are as follows:

- a loan of several million dollars was repayable as a single lump sum at the end of the loan term, or earlier as agreed between the parties; the loan term was 20 years
- the interest rate on the loan was nil, or such other rate as agreed between the parties from time to time
- a first ranking mortgage in favour of the lender was granted over the assets acquired with the borrowed amount; no personal guarantees or other security was provided
- the amount borrowed was 100 per cent of the value of the assets to be acquired and held for the benefit of the SMSF.

In light of the circumstances outlined above, the commissioner formed the view that the arrangement gave rise to NALI on the basis that:

- the lender was not compensated for the opportunity cost in lending the principal or for the risk regarding the limited recourse nature of the loan and lack of other security, such as personal guarantees
- only a single lump repayment at the end of the (substantial) loan term was required
- the LVR was 100 per cent, particularly given the nature of the assets to be acquired and the limited recourse nature of the loans
- the income the trustee might be expected to derive was nil on the basis that an arm's length party would not lend on the terms set out above.

Next steps

Trustees should review any related party LRBAs to determine whether they were established and maintained on terms that are consistent with an arm's length dealing. Favourable loan terms that may suggest that a related party loan is not on an arm's length basis include:

- loans with 0 per cent or low non-commercial interest
- high loan-to-value ratios
- single lump sum repayment at the end of the loan term rather than regular periodic repayments.

If there is any doubt in this matter, the terms of the loan should be renegotiated between the parties to ensure the loan terms are consistent with ordinary commercial practice as soon as possible and in any event by 30 June 2016.

Keep in mind, however, that any variation to the loan terms should be permitted by the existing loan agreement and drafted in such a way that they comply with the borrowing provisions in section 67A of the SISA. DBA Lawyers can assist in documenting the variation to the loan term to ensure it is drafted in a manner that does not contravene superannuation law.

Importantly, the loan agreement should reflect a process of real bargaining between the parties and stand up to ATO scrutiny. Thus proper benchmarking is crucial. In practical terms this means approaching a number of unrelated lenders and comparing the loan terms they would offer to the SMSF in the particular scenario, and then ensuring that the related party loan mirrors the terms offered by the unrelated lenders.

While the ATO are yet to define a 'safe harbour' it is certainly prudent to mitigate the risks by having well-documented 'benchmark' evidence to indicate arm's length terms and conditions.

This article is for general information only and should not be relied upon without first seeking advice from an appropriately qualified professional.

Digital marketing for accountants

Digital marketing is a vital part of the modern accounting practice

by Michelle Polglase

Michelle Polglase is general manager at Practice Plus, a firm offering website and marketing services specifically designed for the accounting sector

When it comes to assessing accounting firms for the purpose of developing digital marketing strategies, from our perspective they tend to fall into two broad groups:

- Accountants in a traditional firm with a strong word-of-mouth referral network. The purpose of a website is to showcase their firm and they need a professional online presence.
- Accountants setting up their own practice.

They need a website that can help generate leads to grow their client base as quickly as possible.

The accounting industry is certainly undergoing rapid transformation, and becoming more competitive.

A website and a digital marketing strategy can take you beyond geographical borders, and conversations with both groups of accountants come back to discussions around the importance of content marketing.

Simply put, content marketing is where a business creates content that's designed to attract and engage with a target audience. It's this content that can form the basis of your digital marketing strategy.

Websites

To begin with, it's a good idea to regularly take stock of your online presence. Your website should help show your personality and help your firm stand out. Your unique point of difference needs be clearly stated.

Make sure your website showcases your brand to the best advantage and that you can easily capture leads for new clients making enquiries.

Consider how effective 'calls to action' on your homepage are for encouraging engagement. And make sure you check that your content is fresh and up to date as well. Regularly updating your website is great for SEO (search engine optimisation) purposes, and also helps to position you as an industry leader if you regularly provide updates on industry-relevant topics.

You only get one chance to make a first impression. Your website will often be viewed on a mobile device, so being mobile-friendly is a must. Then consider the visual appeal of your site, how easy it is to navigate, and the way your content is written. From there, you're ready to put together your digital marketing strategy.

