



Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

CFO version 2.0

inside
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The chief financial officer is no longer numbers focused – the new CFO is a leader driving strategy



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June / July 2016

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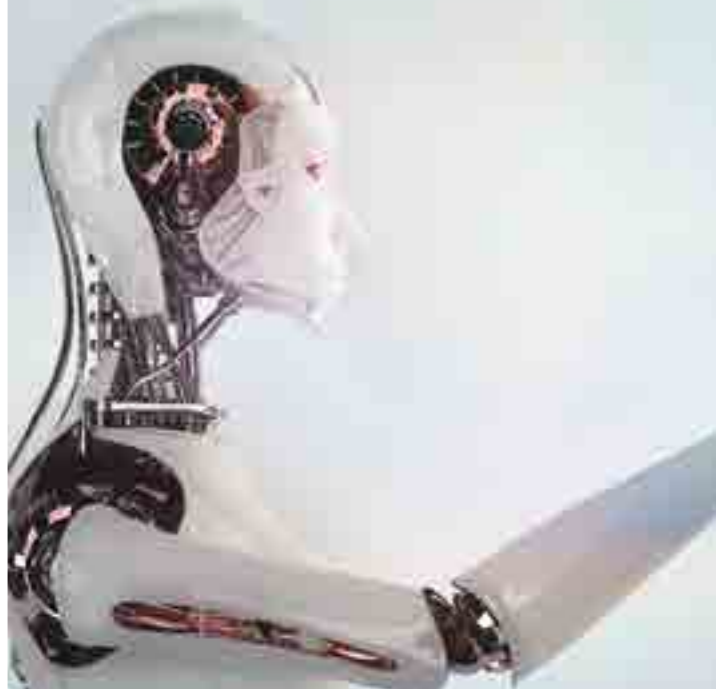
by Michael Masterman



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Exciting times for the IPA



The IPA's international growth continues to be strong, and China is our fastest-growing region.

Each year the IPA hosts delegations from China in Melbourne and provides the visiting members with a plethora of training and professional development opportunities.

Noting the importance of our China members and of the valuable insights to be gained from this market, we are turning the tables. This month, the IPA will be conducting a business delegation of Australia members in Beijing.

Our CEO Andrew Conway will lead the delegation along with our deputy president Damien Moore. This delegation is a first for the IPA and will highlight commercial opportunities following the historic China-Australia Free Trade Agreement, which came into force in December 2015.

The education program will feature three days of seminars and site visits, providing delegates with the opportunity to become familiar with Chinese markets, identify potential business partners and strengthen cooperation with accounting professionals in China.

Organisations participating in the program include Austrade, the Victorian Government, Shining Certified

Tax Agents International (Beijing) Co Ltd, Beijing National Accounting Institute and Ruihua Accounting.

In addition to the quality education program, the delegates will immerse themselves in the rich history and culture of China with visits to the Summer Palace, Tiananmen Square and the Great Wall.

It is fantastic to see such a broad spectrum of members attending; at the time of printing we have 23 attendees registered from all across Australia, some who have only been IPA members for a matter of weeks and others who have been with us for 35 years.

I wish the delegation all the best and look forward to hearing about their learnings upon their return.

On another note, I wish to congratulate our CEO Andrew Conway, who has gained yet another accolade. Andrew has been presented with a Vice-Chancellor's Distinguished Fellow award by Deakin University.

The award bestows responsibility on the recipient to work with the Vice-Chancellor to assist Deakin University to prosper and grow over the next two years.

Andrew has always been committed to the education sector here and internationally, including his current professorial appointments both in Australia and overseas – this is a well-deserved recognition.

Wendy Leegel FIPA FFA



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Reflecting on the budget



In writing this report to you, we are fresh from the federal budget of May and heading to an Australian election next month.

As I reflect on last month's budget, I would say it was a 'mixed bag' and an 'election sweetener'. However, that is no surprise considering the timing of it and the fiscal budget deficit this nation faces.

The 'mixed bag' obviously means some good news and some not-so-good news. On the good news front, the budget delivered a further reduction in the income tax rate for small business (from 28.5 per cent to 27.5 per cent for 2016-17) combined with an increase in the eligibility turnover from \$2 million to \$10 million for incorporated businesses. There is no doubt this will be well received by an additional 90,000 small businesses.

They will also be eligible for other small business tax concessions (including the \$20,000 instant asset write-off).

Unincorporated small businesses don't completely miss out. The benefits are being extended by increasing the

“On superannuation, the IPA believes the reduction on concessional caps to \$25,000 per annum for all individuals is a trade-off”

eligibility turnover threshold from \$2 million to \$5 million pa, and increasing the discount to 8 per cent (and 16 per cent over the next decade). We are disappointed that the \$1,000 cap per annum remains and we will continue to advocate for this cap to be raised.

Addressing the bracket creep issue is also a positive with changes for those earning between \$80,001 and \$180,000 being extended to \$87,000; this is good news for both individuals and the unincorporated small business owner.

On superannuation, the IPA believes the reduction on concessional caps to \$25,000 per annum for all individuals is a trade-off.

While some measures are positive (such as the Low Income Superannuation Tax Offset and extending access to concessional contributions to those partially self-employed/partial wage earners), there are other measures that present a backward step, such as the reduction on concessional caps to \$25,000 per annum for all individuals.

Limiting the capability to contribute to the adequacy of superannuation undermines the objectives of the system to provide income in retirement to substitute or supplement the Age Pension.

There is no doubt there will be much rhetoric to be heard as we move towards next month's election on 2 July.

Andrew Conway FIPA FFA

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IPA

A good news budget for small business

The 2016-17 federal budget has delivered more good news for small business, according to IPA chief executive Andrew Conway. “Last year’s budget delivered some steps in the right direction, with tax cuts and asset write-offs, and this year the government has kept to their word when it comes to supporting the most critical sector of our economy,” Mr Conway said. “A further reduction in the income tax rate for small business (from 28.5 per cent to 27.5 per cent for 2016-17) combined with an increase in

the eligibility turnover from \$2 million to \$10 million for incorporated businesses will be well received by an additional 90,000 small businesses,” he added. “They will also be eligible for other small business tax concessions (including the \$20,000 instant asset write-off).” Mr Conway stressed that unincorporated small businesses will not completely miss out, with benefits to be extended thanks to an increase in the eligibility turnover threshold from \$2 million to \$5 million per annum.

According to Mr Conway, addressing the ongoing issue of ‘bracket creep’ represents a positive development. “Addressing the bracket creep issue is also a positive with changes for those earning between \$80,001 and \$180,000 being extended to \$87,000; this is good news for both individuals and unincorporated small business owners,” he said. “We acknowledge that the government is relying on the ‘growth dividend’ from these measures to reduce the budget deficit. Until then, we are walking on a tight rope.”

This page
Right top:
MC and host
Steve Price kicking
off the panel

Right bottom:
Hon Dr Peter Hendy MP,
Hon Dr Andrew Leigh
MP and Andrew Clennell
from *The Daily Telegraph*

Opposite page
Left top:
Hon Dr Peter Hendy MP

Left bottom:
From left to right -
Michael Pachi
(Macquarie Media),
Andrew Clennell,
(*The Daily Telegraph*),
Hon Dr Andrew
Leigh MP and
Hon Dr Peter Hendy MP

Right top:
The Great Hall,
Parliament house,
Canberra

Right middle:
Hon Dr Andrew Leigh MP

Right bottom:
Hon Dr Peter Hendy MP



The 2016 federal budget breakfast

On Wednesday the 4 May the IPA hosted its annual Federal Budget Breakfast in the Great Hall of Parliament House in Canberra. An audience of more than 600 people witnessed journalists Andrew Clennell (state political editor, *The Daily Telegraph*) and Michael Pachi (national political editor, Macquarie Media), along with host and MC Steve Price (2GB) firing questions at the Hon Dr Peter Hendy MP and the Hon Dr Andrew Leigh MP.



The 2016 IPA annual pre-budget lecture and dinner

On Monday 2 May, the IPA held its annual pre-budget dinner at the National Press Club in Canberra. IPA members and stakeholders were invited to hear from David Morrison AO, the Australian of the Year, about his experiences as Chief of Army and the leadership role Mr Morrison has played in championing gender equality and diversity.



Leadership

During the evening, Mr Morrison gave a keynote speech on culture, diversity and leadership, elaborating on his views on what makes a good leader.

"I think that there are three central tenets to good, effective leaders and that are common whether you are leading an accountancy firm, or an investment bank, or an army, or a nation. The first is that leaders understand that they operate and exercise their leadership only in the human domain, that we manage so many things in our lives, our profit and loss sheets, our inventories, our diaries, our organisational charts but we only ever lead people. And we only get the chance to lead people because they make a voluntary choice to follow.

"The second thing that good leaders do is that they see their world in the context of the broader world. You can be an effective accountant, or an effective general or an effective banker or indeed even an effective member of an elected assembly, but you can only be effective if you are continually referencing your world, your professional world, to what is happening around you.

"And there's a third thing that leaders do too, and that is stand next to the problem and be identified with it."

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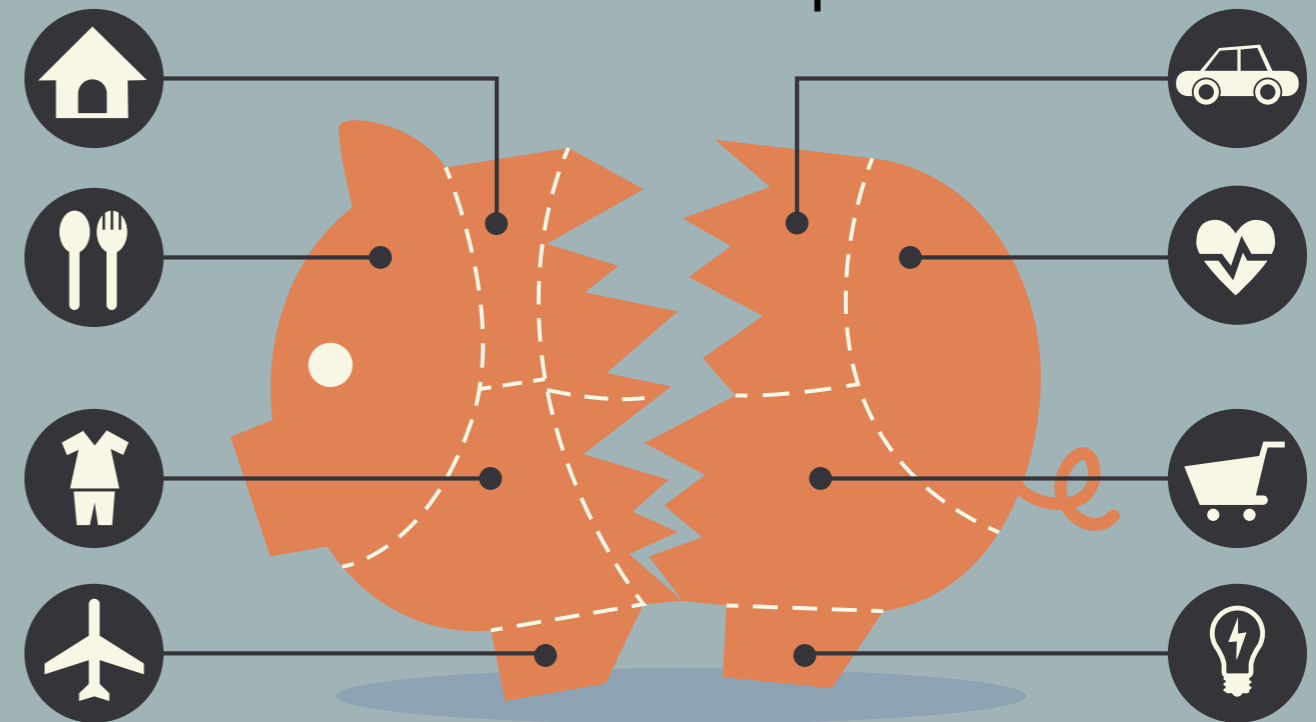
Top:
IPA CEO,
Andrew Conway FIPA

Middle:
David Morrison AO

Bottom:
IPA board members,
members and
stakeholders
surrounding
guest of honour
David Morrison AO

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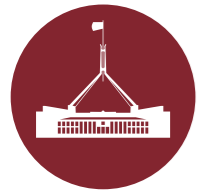
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To find out when the Roadshow will be in a city near you and to register, go to publicaccountants.org.au/2016-tax-roadshow
1800 625 625





“The changes are a step in the right direction. The existing SBT is very restrictive and can lead to the stifling of innovation”



IPA submissions and views

The IPA's latest submissions cover everything from telecommunications to financial statements and tax incentives.

Access to company losses – Tax and Superannuation Laws Amendment (2016 National Innovation and Science Agenda) Bill 2016: Access to company losses (Exposure Draft)

IPA made a submission on the abovementioned exposure draft aimed at addressing long-standing issues with some companies carrying forward and claiming income tax losses.

The changes are a step in the right direction. The existing 'same business' test (SBT) is very restrictive and can lead to the stifling of innovation to ensure that existing losses remain available. Any steps to liberalise the SBT would be good for the economy and for taxpayers.

The existing SBT rules that determine whether companies can use past losses to reduce

taxable income are not fit for purpose in an environment that requires companies to quickly adapt to changing circumstances. The SBT is restrictive and can lead to barriers to innovation. It has been interpreted very narrowly, inhibiting a company's ability to adapt by discouraging companies seeking new investors and exploring new profit-making activities.

The SBT particularly disadvantages small companies or a start-up, which may only have one income stream as opposed to larger more established companies, which can offset the losses from one business activity against another activity in any given year.

While we are supportive of the relaxation of the SBT

rules, the proposed changes to address the long-standing issues may not achieve the desired policy intent due to the uncertainty it creates. Our main concern is the requirement that changes made to the business are ones that would be reasonably expected will result in ATO officers and taxpayers needing to obtain evidence of what such businesses would do. This requires either a large degree of business experience – which ATO officers may not have – or a potentially expensive and time-consuming evidence collection exercise.

Lastly, we recommended the retrospective application of the relaxation of the SBT rules be considered to allow businesses with existing carried forward tax losses to innovate and grow. As a result of the global

financial crisis, a number of businesses may still be utilising carried forward tax losses and may be hesitant to adjust their businesses in case they fail the Continuity of Ownership Test and have to rely on passing the SBT.

Review by House of Representatives Tax Committee into scrutiny of the ATO

The IPA responded to a review into whether the current level of oversight of the ATO is appropriate. The IPA's position was that the current level of oversight contributes to greater public accountability and transparency of the ATO's administration of the tax system, and this needs to be maintained to ensure public trust is maintained in our self-assessment tax system.

Objective of superannuation

The IPA provided a submission into the discussion paper on the Objective of Superannuation System. Our retirement savings system has many good features explaining why it ranks well internationally, but it has areas in need of improvement. Given its piecemeal changes since its introduction and its significance in terms of size, it is important to revisit its principal purpose. The recent Financial System Inquiry (FSI) has recommended some important changes to improve some of these anomalies in our retirement savings system that encompasses superannuation. One of the recommendations of the FSI is to develop and introduce legislation to enshrine the objective of the superannuation system.

It appears ironic that we need to go backwards to go forward, but we are of the view that this is an important step in the evolution of our retirement superannuation system to address some of its anomalies and stop the constant tinkering that discourages trust in the system. While the initial objective has fulfilled its principle purpose, it needs to be updated to reflect the expectations of today's members and the broader community.

We agree that an updated legislated objective will serve as a guide to future reforms assisting policy-makers, regulators, industry and the community about superannuation's fundamental purpose. We support a legislated primary objective supplemented by a number of subsidiary objectives as a single primary objective cannot encompass all aspects of the purpose and attributes of the superannuation system.

At the heart of the objective behind superannuation is the goal to achieve better retirement

outcomes. Formalisation of agreement on purpose will clarify policy intent, and simplify future policy decisions and their implementation. Any reform policy proposals need to be consistent with achieving the agreed objectives of our superannuation system. An agreed objective will provide a way in which competing proposals can be measured and a framework for evaluating the fairness, adequacy and sustainability of the superannuation system. An agreed objective should lead to more stability in policy in the long run and bring an end to ad hoc policy changes that have been driven by budgetary and election cycles. Our superannuation system is already doing well in regards to its principle purpose, and enshrining its purpose will provide an enduring reference point to guide future decision making by all policymakers as well as instil community confidence in superannuation.