Marketing is simply communication

Some of the accountants we talk with just find the whole idea of 'selling' their services and products quite daunting. We hear comments like:

- "I don't have the time"
- "I'm good at numbers, not words"
- "I tried for a few months, but nothing really happened"

Marketing is about communication – communicating the value of your brand, your products and services. It's also about communicating your passion for who you are and what you do. Industry leaders are also generous with sharing their expertise, giving rise to the catchphrase 'education is the new marketing'.

If you can write a regular blog post about a subject of interest to you, or industry trends, that can be a really good place to start. Find your voice.

eNewsletters

As you start to build your database, consider ways you can add value to your current clients on a regular basis.

Key tips for getting your digital presence started:

- Step 1: Write a blog post from your perspective on something that inspires you
- Step 2: Use this content in your monthly email newsletter
- Step 3: Post a link to your blog post out across your chosen social media channels
- Step 4: Test and measure
- Step 5: Rinse and repeat

We recommend integrating your website with Xero Practice Manager, for example, for automatic synchronisation of your contacts. You can set up market segmentation to get targeted email content to different industries.

The key is regularity – if you can touch base with your clients on at least a quarterly basis to provide value, you'll be front of mind for those referrals, too.

Social media

Social media is an effective way to expand your referral network. Many accountants we speak with are just beginning to explore social media options to find out what works best for them.

LinkedIn, as a professional network, is a great place to start. Set up both your personal profile and a company page; you can also join relevant groups and contribute to discussions. When you write that blog post on your website, you can then post the blog's link on LinkedIn. It's a great way to connect with your network and start to build your reputation as an industry expert.

Find out where your potential clients are. A Facebook company page can work well, especially if you encourage current clients to 'Like' your page.

Give Twitter a go – before you know it you'll be hooked. The very best thing about Twitter is the hashtag, which connects you to a topic. If you are at an industry event for example, you can have an instant connection to all participants, connected by the #hashtag. Take a look at #Xerocon and you'll see some interesting conversations!

Using a hashtag in your tweet can also get your comments out to a wider audience; link back to your website and that blog post you wrote and you'll start to see the power of social media. You can get down with Google Plus and get your teeth into Instagram or Pinterest, among others, if these help reach your clients.

The key is to commit time each week to some social media activity. Then set up a process via services such as Dlvr.It for automatic posting of your content straight out to your chosen channels, and start driving traffic to your website.

Benchmarking

Test and measure as you go to see what works best for your accountancy practice. Start with Google Analytics, and if you really want to dig deep you can set up custom URLs for each social media channel.

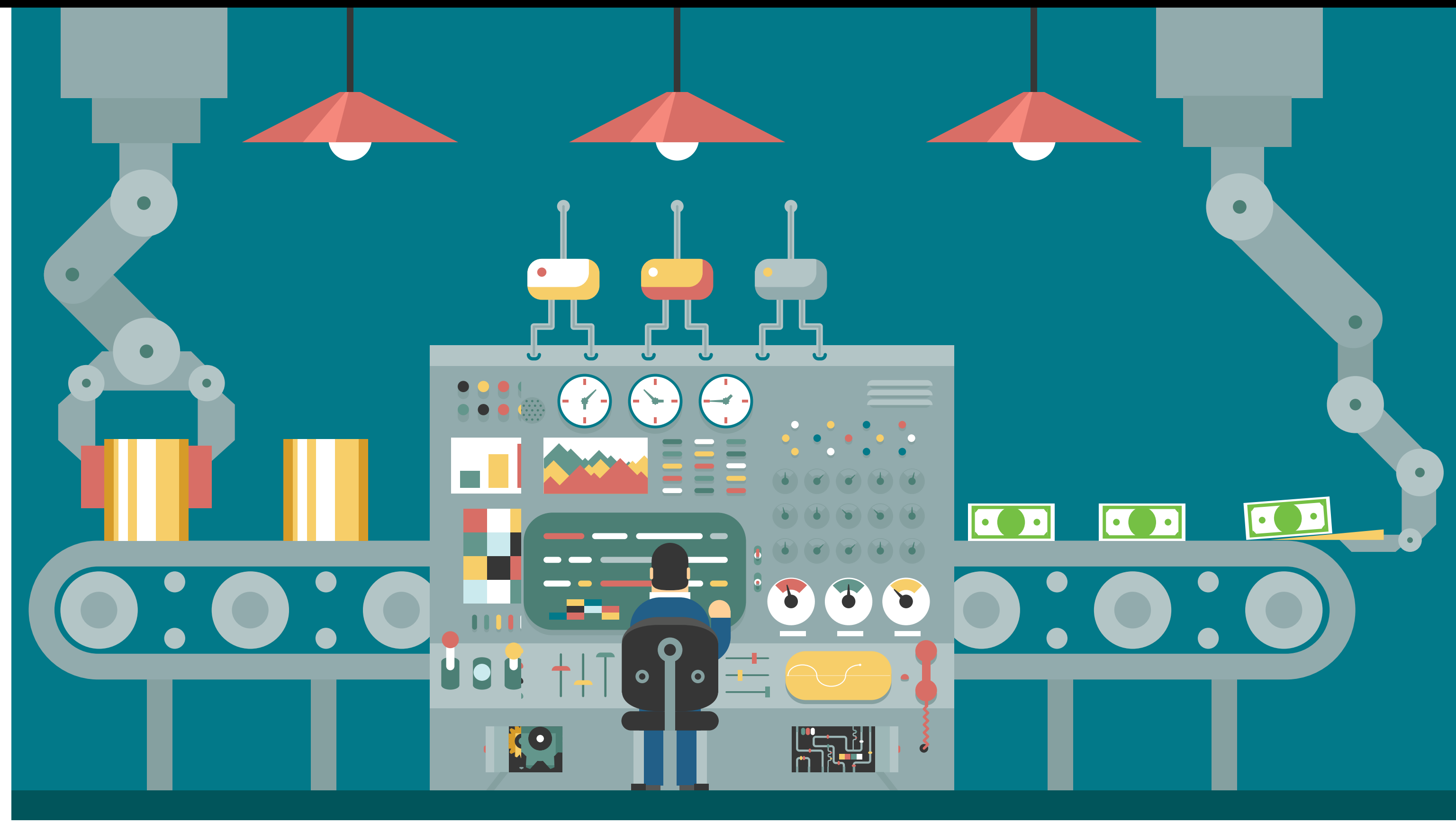
Analytics are freely available, either directly for each channel, or as an overview if you use Hootsuite or similar for bulk scheduling and posting. It can be very interesting to see your most effective blog post titles, or most popular tweets. And that gives you confidence to focus your efforts.

Make a start on actively marketing your business, and persevere!

How to deliver business advisory services

Follow these steps and you can be one of the 20 per cent of accounting firms that successfully implement business advisory services in a reasonable timeframe

by Mark Holton



Mark Holton is principal of Smithink. He can be contacted at Mark.Holton@smithink.com

Many accounting firms would like to offer business advisory services, and some make a tentative start in the right direction but in my experience, only around 20 per cent make a success of it within a reasonable timeframe.

Becoming an advisory-based practice really does have the potential to revolutionise your income, your lifestyle and your client relationships. Having the tenacity to push through the obstacles is what it takes to reap the rewards.

Over the past few years, I have personally observed SME clients becoming better educated about financial matters, and more aggressive in choosing their accountant. Coinciding with the advent of easy-to-use cloud accounting software and low-cost outsourcing options, this has led to compliance work becoming increasingly price-sensitive and commoditised.

Starting a business advisory service is not a decision to make lightly. The financial gains you stand to make are significant, but you'll need to make some sacrifices in order to achieve them.

You'll probably need to invest time and money in software and the upskilling of your team and you'll need to be prepared to push yourself out of your comfort zone – and to bring your colleagues along for the ride. It can be confronting to push through the discomfort of initiating more intimate relationships with your clients and giving them advice without initially knowing what the consequences will be. In other words you'll need to go out on a limb, both personally and professionally.

If you've decided you're up for the challenge of business advisory work, the single most important piece of advice I can give you is this: you're not going to succeed if you don't have a solid, proven implementation plan and the resourcing and capacity to systematically roll it out.

Let's look at the seven key steps to business advisory success.

1. Preparing your firm for success

The first critical step is to nominate someone to be the firm champion. Ideally, your champion should be someone who is strong and determined. With that in mind, some of the other issues I would recommend you give consideration to at the outset include:

- review your capacity
- ensure you have the necessary resources
- set solid targets
- make sure you can me asure success
- put the right systems in place.