Superannuation Competitiveness and Efficiency – study by the Productivity Commission (PC)

The IPA made a submission to the PC that addressed such issues as: within the current policy settings, what are the objectives against which the efficiency and competitiveness of the superannuation system should be assessed, and how prescriptively should the objectives be expressed? The IPA considered adequacy, sustainability and integrity of the system. The IPA also analysed performance benchmarks; data reporting formats; international comparisons; competition and the impact on superannuation; and achieving economies of scale.

Exposure Draft ED 270 Reporting Service Performance Information – AASB

In its submission to the AASB, the IPA strongly supported the broad principles of the draft standard and believes the proposals support accountability, transparency, and that it is useful for decision-making purposes. Notwithstanding the significant contribution both the public sector and private Not-For-Profit (NFP) entities make to communities and the environment, they also make a significant contribution to the Australian economy. It is our view that Reporting Service Performance Information is required to enhance public trust, as financial statements alone do not tell the user whether the key objectives of the entity have been successfully achieved.

Exposure Draft issued by the International Ethics Standards Board for Accountants (IESBA), 'Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1'

In general, the IPA supported the changes to the structure of the code and believes the changes will increase clarity and understanding of the fundamental principles and complying with the conceptual framework. We do, however, see some limitations to the enforceability of the code, particularly among individual professional accountants and professional accountants in business. Further, independence requirements that are both enforced and scrutinised by the public may continue to overshadow other important aspects of the Code (which we see as an unintended consequence). 📌



Industry gripped by 'pool of underdeveloped professionals'

One recruiter has claimed that the accounting industry's current learning and development practices are not effective, leading to serious repercussions for succession planning and recruitment.

Louise Pope, director of Aequalis Consulting, said the measures in place within the accounting industry do little to develop the skill set of practitioners, with learning and development practices currently ineffective.

"As a result, organisation performance suffers and there is a pool of accounting professionals [that is] underdeveloped," said Ms Pope.

According to Ms Pope, the growth in technically specialised and strategic roles will have a fundamental effect on the future of talent across accounting organisations.

"It is paramount organisations have talent programs in place to develop technical skills [...] focusing on training future business leaders who must hold the necessary commercial and soft skills increasingly required at the top level."

Ms Pope noted that firms needed to be realistic in their succession planning implementation, and develop employee

propositions with true career development at the heart of the model.

"Jobs aren't for life anymore, and being set for life on the road to partnership is a thing of the past. These graduates are likely to change company 10 times before they are 40."

She added: "They aren't interested in staying with the same organisation, all the more reason for firms to implement succession planning."

Demographic shortages due largely in part to the retirement of the Baby Boomer generation and a failure to recruit young graduates into the industry during the 90s has also had an impact on the current state of the profession, Ms Pope continued.

"The recruitment of young graduates into the profession was not sufficient to provide an adequate pool of future demand."

She said: "As the roles of accounting professionals change, and the skills needed to perform these roles evolve, there is a considerable gap between demand and supply of skills that the organisations need. Succession planning isn't a luxury, it's essential."

- *AccountantsDaily*, 1 Apr

Adviser sentenced and fined

A turnaround specialist has been convicted of dishonestly aiding, abetting, counselling or procuring another director to breach their director duties. Stephen Charles Hall, a director of Eagle Business Solutions Pty Ltd (EBS), has been convicted and ordered to pay a fine of \$6,600.

Hall, of the Gold Coast, and EBS provide turnaround business advice to directors of companies experiencing financial difficulties. An ASIC investigation found that Hall cold-called a director who had received an ATO wind-up notification. Hall aided him to dishonestly use his position to conceal the actual ownership of company assets from the liquidator. In doing so, the director attempted to prevent the liquidator from realising the assets of the company that could have been used to pay outstanding debts owed to creditors. The director also attempted to gain a benefit when he continued to assert control over the company assets for his own benefit.

The misconduct took place from 10 September and 20 December 2013.

ASIC Commissioner Greg Tanzer said gatekeepers, such as business advisers, lawyers and accountants, are trusted to give advice that is lawful and in their clients' best interest. As a result of the conviction, Hall will automatically be disqualified from managing a corporation for five years.

On 26 April 2016, Mr Hall appeared in the Southport Magistrates Court and pleaded guilty to section 184(2)(a) of the Corporations Act as applied by clause 11.2(1) of the Commonwealth Criminal Code, in that he aided, abetted, counselled or procured another director to use his position as a director with the intention of directly or indirectly gaining an advantage for himself.

- *AccountantsDaily*, 29 Apr

Planning beats 'hackwork'

More accountants will conclude they have to expand their value proposition and diversify their revenue to hang on to existing clients and win new ones, according to the co-founder of GPS Wealth, Greg Holman.

Mr Holman believes that despite the relatively slow take-up of licensing by accountants, they are being compelled by digital disruption to scale back the amount of traditional "hackwork" that they are doing. He said this would drive an increasing number to get qualified and licensed to provide a broad range of financial services.

"The hackwork traditionally done by accountants around preparing and lodging BAS and tax returns is increasingly being done in-house by bookkeepers using cloud-based accounting software, which means accountants must expand their value proposition in order to combat digital disruption and build sustainable businesses," he said. "It's likely many more will conclude that they must expand their value proposition and diversify their revenue to hang onto existing clients and win new ones."

- *Money Management*, 1 Apr



Ernst & Young trials virtual EAs

Ernst & Young is testing the use of "virtual executive assistants" based in the Philippines with senior staff in Australia, in an effort to cut costs and stop qualified staff wasting time on administrative tasks.

EY has completed a four-month pilot with approximately 20 equity partners and directors, which looks set to become a permanent feature of the way support services are delivered across the firm.

It has big implications for the future of work in the lead-up to a federal election when employment is front and centre, and business confidence is subdued.

A PwC report, *The STEM Imperative: Future Proofing Australia's Workforce*, puts secretaries and personal assistants among the professions at high risk of "digital disruption" in the next 20 years, along with accountants, cashiers and administration workers.

Cost is the main driver behind the EY pilot. The firm pays between \$50,000 and \$95,000 for an executive assistant in Sydney or Melbourne, while popular Malaysian job portal JobStreet puts the cost of an executive assistant in the Philippines between \$5,000 and \$20,000 a year.

EY Oceania chief operating officer Tim Eddy, a key supporter of the program, said feedback from trial participants has been mostly positive.

- *AFR*, 26 Apr



Graduate employers offer \$9,000 more for digital skills

Employers are offering up to \$9,000 extra in salary for young professionals with presentation and digital skills.

An average employer offers \$8,853 more for an early career job that requires presentation skills, \$8,648 more for digital skills and \$3,129 for creativity, the latest research from Foundation for Young Australians shows. The research is based on 4.2 million job advertisements from 2012 to 2015 in Australia for entry-level and early-career roles requiring up to five years' work experience.

The research also shows a recent surge in employers' demand for digital skills. The number of advertisements requiring 'digital literacy' more than doubled over the past three years, while advertisements requiring 'creativity' increased 65 per cent.

PwC skills services organisation lead Sara Caplan said: "Every job now involves technology, and this means not just using emails and using spreadsheets. Social media is a huge part of many jobs now, and there is a lot more automation in the workplaces."

- *AFR*, 20 April

IPA in the media

The IPA has attracted media attention on a range of issues, including superannuation, trade and tax reform



Loan guarantee

“There is a strong case for designing and implementing a loan guarantee program in Australia to help remedy the specific problems of smaller and younger start-ups unable to finance new investment opportunities through normal commercial channels.”

– Andrew Conway in *Business Acumen*

The limited licence

“We often say if you want to talk to clients about specific things like transition to retirement strategies and contribution strategies and limited recourse borrowing arrangements, which a lot of them do, the limited licence is not really suitable because it’s limited in its scope.”

– Vicki Stylianou in *The Australian Financial Review*

Two-tier tax system

“A two-tier tax system is not as bizarre as some organisations have touted, but can be quite the opposite in delivering a more efficient tax regime, which is fairer for small business.”

– Andrew Conway in *Money Management*

ASIC crackdown

While ASIC can traditionally be “a little lighter” in terms of enforcement at the beginning of a new regime, accountants should not be relying on any form of grace period once the accountants’ exemption expires on 30 June.”

– Vicki Stylianou in *SMSF Adviser*

Access to finance

Conway said the Australian economy was faced with a “lost opportunity” in the event that innovative firms with high commercial potential become constrained by the absence of external finance.”