2. Unlock your client's needs

You cannot service your clients effectively unless you know what they need and want. Business advisory is definitely not a one-size-fits-all proposition! But for many accountants entrenched in compliance work, the process of finding out what a client's needs are can be intimidating – especially when conducting your first few needs analysis meetings.

One technique to use with clients is to conduct a needs review. This discovery session, often run informally over a cup of coffee, is designed to find out what keeps the client awake at night. Key steps here are to find out from the client what their "gaps" are in relation to business strengths, weaknesses, risks, funding issues and succession plans. From there the identification of these gaps should lead to the creation of a customised proposal that addresses these issues in an easy to understand benefit-driven manner.

3. Create a disturbance in your client's mind

Being able to quickly demonstrate the value and validity of your advisory services to your clients is critical to success. So how will you do that?

Many SME owners want to know how much their businesses are worth, and often those business value assessments turn out to be beneath their expectations. The distance between expectation and reality creates an incentive for them to implement the changes. Alternatively, conducting a lending pre-assessment can help them understand whether they're likely to be able to access funding from lenders.

4. Analyse your client's financial performance

Step three was a historical review, looking at what's happened in the business so far. Next you need to add value to your client by looking into the future for them.

Effective utilisation of financial measurement and diagnostic software really can establish you as a true expert in your client's eyes. Just showing clients the effects that small changes such as "the power of one" can make to their profitability and cash flow can quickly have them viewing you as a genius!

5. Ensure your client implements action

Like it or not, you're competing for business advisory work with coaches and other advisers who often have less financial expertise than you and are often not as qualified to successfully influence your client's financial future.

It's up to you to be a business coach and diarise regular email reminders and phone calls to see how your clients are progressing – or to get your client service or practice manager to call and ask them. Regular enthusiastic contact helps your client keep moving. This is often the hardest part of making changes for them, so help them be accountable!

6. Service additional client's needs

Budgets and cash-flow targets should evolve as month-by-month action plans as a result of the financial analysis you performed for your client in step four of the 'enabler' process – and in many cases these disciplines alone will revolutionise the profitability of small businesses.

To maximise the potential of these engagement opportunities for your firm, you'll also need to have planned for these scenarios in advance, and have taken the time to develop either in-house expertise or a strong referral network.

7. Generate new business opportunities

As an accountant, sales and marketing is probably not your first love. But if you want your advisory practice to flourish, you'll need to develop a mindset in which you constantly look for opportunities, market them effectively and proactively sell them to your clients. Some suggested activities include:

- use social media, your website and email newsletters to continually position yourself as a trusted specialist adviser
- get actively involved in the industry and community that generates most of your work, and foster relationships with those in your centres of influence.

In conclusion

Once a firm is ready to start offering advisory services, it's a matter of deciding which clients are most suitable for advisory engagements, identifying their needs, working with them to get things happening, and then expanding the offer to them in your regular six- or 12-month board of advice review meetings.

Business advisory services offer a unique opportunity to develop and enhance an accounting firm's income, profitability and client service. Providing services really wanted by clients creates a platform for future financial success for clients and the practice. Systems and processes are the critical element to establish and follow to deliver quality service.

Technical | Complaints handling

Complaints handling: the lifeblood of customer engagement

Effective and efficient complaint handling processes are now a necessary part of service delivery

by Stephen Coates

Stephen Coates is an assurance and advisory specialist and national board member of the Institute of Internal Auditors – Australia

Online capabilities now make it easier than ever for customers to lodge complaints with organisations where they have an issue, are unhappy with service, or need rectification of a matter that has the capacity to prevent future sales.

While most businesses and companies handle complaints, very few are able to use that customer engagement to generate customer goodwill, achieve business improvement, and effect sustainable change.

While most organisations have a complaints process, very few regularly evaluate the effectiveness of their complaint handling. A review of complaint handling can uncover performance improvements across the business, not only in the handling of individual complaints, but also in the way your company does business.

Key points to ensuring an effective complaint handling process include a strong organisational culture, a fair and responsive approach, trained people and reliable processes, and an analysis and improvement regime.

Organisational culture

It is important that staff at all levels of your organisation understand and comply with your complaint handling policy. And if your organisation does not have a documented policy, perhaps it should be considered. Key to this is visible senior leadership oversight, trained complaint handling resources, and monitoring mechanisms. It is important the entire commitment to effective complaint handling is supported by robust information technology systems that allow for:

- real-time tracking of complaints (to better inform complainants)
- analysing complaint handling performance (to improve business process and product quality).