– Andrew Conway in *FST Media*

The objective of super

“We do caution, however, for governments not to lose sight of what our superannuation system is designed for; that is, to achieve better and sustainable retirement outcomes, which will alleviate pressure on the need for future government paid pensions.”

– Andrew Conway in *Business Acumen*

Super outcomes

“Without a legislative definition and clarity of purpose and being able to measure achievement of purpose, the [superannuation] system cannot deliver the outcomes which we need to support an ageing population”

– Andrew Conway in *Professional Planner*

STEM training

“We need governments, both federal and state, to immediately address and reform the education system’s ability to increase the stock of knowledge-based workers available for employment.”

– Andrew Conway in *AccountantsDaily*

Future talent

“Talent, not technology, is the key. Without addressing wider skills requirements, research indicates it is likely to create bottlenecks downstream in the innovation process.”

– Andrew Conway in *Business Acumen*

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

Pitcher Partners calls for tax reform focus in election

Pitcher Partners has called on both government and opposition to prioritise tax reform ahead of the upcoming double dissolution election.

“Pitcher Partners is calling on all political parties to make this election a tax reform election,” said John Brazzale, the managing partner at Pitcher Partners.

According to Mr Brazzale, the stalling of the tax reform white paper process has left Australia “operating in the dark”.

“Our tax system needs to reflect a world that looks very different in 2016 than it did in 2006,” he said.

“We have a revenue and spending imbalance at the heart of the Australian economy, and it’s time to get serious about solving that – not just so it’s easier for businesses to grow and continue to provide employment now, but also to insulate ourselves against the future,” Mr Brazzale added.

“With continued uncertainty over commodity prices, China and Europe, now is the time to outline an economic vision backed by commitment to tax reform.”

Pitcher Partners outlined a series of reforms it believes will assist the government in “designing a better tax system”, with the firm noting that it will be seeking pre-election commitments from all parties on the following: “We support the increase of the GST to 15 per cent on the current base, or an increase to 12.5 per cent on a broader base, with exclusions for health and education and balanced by appropriate compensation measures for Australians on



lower incomes. We want the government to be visionary in outlining a long-term commitment to replacing less-efficient means of taxation with a more stable long-term revenue source.

“We support a cut in the corporate tax rate. The current corporate tax rate compromises our ability to compete for foreign investment and is a drag on business growth, especially for the middle market.

“And instead of demonising foreign investors, we should be looking at ways to attract foreign capital and investment while expanding our trade links with the rest of the world.”

Superannuation clarification is imperative, says IPA

The Institute of Public Accountants (IPA) has welcomed the study by the Productivity Commission into the

competitiveness and efficiency of the Australian superannuation system.

“Without a legislative definition and clarity of purpose and being able to measure achievement of purpose, the system cannot deliver the outcomes which we need to support an ageing population,” said IPA chief executive officer Andrew Conway.

“This leads to policies which are often inconsistent, complex, costly, inefficient, and based around budgetary considerations,” Mr Conway added.

According to Mr Conway, as the government begins to tinker with superannuation, the need to clarify the goals and purpose of super become even more imperative, coupled with a need to vastly improve consumer financial literacy. “The IPA believes that the objectives of Australia’s superannuation system should be based around three main themes

which take account of both social and fiscal considerations,” said Mr Conway.

“These are based on adequacy to ensure that all retirees have a replacement income which provides a minimum ‘standard of living’; sustainability, so the system can support itself financially and be capable of delivering retirement benefits into the future; and integrity, which means a transparent system which is well governed and regulated and has the confidence of the public.”

He concluded: “To increase competition and efficiency we need more consumers to be engaged with their superannuation. At the very least, consumers should be able to adequately compare fees and returns with other similar funds on a like-for-like basis, which means information needs to be disclosed in a more effective way.”



Member snapshot: Mike Mooney FIPA

Who are you?

I was born in Cooma, NSW, but have been a Canberra resident for the past 37 years. I left the 'sheep fam' to work in Sydney and started studying accounting at NSW University Kensington before moving to Canberra. I eventually transferred and finished an Accounting Diploma at the Canberra Institute of Technology and then went on to study an Accounting degree at Charles Sturt University in Wagga.

How did your journey with the IPA begin?

After eight years with a big four firm and then 11 years in the corporate accounting sector, I decided to move into private practice with an emphasis on the mum-and-dad small business sector. I joined the NIA in 1996 because I believed it had a strong alignment with the practical issues facing small businesses, particularly the planning of cash flow and tax issues. I then saw the rebranding of the NIA to the IPA and the great achievement that rebranding and repositioning has meant.

What does your role in the National Divisional Council entail?

I am the ACT representative on the IPA National Divisional Council. I also convene local discussion groups and represent the IPA on the Canberra Institute of Technology Business Tourism and Accounting Industry Advisory Group.

How important is a small business focus when it comes to the accounting profession and the Australian economy?

The Australian small business sector is by far the most innovative and dynamic sector I have worked in. The common thread for those who are successful is their focus on having the right resources, including a good accountant adviser they can confide in and trust. The sectors we cover are immense – in my practice we have covered everything from the family-run mechanical businesses, RTOs, hardwood sawmilling, transport haulage, to insurance brokers, innovative technology, hairdressing and food service industries. I have watched so many small businesses grow into successful, profitable businesses that are vital to our Australian economy. It is great to see the IPA's focus is on the same.

What do you see in store for the IPA in the future?

The IPA has achieved excellent results not only with membership growth, but with the representation we have in the corridors of power across local government, state and federal jurisdictions. The thing I notice the most is the cohesion and user-friendly style that our CEO Andrew Conway and the IPA executive management team have achieved for members. The IPA has a huge future – our members should embrace it.

“The Australian small business sector is by far the most innovative and dynamic sector I have worked in”



What's on members' minds?

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



Licensing deadline

“I think the writing is on the wall. It's a case of sticking to your knitting.”

Integrated reporting

“The sooner we have integrated reporting as the 'norm', the closer we will be to limiting tax evasion. Integrated reporting provides transparency.”

Tax lodgement software

“When there is so much price competition for all the work one puts in for their clients, these high subscription costs are really killing it for us little people.”

Blockchain's influence

“Accounting has evolved with changing technology. Blockchain will no doubt play a big role in the future of the industry.”

Accountants and financial planners

“Why does it have to be us versus them? Virtually all of my clients are referred by one profession or another. Working to a common set of client objectives, together we build a broader and better quality solution for the client.”

Changes to auditing reports

“I am finding auditors in smaller firms in particular haven't understood the

significance of the changes. Most auditors will need to amend their engagement terms.”

Small business success

“As accountants, we know that the failure rate for small businesses in the first five years is astounding!”

Negative gearing

“A reduction in tax reductions for negative gearing will result in the cost of renting houses being higher, and could lead to a greater shortage of rentals available.”

Clarifying the objective of superannuation

“The superannuation scheme was well intentioned but has been woefully mishandled by successive governments.”

Outsourcing influence

“The world is becoming global. We can complain how cloud technology has reduced the accountant's workload by over 20 per cent, or how offshoring may take some jobs away, or we can adapt and build a better future for our clients, and our families.”

Collaboration is king

Almost all business operators know of the concept of collaboration, but understanding the true value of incorporating it into a small business is perhaps less well known