One indicator of strong organisational culture is whether complaints are regularly tracked and reported at a senior level within your organisation. For those looking to review organisational culture with regard to complaint handling, key questions include:

- Is complaint handling managed at a senior level within the organisation?
- Are complaint-handling staff formally trained and monitored?
- Do corporate systems support the complaint handling activity?
- Does analysis of performance drive improved processes within the wider business?

Fair and responsive

An effective complaint handling process is easily accessed by telephone, in person or online. It is transparent and ensures complainants are kept informed of progress. In particular, people with special needs should be assisted seamlessly. Unreasonable complainant behaviour should be managed professionally.

Ultimately the goal is to ensure genuine complaints are resolved as quickly as possible and unresolved complaints are efficiently escalated to resolution. Integration is the key, where dealing with complaints is part of business as usual, and all staff are engaged to ensure a committed outcome.

For those looking to review fairness and responsiveness of complaint handing, key questions include:

- Are complaints welcomed and treated as a normal part of business?
- Is the complaint process well understood, supported by written brochures and procedures, and available through multiple channels?
- Are complaint handling staff supported by robust and developed escalation systems?
- Does the complaint handling process integrate with the wider business to ensure accurate timely responses?

Trained people and reliable processes

Effective people management ensures the right people are matched to the right complainant. Complaint handling staff need to be non-defensive and good communicators who offer a warm and empathetic demeanor to customers. Above all, continual training is seen as a key to success in this area, with online monitoring and coaching to assist staff. Processes need to be documented clearly and be easy to follow. This includes:

- formally acknowledging complaints
- categorising and assigning priority
- conducting necessary investigative effort
- keeping the complainant informed of progress.

For those looking to perform a review of complaint handling, such as auditors, key questions include:

- Are response times publicised and complainants kept informed?
- Are categories of complaints used to inform business process, and improve overall company processes?
- Are investigations formally managed with defined inputs and outputs that meet management and customer expectations?

Analysis and organisational improvement

To maximise the effectiveness of complaint handling, routine analysis and organisational improvement needs to be considered. There needs to be regular analysis and reporting of complaint data trends to see what is going wrong and what can be improved.

For those reviewing complaint handing, key questions include:

- Is there a formal process to review and monitor the number of complaints and their resolution?
- Does the organisation assess the 'root cause' of the complaint?
- Could the products or services being sold be improved in terms of quality and durability to reduce the number of complaints?

Remember, sometimes your customer's only interaction with your company, other than through the sales process, is through your complaint handling process. A poor experience can cost future sales and damage your brand and market reputation.

> "It is important that staff at all levels of your organisation understand and comply with your complaint handling policy"

Register of members

The following list updates the Membership Register of the Institute of Public Accountants. The board of directors extends congratulations to all new members and to those who have advanced in status

Admitted as AIPA

New South Wales
Luke Atkins
Jim Bouzios
Mariella Cardillo
Stephanie Danusa
Sandra Fitzgerald
Filippa Gigliotti
Wei Gong
Jacqueline Hamilton
Manar Malek
Christa Mangioni
Andrew Mururi
Vandana Nand
Irene Panagiotidis
Priyatharshini Ponnusamypillai
Ambre Porret
Mhairi Shearer
James Sutherland
Nevin Takla
Roy Turner
Sami Ullah
Sabrina Young
Ling Zhang

Queensland
Tristan Coupe
Dean Loosmore
David O'Brien
Peter O'Toole
Chiranjivi Pinnamaraju
Jarmille Poggioli
Ha Sy
Maria Young

South Australia
Micheal Beaney
Tanya Bennett
Poh Won Chin
Leo Cleanthous
Sam Dahm
John Hardy
Jacob Henson
Dona Karunaratne
Lynlee Krek
Tracey McEachern
Donna Mearns
Mohan Nakkina
Alexander Pullar
Despina Rakkas
Luisa Rossi
Edward Watson
Joseph Wickenden

Victoria
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Sandra Bailey
Christopher Beeston
Geoffrey Bond
LiHuang Dai
Beshara Gabriel
Juthamas Harris
Stanly Jose
Penprapha Losuwan
Sarah Rosaia
Meelad Shlemon
Anton Sivapragasam
Sarah Thompson
Venessa Varalla
Xiaoni Wang

Western Australia
Alexandria Abishegam
Renae Adams
David Briggs
Natalie Fancote
John Metaxas
Mark Townrow

Overseas
John Ferrancullo
Charisma Tapnio

Admitted as MIPA

Australian Capital Territory
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New South Wales
Mary Anne Ayliffe
A H M Azam
Jundi Cao
Joshua Carey
Adel Gendi
Yani Ginting
Abdulaziz Hamo
William Horton
Mohammad Khan
Tanim Khan
Chong Liu
Ka Mak
Rebecca Mihalic
Ravinesh Nand
George Papas
Richard Plaskitt
Danny Sekuloski
James Solomons

Queensland
Christopher Baskerville
Susan Bradnock
Tafadzwa Buzuzi
Yuvaraj Chandriah Thandu
Kenneth Matheson
James McGaw
Gordon Millar
Rohan Norris
Gary Parsons
Steven Reibelt
Steven Smith

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Nicoletta Allen
Alexander Nikula

Tasmania
Gabrielle Osborne

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Sharon Carter
Michael Cohen
Radha Cumarasamy
Danielle Eisele
Leah Fortaleza
Romulae Gadaoni
Kevin Gausden
Ali Haddarah
Darma Hadi
Shannon Halliwell
Ashok Kumar
Julia Morgan
Michelle Mulligan
Nicholas Pateras
Anna Plugge-Sarucco
Brendan Porter
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Harpreet Sandhu
Malki Singh
Nicholas Starkie
David Streader
Kenneth Waite
Chaithanya Yenamandra
Mary Zaccari

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Paul Gilbey
Barry McEloney
Ross Norrie
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Guo Zhongrui
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Zhao Yan
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Zhou Hong
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Zhou Lin
Zhu Xianqun

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Malaysia
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Register of members

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Thiyagarajan T SMuhammad
Abdulrahman
Jeba Abraham
Dulacha Galgallo Barako
Chidinma Cyprian Egbudom
Ngondi Owona Francis
Hareesh Haridas
Subhanakumari
Waqar Hussain Malik
Kwemo Foze Marcellin
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Arshad
Francois Onguene
Ashishkumar Patel
Honba Patient
Minkeng II Pierre
Amany Rashad
Labe Roger
Majid Sharif
Indu Sreedevi
Christopher Twyford
Lee Yap

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Muhammad Shahid Abdul
Rahim

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Anthony Tripolino

Queensland
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Lara Knight
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Western Australia
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Overseas
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Wendy Smith

Malaysia
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Hong Kong
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Lai Ping Lui
Mun Chong Shiu
Mun Yee Tam
Chun Sing Sam Wong
Henry Gee Hang Wong
Tsz Yan Wun

Overseas
Eric Hoo Ming Chun
Somsanith Ninthavong

China
Chen Yumei
KWOK Chun Chi
Liu Ying Xuan
Wong Hei Ching
Yip Hoi Ling
Zhang Quan

Deceased

The board of directors notes, with regret, the passing of the following members:
Margaret Dias, MIPA, *New South Wales*
David Bampton, MIPA, *South Australia*
Valeria Dennis, FIPA, *New South Wales*
Fay Stanger, FIPA, *New South Wales*
Keith Matson, FIPA, *Queensland*

Tribunal findings

The following details the most recent findings of the IPA Tribunal. The board of directors would like to stress the importance of ethical behaviour for all IPA members

Disciplinary Tribunal Findings
05 June 2015

Member Name Withheld - FIPA
The IPA Board Disciplinary Tribunal of 5 June 2015 considered the following case presented against the member:

a. Breached clause 98(2) (a) of the IPA Constitution as the member allegedly breached the IPA By-Laws in particular clause 9.1.9. It is alleged the member held an IPA certificate of public practice but failed to complete the IPA public practice quality assurance ("PPQA") review as requested;

b. Breached clause 98(2) (h) of the IPA Constitution as the member allegedly failed to comply with a reasonable request made by an Officer of the IPA. The member failed to complete the PPQA review as requested; and

c. Breached clause 98(2)(f) of the IPA Constitution as the member is allegedly guilty of conduct which is not in the best interests of the IPA. The above constitutes conduct that is not in the best interests of the IPA.