by Adam Zuchetti



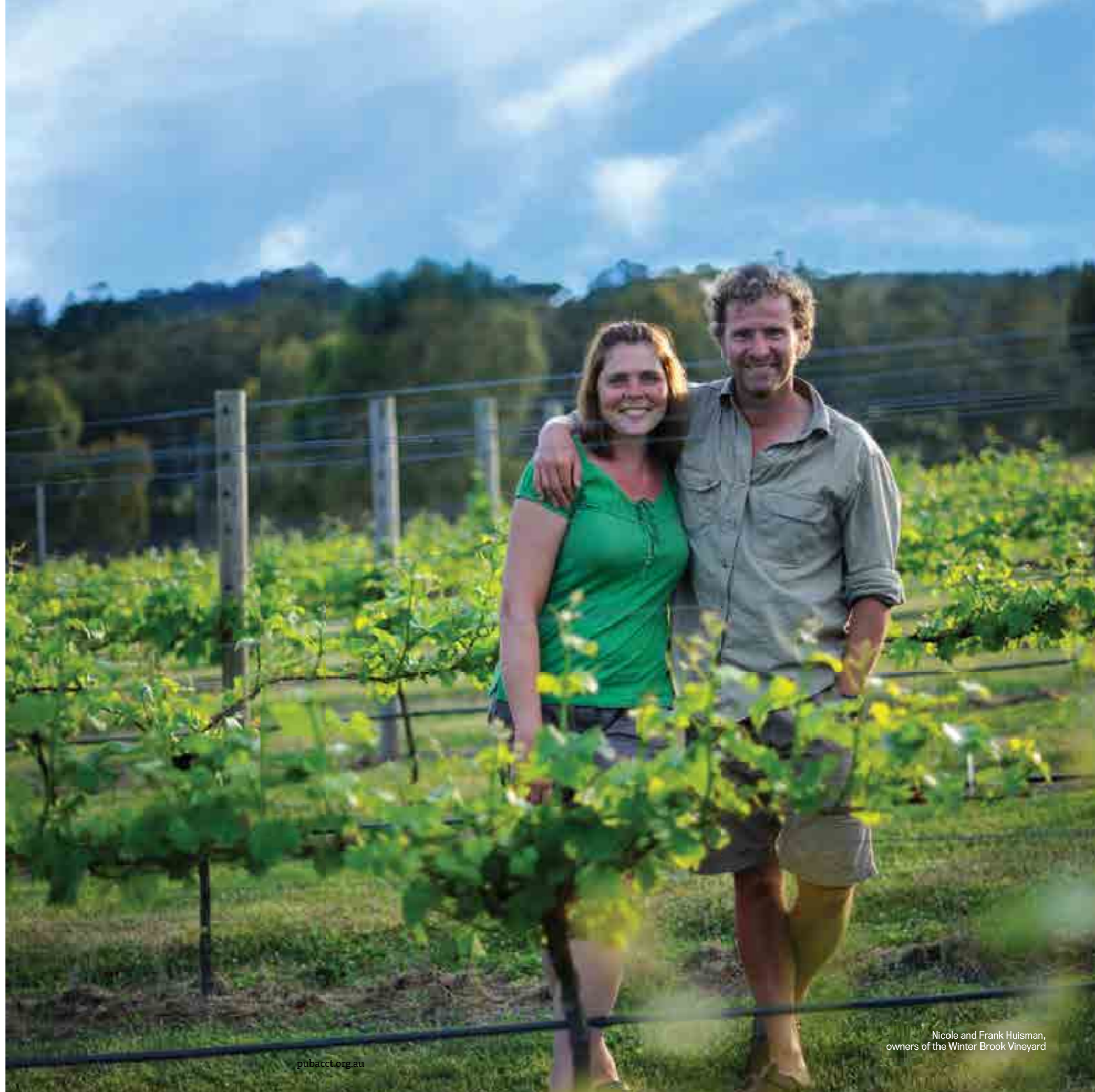
What do a distiller, a tour guide, a commercial interiors contractor, a winemaker and a fertiliser manufacturer have in common?

Perhaps nothing, at face value, other than that they are all small business owners. However, these are just a few examples of Aussie SME owners who are finding value in building business networks and collaborating with others to work towards a common goal: business growth.

What does collaboration entail?

In a business context, collaboration can have two main purposes, which may stand alone or be used in conjunction with one another.

Businesses operating within the same industry may choose to collaborate to further their knowledge, refine their products or services and develop new technologies from which they can all benefit.



Nicole and Frank Huisman,
owners of the Winter Brook Vineyard

Q&A: Andrew Conway, CEO of IPA

Why should SME owners look to collaborate with other SMEs? How can a strong collaborative network boost a small business?

SMEs have little choice but to collaborate. Running a small business can be lonely, and collaboration provides access to a network of support that helps SME owners and operators to explore opportunities, gain efficiencies and ensure they are as productive as possible.

How can accountants use their position as a trusted adviser to connect their clients with appropriate collaborators?

An accountant is a critical intermediary; they are the go-to person for the SME. We have seen countless examples where an SME owner has presented an issue to their accountant who then, in turn, shines a light for the SME owner. Examples include: better business banking deals, financial services solutions, and accounts receivable management. Accountants operate mini-ecosystems; quite often they will harvest B2B relationships from within their client base.

Do you see mutual benefits for both the accountant and their SME clients to facilitate an informal network between SMEs?

It really doesn't matter what form the network takes; what matters is genuine connectivity. Of course, there will be mutual benefit as the client grows, so too will the advisory work for the accountant, but what matters most is that as the client receives greater services, the trust relationship with the accountant is upheld, respected and enhanced, and that benefits everyone in the SME space because the product of that relationship is a more robust, productive and successful small business sector.



experience. Think, for instance, about a hairdresser, make-up artist, photographer and caterer who all cross-refer clients and work with each other in the bridal space, or a real estate agent, conveyancer, mortgage broker, removalist and interior designer who work collaboratively to streamline the hassles associated with moving house.

In essence, collaboration requires a breaking down of the traditional mindset of viewing a business as a stand-alone entity competing head-on with its rivals, and an embracing of a more cohesive approach that delivers a mutually beneficial outcome.

Types of business networks

Many small businesses already belong to some sort of business network or industry association. There are the larger associations for small businesses of all shapes and colours. Then there are industry-specific bodies, and more geographic panels such as local chambers of commerce.

However, these networks often have as their core focus an aim to drive the representation of members as a collective to government and media, rather than necessarily drive customer growth for individual businesses.

This is where community-based business networks can help business owners, particularly smaller operators, achieve growth. Lead sharing, referral partnerships, cross-promotional activities and the like can be found in operation right across Australia.

These communities may be organised to support particular groups of business operators and their customers, such as women in business or gay and lesbian business owners; targeted specifically to a particular ethnic or religious community; or based across well-defined geographic areas (such as a particular suburb or region).

A case in point is All About Business, a small Sydney-based business network that operates under the global BNI organisation.

→ Indeed, this is something that Geoff Richards, the managing director of garden supplies company Richgro, has found especially useful.

"We've got relationships with a company in Canada in particular, a company in the US and several groups in the UK, and two in Europe – Germany mainly – where we have open dialogue and we don't mind sharing things, because we always find that if we give them something, they'll give it back," Mr Richards says.

This collaboration, he says, enables these businesses to learn from each other's unique geographic experience and share innovations among themselves for mutual commercial benefit.

Furthermore, collaboration can transcend industries in order to deliver customers a superior overall



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Benefits of business collaboration

- Boost your sales through referrals
- Provide your customers with a more holistic service beyond what you can offer
- Leverage off increased consumer awareness of your community
- Learn from the mistakes and successes of other businesses
- Create a support network
- Boost your spending power by making collective purchases
- Share costs for things such as advertising from which you all benefit



“Instead of having passengers on the ship, everyone’s got their oars in their hands and [they’re] rowing along and no one is just dragging off everybody else”

the world and Australia, and it was always a focus on this concept of ‘on a high tide, all boats rise,’ he says.

“So it’s not such a concern of ours that our competitor down the road – our friends down the road – are producing fantastic whisky. When Sullivan’s Cove wins best whisky in the world [the distillery won World’s Best Single Malt in the 2014 World Whiskies Awards, the first time a whisky made outside Scotland or Japan received the honour], we’re the first ones to get on the phone and say congratulations, have a whisky and catch up, because we’re here for whisky, we’re here to enjoy the experience of drinking whisky, and it’s more fun with friends.”

Chris says this perception is common not just to his own distillery, but right across the industry.

“I think that the industry feels like that – we just want to help each other and just make sure that Tassie is producing the best whisky it possibly can.”

While Lark produces all its spirits in a small factory on the outskirts of the city, the 24-year-old company is renowned for its Lark Cellar Door & Whisky Bar, located on Hobart’s waterfront.

Here, Lark sells its own full range of whiskies, gin and liqueurs, as well as those made from all of Tasmania’s distillers, showcasing the industry as a whole to visitors from around the world and allowing it to diversify its offering from simply a producer to tourist attraction in its own right.

“There are 160 or so single malts on the wall, obviously ours, and you

can try every Tasmanian distillery’s [offerings], so it kind of becomes the hub for anyone who wants to come and experience Tassie whisky,” Chris says.

“We’re very small at the moment as individuals, but together we’re working on getting better and making more.”

Visitors to Tasmania will also find Lark and other local whiskies on the tasting menus at many vineyards, including Winter Brook in the Tamar Valley.