The Tribunal denied the member's request for an adjournment of the matter. The Tribunal resolved that the member is required to complete the PPQA questionnaire within 30 days. Failure to complete the PPQA questionnaire within this period will result in the member's membership of the IPA being suspended until the PPQA questionnaire is completed and costs of $550.00 imposed.

Disciplinary Tribunal finding
11 December 2015

Peter Frederick Brennan FIPA
The IPA Board Disciplinary Tribunal of 11 December 2015 determined that the following case presented against the member was proven:

a. Breached clause 98(2) (a) of the IPA Constitution as the member breached the IPA By-Laws clauses 2.1.2 and 2.1.3 and in particular APES 110 - Code of Ethics for Professional Accountants. ASIC disqualified the member as an approved Self-Managed Superannuation Fund ("SMSF") auditor after finding the member's work to be deficient in auditing SMSFs, in particular the member failed to obtain sufficient evidence about the funds' compliance with the Superannuation Industry (Supervision) Act 1993 and therefore a number of significant contraventions were not identified and the member failed to provide written audit reports for the funds;

b. Breached clause 98(2) (b) of the IPA Constitution as the member failed to observe a proper standard of professional care, skill or competence. The above constitutes a failure to observe a proper standard of professional care, skill or competence; and

c. Breached clause 98(2)(f) of the IPA Constitution as the member is guilty of conduct which is not in the best interests of the IPA. The above constitutes conduct that is not in the best interests of the IPA.

The Tribunal further resolved that the member is censured and required to pay costs of $550.00.

Details of three other cases presented at the Tribunal of 11 December 2015 can be found in the complete listing of Tribunal findings on the IPA website (http://www.publicaccountants.org.au/about-us/complaint-investigation-member-disciplinary-action/disciplinary-tribunal- decisions).

Business directory

To advertise in the business directory, contact Jordan Coleman on (02) 9922 3300 or at jordan.coleman@sterlingpublishing.com.au

THE IMPORTANCE OF INDUCTIONS

Inductions are an important process that contribute to the overall success and unity of a firm

How does my hair look? I hope my shoes aren't scuffed. Did I shake my boss' hand too tightly?

Let's face it: new staff members have many trivial matters on their mind when easing themselves into a new working environment. It is therefore of vital importance that accounting firms blood their new employees correctly, and ensure that the transition into their new surroundings is a smooth one.

"New staff generally make up their minds in the first six weeks as to whether they have made the right decision to join a company," says Elizabeth Nunez, director of national human resources for RSM Australia. "If companies get the induction process right, they will have more success in assimilating new staff into the culture, and the business."

Ms Nunez notes that new staff are often overwhelmed with the amount of information they are given in their first few weeks, leading to unnecessary stress and a distinct lack of knowledge and information that is ultimately retained.

Ms Nunez says a new staff member's induction can easily be divided into three parts:

- HR induction: company policies, processes and paperwork
- company orientation: assimilation into the culture, the work environment, products and services
- role/team induction: understanding role, responsibilities and key stakeholders.

"It's important to train new hires on the company and their role using a phased approach, ensuring they first understand the business, the culture and the environment will help fast track their on-the-job learning," she adds.

Ms Nunes says it's important for firms to remember that first impressions really do count.

"RSM Australia often receives comments in its exit surveys about departing employee's impressions from their first few weeks at the firm."

"The role of the manager is to get them excited about their new role, and the role of the team is to make them feel welcome."

As firms move towards the business advisory model, graduates will be expected to enter client-facing roles, however Ms Nunez stresses that they will need to understand the basics of communicating with clients in a corporate environment before this can happen.

"At RSM Australia, as part of our graduate induction week, we provide graduates with training in this area to help them build their skills, and continue to build on this throughout their career.

"The next step is then to go out to as many client meetings as possible, and observe how more experience staff operate. Taking on board feedback is also a crucial way for them to learn from the experts."

Top tips:

1. Don't overload new employees with too much information.
2. Ensure new staff understand your firm's culture before they interact with clients.
3. Help new employees to settle in. The role of the manager is to get them excited about the position, the role of the team is to make them feel welcome.

Read this article online at pubacct.org.au