“As wine and cider makers, we learn a lot from the craft beer brewers and cider makers here in Tasmania. But not only them: it’s also the truffle farmers, cheesemakers and all the others involved in Tasmania’s primary industry that inspire us every day. Behind every single business there is a story,” says Nicole Huisman, who owns and operates the boutique vineyard with her husband Frank.

Traditionally Australia’s prominent wine-growing regions have been the Hunter Valley in NSW, Barossa Valley outside Adelaide, the Yarra Valley near Melbourne and WA’s Margaret River region. Yet a concerted push by growers in the island state is helping to build the profile of Tasmanian producers and their cool climate wines.

“The Tasmanian wine industry is a small community, where everybody knows each other. We all focus on the same thing: produce premium wines and put Tassie on the map,” Nicole says. 🍷



Read this article online at pubacct.org.au



The exclusive group of 53 members meets on a weekly basis with the express aim of helping one another drive business growth.

“I sort of look at it as if those 52 other people in the group are my marketing team. Any time they hear of an opportunity for me or for anyone else in the group, they are saying ‘hey, why don’t you give this person a call? I’ve seen their work and know what they do’, because through the exposure to the group, they have actually experienced or heard first-hand that what the people do in the group is good,” Eric Brown, the group’s current president, says.

“There’s no financial reward for giving someone a referral; we work on a giver’s gains philosophy. So if you can give as much as you can for the group and everyone is doing that, then eventually it’s going to come back around to you.”

As Mr Brown explains, the group acts as a leads generation network as well as a support group for like-

minded individuals, with everyone working together for mutual benefit.

“Instead of having passengers on the ship, everyone’s got their oars in their hands and [they’re] rowing along and no one is just dragging off everybody else,” he says.

But it’s the referrals that are first and foremost the focus of the group, which go on to generate a large part of members’ workloads.

“For me, referral marketing is such a massive part of my business,” Mr Brown explains.

“Generally I close about 30 per cent of my deals; [whereas] in BNI, it’s probably 65 per cent of the opportunities I get, I close just based on someone’s word of mouth.

“I’ve closed \$1.1 million out of the group for the last financial year.”

Food for thought

But you don’t necessarily need to be part of a formal business network or organisation – indeed many businesses forge mutually

beneficial relationships on a much more informal basis, something accountants, small business owners’ trusted advisers, can, of course, help to facilitate.

Take, as a prime example, the thriving Tasmanian food and beverage scene.

Tasmania has long been renowned for its stunning, World Heritage-listed landscapes. However, in recent years, its cultural scene has been driving visitor numbers, and it is the formation of a mixture of formal and informal networks that lies at the heart of this success.

On a recent trip to Australia’s island state, I discovered a thriving industry where a diverse range of participants all contribute toward the greater goal: showcasing Tasmania as a culinary and cultural wonderland.

Some vineyards hold whisky tastings while others sell tasting platters of Tasmanian oysters, condiments and smallgoods.

Restaurants will actively promote local menu options and suggest an



CFO

version 2.0

The role of the chief financial officer has evolved, and it is no longer solely focused on numbers: the new CFO is a leader driving strategy

by Michael Masterman





The chief financial officer has long held a vital position within the organisational hierarchy, but the role has traditionally been focused on past performance. It's always been about the numbers and looking back. However, in a new business world reshaped by technology, the CFO holds a position of influence, focused on driving the business forward.

Reflecting the increased importance of the role, David Cawley, regional director of Hays Australia, says CFOs have

evolved into fully fledged leaders of the business.

"The CFO from 20, 30 years ago was the numbers person who was kind of the back-office and the MD or the CEO was the front of the business, but FDs [financial directors] and CFOs are now very much seen on a par with the MD," he says.

"I think that the role of the CFO is now one of a business partner and truly being the managing director's right hand person, rather than just the one with the numbers."

This journey towards the top, albeit from a senior starting point,

reflects the new strategic aspect of the job. Rather than using the numbers to look back and judge performance, CFOs are now expected to use them to look forward, to identify opportunities and to develop ongoing strategies.

Mr Cawley says the CFO is "not only expected to provide guidance as to where the commercials are at within the company, or how it's doing from a financial point of view, but also commentary around where the next steps are going to be taken in terms of growing the business or developing the business".

When recruiting for a new CFO, boards and CEOs are looking for more than a number cruncher, they want someone who can work alongside the CEO to take the business forward.

"They're looking for strategy from those people [...] they're seen as the corporate governor, the trusted adviser, the business partner to

every facet of the organisation, the analyst, the economist, the risk expert and even the technology guru," Mr Cawley says.

Having this multifaceted role means a modern CFO must communicate with just about every division of the business. Furthermore, these financial executives are also now expected to speak for the

business and justify results to all sorts of external stakeholders. Exceptional communications skills have become vital.

"It's not just about the numbers, there's a high importance put on the people skills so that those individuals can communicate really clearly; internally and externally.

"They will quite often talk about results, they will quite often talk to the investment community, they will quite often talk about future investment and they have got to be able to articulate themselves and they've got to be able to feel comfortable in that domain and take on board those responsibilities."

The game has changed

Louise Pope, director of Aequalis Consulting, an accounting-focused recruitment firm, says those looking to step into a CFO role need to know "the game has changed".

"The demands of a CFO have never been so great," she says.

According to Ms Pope, it's the "spiralling complexity and velocity of doing business in today's economy" that has altered the role.

"CFOs now need to navigate complex market conditions, meet stringent regulations, and among the issues facing the board, none is more frightening than the prospect of innovators nullifying the business model or strategy, seemingly overnight."

In the modern world, says

The good and the bad

Brett Maloney outlines what he likes and what he dislikes about the varied role of a CFO.

Positive

"I have heard people in HR say they like HR roles because they get to be involved with all parts of the business. To some extent, given my role covers a lot of the IT as well and the finance, I get involved in the business in all different ways, in all different aspects of the business too. What's interesting to me is that it's not like a specific financial accountant who may be focused on one particular or a few particular things in terms of the accounts, my role gets to look across the whole business to try and make a difference to the working day of many individuals."

Negative

"The most frustrating thing would be that although the role changes, some things don't – and you still have to sign off on paperwork and do some of the more mundane tasks around improving payroll and those sorts of things that aren't perhaps as exciting as the title of the role would suggest. There are still those compliance functions that have to be done and no matter how far technology goes, or networks change or how people communicate, some of those things you just have to do."

"I think that it's important these days to not only have a technical ability but also an understanding of other areas, whether that's IT or HR, or even marketing"

– Brett Maloney

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Q&A with Richard Moore, MYOB CFO

How has the role of the CFO evolved?

The role of CFO has evolved considerably over the years, from being the keeper of the company's finances, to being a trusted and strategic adviser to the leadership team and board of directors. I consider my role to have three main functions:

- **Internal CFO** – managing business performance, compliance, audit, risk management, budgeting, forecasting and reporting, M&A and being a trusted adviser to the leadership team and board;
- **External CFO** – managing external stakeholder expectations and relationships, from analysts and investors to regulators, business partners and banks;
- **General manager of shared services** – I am responsible for finance, legal, IT, investor relations, workplace experience and people and performance, so manage a diverse team of fantastic individuals who deliver great service to their colleagues across the business.

What has driven this change?

The change has been driven by the increasing pace of business and the recognition that a CFO can contribute to organisational strategy, bringing both discipline and a unique perspective to business decision making, based on a strong underlying commercial understanding and financial acumen.

How has technology redefined leadership and financial management within a business or organisation?

Technology has allowed CFOs to spend more time on strategy and less on compliance-related activities. That doesn't mean that the traditional focus on cash, cost management and working capital has gone away, it is just managed much more efficiently

with technology. This also applies to reporting and budgeting – investment in technology here allows the finance team to move away for duplicative spreadsheets to dynamic modelling and reporting tools.

What are the most important skills for a CFO to possess?

There are many key skills to be a successful CFO. A few key ones are:

- **Underlying financial acumen** – I rely on my qualifications every day;
- **Commercial awareness** – a deep understanding of the business and its drivers, including risk management;
- **Good interpersonal and communication skills** – the ability to articulate complex issues in a simple, straightforward way;
- **Problem solving** – CFOs are often central to strategic decision making;
- **Passion** – I love working at MYOB, it's a workplace and environment that brings out the best in me, and that's all down to the people.

Have these skills changed in the last 10 years? If so, how?

I don't think the skills themselves have changed much, but the emphasis on some over others has. For example, CFOs have always needed financial and commercial awareness, and an ability to communicate financial performance. Over the last 10 years, however, the role has become more visible, so interpersonal skills have become more important, as have problem-solving skills and strategic awareness, as the role becomes pivotal to business strategy setting.

How should aspiring CFOs prepare themselves to succeed in the role?

- **Work in a wide range of finance roles.**
- **Seek out opportunities to build commercial acumen.**
- **Get some capital markets and M&A experience.**
- **Develop your leadership skills.**
- **Don't be afraid to take risks with your career.**



55%

of CFOs work 46 to 55 hours and a further 29 per cent work more than 56 hours each week

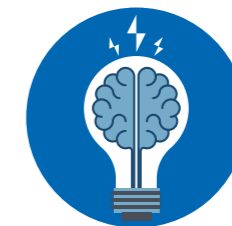


57%

of CFOs have worked outside of Australia or New Zealand during their career

64%

of respondents say commercial acumen is the most important attribute for a CFO to have



66%

of CFOs think the next generation needs to get involved with its organisation's operational activities



27%

of CFOs believe that the operations function is the most important discipline to partner with

Source: Hays - DNA of a CFO

→ Ms Pope, the CFO role is high pressure and high stakes. "The reality is the success of many parties is inextricably tied to supporting the CFO. As a result, the job description has changed."

She adds: "In the last few years CFOs across the globe have stepped out from the shadows to work with the business to shape and deliver on strategy. Finance transformation where the finance function adds value to a business rather than representing a cost centre is top of the agenda for many firms. The

new CFO holds the key to business intelligence and real-time insight that can support decision making, and also has the key to commercialising ideas and ensuring profitability."

A view from the top

It's hard to know the true intricacies of any role until you're in it, and this is particularly true of an evolving position like a CFO's. Given this, those who wish to take up the role must prepare themselves accordingly.

Brett Maloney, the IPA's CFO, says he recognised early on in his career →

The new CFO



The CFO outlined

The CFO is often considered the right-hand person to the CEO or managing director. Providing transparency to the senior executives on business financial performance is a core function of this role. The CFO also leads the financial operations of a business.

Professional qualifications are typically expected in this position. Experience formulating business strategy is often required, along with a high level of commercial acumen. Excellent verbal and written communication skills are expected; as you will represent the senior executive and often liaise with the board (should one exist).

- Richard Lloyd Accounting Recruitment

→ that if he were to become a CFO he would need a diverse skill set, and so sought a path that would allow him to gain experience across a wide range of disciplines.

“What I did try and do is build up a skill set in a broad range of disciplines so that should that opportunity arise at a higher level, whatever that role may be, that I’d have a foundation to be able to get into that kind of role.”

He adds: “I think that it’s important these days to not only have a technical ability but also an understanding of other areas, whether that’s IT or HR or even marketing.”

Mr Maloney says his role is more about strategy than anything else.

“You look directly at the numbers, but that may be more around a technical focus and I think now it’s sort of widened out where it’s more of a strategic focus,” he says.

“We are looking at other areas of the business through the lens of risk to make sure that we are optimising

“In the last few years, CFOs across the globe have stepped out from the shadows to work with the business to shape and deliver on strategy”

- Louise Pope

returns, we are reducing costs or reducing risks; it’s a more strategic view of where do we want to get to, rather than traditionally in a finance role, are we going to hit the number for this quarter?”

Mr Maloney says there still is a degree of that, but there is also a stronger view of what the longer-term plans are and what the destination is.

“In our business, we have a strong focus on having the concept of a destination statement, so we can communicate where we are going to all of our staff so that everybody is on the same page from that point of view.”

Given all this, Mr Maloney says it’s important for the CFO and CEO to develop a great working relationship – a deep understanding, as he puts it.

“That doesn’t necessarily mean that you’re in each other’s pockets all the time but I think it’s also the notion that you have an understanding of what you’re collectively trying to achieve, which is important. To make sure that if a decision does need to be made there’s an understanding of what the framework is, where we are going, so that you get a positive working relationship from that point of view.”

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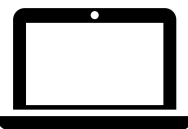
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From pharmacy to **POLICY**

After a range of careers and a plethora of political exposure, the inaugural small business and family enterprise ombudsman Kate Carnell looks set to become a true advocate for the industry, championing the issues of utmost importance

by Mitchell Turner



Leader profile

A pharmacist by trade, Kate Carnell bought her first business at just 25 years of age, and would go on to own and operate a number of pharmacies throughout Australia over a 15-year period. Through her ongoing involvement as a pharmacy owner, Ms Carnell was quickly exposed to the political aspect of the business world, and soon learned the importance of an industry voice, particularly as her businesses were spread throughout the country. The need for an associative body to champion the needs of the industry was an inherent necessity.

“I got involved in the Pharmacy Guild and the Chamber of Commerce,” Ms Carnell recounts. “My first business was in the ACT, I owned a couple in Canberra and a couple in Queensland as well.”

Ongoing and thorough involvement in the business community would see Ms Carnell prove an integral part in establishing the ACT branch of the Pharmacy Guild, where she would serve as the inaugural president. As the ACT branch began to take shape and grow, so did Ms Carnell’s career, as she went on to serve as the Guild’s national vice-president.

Ms Carnell states that this would ultimately prove to be the first step in her transition into the world of politics, as she would go on to stand for the ACT Legislative Assembly, albeit not without some initial hesitance and contemplation. “Initially I asked: ‘why would I do that?’ I’ve got a couple of youngish kids and a pretty full on career with a number of pharmacies and other things,” she recounts.

However, a nudge from some of her fellow ACT business community members and compatriots later changed her mind.

“They said to me at a particular lunch: ‘Kate, last week we were at an event you were speaking at, and you were saying to businesses that they



had to put up or shut up. That if they really wanted to make a difference, they had to get involved. Now Kate, if you really want to make a difference, you have to stand for the ACT Assembly.”

It was time for Ms Carnell to practice what she had been preaching for so long.

For Ms Carnell, it proved to be what she describes as a true ‘light bulb’ moment. “It was true. I kept saying to other businesses that they needed to get involved in Chambers of Commerce and a range of other things we were doing, to change policies and change the direction of government.

“I was given an opportunity to, I suppose, be inside the tent, and from a credibility perspective I found it hard to say no to that.”

Ms Carnell was elected to the second ACT Legislative Assembly

in 1992, where she would go on to become Leader of the Opposition in 1993. After winning seven of 17 seats in the 1995 ACT election, Ms Carnell was appointed ACT Chief Minister.

Since her stint in politics, Ms Carnell has served as at the head of several national organisations, and now believes that the timing is right for her to sink her teeth into an all-new challenge.

The role of the ombudsman

For Ms Carnell, her role as the first ever Small Business and Family Enterprise Ombudsman is two-pronged, and provides her with a unique opportunity to assist and consult on the issues of most importance and relevance to the small business community of Australia.

25

The age Ms Carnell bought her first business

1995

The year that Ms Carnell was appointed ACT Chief Minister



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Kate Carnell with The Hon Kelly O'Dwyer MP, Minister for Small Business and Assistant Treasurer

→ Established by the *Australian Small Business and Family Enterprise Ombudsman Act 2015*, Ms Carnell's role is one of advocacy, assistance, power and independence. "The ombudsman role has quite significant powers; we can have an inquiry and require people to turn up and give evidence, similar to inquiries that the ACCC can do, or for that matter even Royal Commissions," she explains.

"We won't use those powers unless we really have to, but they exist so our job is to promote best practice in dealing with small business for governments and big business, to advocate and ensure that business has a voice in national strategies and policy direction."

While Ms Carnell and her office have the power to conduct inquiries, there remains an important responsibility to ensure that small businesses and family enterprises are able to find what

they're after in government; to find out where they need to be and what's available to them.

"I suppose that you could say we have a concierge function of pointing people in the right direction. Then, of course, there's the more traditional ombudsman role of alternative dispute resolution to help small businesses solve problems that they might have outside the court system."

For Ms Carnell, it is an absolute priority to ensure that Australian SMEs are not unnecessarily sucked into the legal system; a costly and time-consuming process that places a further strain on their ability to function effectively. "We know that court systems have a great habit of being pretty negative for small businesses, and that people, whether it is the government or big business with deep pockets, can often just keep cases going until small businesses simply can't afford to keep going."

She adds: "That's not in anybody's best interests."

Leadership learnings

Ms Carnell believes that her own leadership style is "very flat management". She is well aware that she is now a megaphone for the sector, and is perfectly positioned as a champion for the industry – a middleman between business and government.

"I'm lucky that I've been there myself. I've had my house riding on it, so I know what it's like to be in small business, I know what it's like to have a business that doesn't work and I know what it's like to be in a fast-growing business."

Ms Carnell has sat on both sides of the fence. Her first hand exposure to the strains and perils of small business, coupled with a lengthy stint in politics is proving to be one of her biggest assets.

"A lot of the skills and the things I have learnt, I have learnt [from] running my own businesses: managing my own staff, managing

the challenges of cash flow, the challenges of government regulation and so on. So having been there, I think, is really important."

She continues: "I also know the challenges a government has in communicating their policies, and particularly communicating with the business community – getting the settings right that allow businesses to get on with the job."

"I think I'm lucky that I've seen it from the inside, and I think that gives me a reasonably unique set of experiences to be able to do this role. Both come with real challenges, but my style is very much to be listening, consultative, and responsive to the sector and to make sure people have got a voice."

Sympathising with small business

"It's always surprising to me that the government wonders why small businesses don't turn up at consultations," Ms Carnell concedes. "It's because they're running a business, and they don't have the time to get up to speed on the issues involved."

Ms Carnell is the first to stress that the small business community is the true lifeblood of the economy, and that nurturing their interests and lending a helping hand is especially important.

"They are the part of the Australian economy that is essential for growth in Australia, and the government will rightly tell us to get economic growth levels up if we are to address budget deficits and unemployment," she says.

"That's not going to happen if you rely on big business, because generally they're shedding staff, they're mechanising, they're focusing on lean management, outsourcing offshore, a whole range of things that means that if we are relying on that sector for jobs for our kids, we would be whistling Dixie."

The reach of associations and

professional bodies such as the IPA is one that cannot be ignored in the collaborative process of assisting small business, Ms Carnell adds.

"Associations are lobbying for their members and they listen to their members," she says. "The first thing I've experienced in running a number of those organisations over the last 10 years or so is that the moment you forget about listening to your members, you lose members, you can't operate and you go down the gurgler. So I have great faith that successful associations are fundamental to getting the voice of businesses heard."

Ms Carnell notes that the establishment of an interactive online ideas forum will be the first step in allowing for greater consultation between the government and small business, giving the everyday Australian

accounting profession plays in aiding the small business community within Australia.

"Our challenge is to help small businesses grow and employ, and I look at accountants as being absolutely fundamental in that space. Our challenge is to get the majority of people who set up small businesses to seek advice right from the beginning," she explains.

"We know from statistics that this isn't the case, and we need to convince small businesses that, for a fairly small amount of money, having an accountant on board for support and advice is worth its weight in gold."

According to Ms Carnell, there is widespread uncertainty when it comes to small business owners and how they operate in terms of cash flow and other vital financial management aspects of their business.

"I was given an opportunity to, I suppose, be inside the tent, and from a credibility perspective I found it hard to say no to that"

business the opportunity to put their ideas on the table, "without having to do full submissions and give up time during the day".

"Who has the time to sit down and read legislation, read introductory speeches and speeches from Parliament? [Small businesses] just don't."

Acknowledging accountants

In her role as small business and family enterprise ombudsman, and a former business owner herself, Ms Carnell is all too familiar with the important role that the

"I'll be saying in this new role to talk to your accountant, there are lot of accountants that focus on small businesses, accountants that focus on start-ups. They're small businesses themselves in many cases, so there's a level of camaraderie."

For Ms Carnell, a career on both sides of the fence has granted her a unique and invaluable insight into the cohesion needed between small business and government. Her passion for small business is evident, and it seems inevitable that Ms Carnell is set to shine in her new role. 📌



IMPROVING YOUR **ONLINE** *presence*

Accountants are great at many things,
but digital marketing isn't one of them.
Just having a website isn't good enough

by Michael Masterman





Jim Thompson – One Rabbit

The starting point is the creation of a digital game plan, which has the following elements:

1. An identified specific target audience with a problem that you can demonstrate expertise in solving.
2. A method and the tools to attract interest by identifying the problem to the target audience in a way that is compelling enough for them to sign on to a nurturing program.
3. An educational-based content marketing program designed to nurture your prospect through your marketing funnel ever closer to conversion.
4. Multiple conversion points and message manipulation designed to move your lead from prospect to client.

“They are just so far behind” – that’s how Deb Jeffreys, founding director of Brilliant Blue Internet Marketing, describes accountants in terms of their online presence. “They are missing out on so much opportunity.”

Scouring the internet, looking at the websites of countless Australian accounting firms, it appears she is right. The words ‘uninspiring’, ‘static’ and ‘unimpressive’ all come to mind. There seems to be a mentality of set and forget – build a basic website and forget about it.

Digital marketing isn’t an established client-winning channel and the profession seems to be unwilling to embrace it. Traditionally, most new clients have come from a referral or through networking and so many

accountants just don’t think of the internet as a client-winning tool.

“I think they think it’s too hard, they think it’s going to be a nightmare,” Ms Jeffreys says. “They just don’t understand the power of it.”

Ms Jeffreys has recently updated a small accounting firm’s website, which is now delivering on average four qualified leads per week, a number she says most firms could expect to reach and even surpass with the right website in place.

“They just don’t realise that once they turn this on, how it can transform their business,” she says.

So what’s the problem?

According to Ms Jeffrey, many accountants (particularly those in the smaller, suburban firms) believe they can keep doing what they’re doing,

networking and relying on referrals, and neglect their digital presence. But, as she points out, their digital presence is now encroaching on these traditional channels too.

“What they don’t realise is that slowly, slowly, slowly – well it’s not actually slowly, it’s quite fast – every single person will check them out online; whether it’s a referral, whether it’s networking, it really doesn’t matter, they’re still going to check them out online.”

The set and forget mentality that many accounting firms appear to employ just doesn’t cut it in the dynamic online environment. So how should accounting firms approach digital marketing?

“Well not by casting a net into the sea and hoping you find something edible among the by-catch,” says Jim Thompson, director – strategy at marketing agency One Rabbit.

According to Mr Thompson, the generalist approach undertaken by many accounting firms means they actually need to work harder to develop a successful digital strategy.

“Your website is probably designed to appeal to everyone and is therefore



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User experience



"It's very important, it has to work and it has to work very well on all platforms, it's got to be easy to find what you're looking for very quickly. User experience is important but that should be a given; any decent website company should provide you with a good user experience."

– Deb Jeffreys



"The first thing they need to do is to get mobile-friendly. If you're not mobile-friendly, then you're probably throwing away about 20 per cent of your traffic. We ran some stats across all of our clients (that's accountants across Australia, New Zealand, the US, Canada and the UK), and the average was 21 per cent of visits were coming from mobile devices. The other thing to note is that, since April 2015, if your website isn't mobile-friendly, then Google won't list it in its mobile search results."

– Matt Wilkinson

is to look at your target market's pain points and say 'OK, who am I trying to target, what are the issues they are facing?' and address those," Mr Wilkinson says. "That's the marketing 101 stuff, then if you want to get a bit more interest on a wider level, you may say well there is a limited amount of stuff we can write around those pain points but what things are my clients and potential clients interested in?"

He adds: "You could get in a guest blogger to talk about HR issues your clients may face, just something that is relatable; it doesn't have to be a service you offer, but you can bring in an expert to write a post and it could work that way."

Ms Jeffreys agrees on the importance of content, insisting it's the content you post to your site that is most vital to the success of your online strategy. "What you actually write is what's actually going to change whether the website converts to leads or whether it does nothing for you," she says.

Again, agreeing with Mr Wilkinson, Mr Jeffreys says the content must address the user's problem.

"What you need to do is think about why someone actually comes to see you; whatever it is, you need to write material that is based around their problems and how you solve them."

Writing for the web SEO, search engine optimisation, is key to the performance of a website. It directly affects where your site is displayed in Google searches and therefore the amount of traffic you can expect to your website. While there are many things that contribute to SEO, including the site's internal structure, title tags and page title contents, which may require professional assistance to address, content plays a huge role.

→ generic in nature, fundamentally the same as everyone else's but a different colour and left to the whim of subjective decision making," he says. "You don't want to be there, that's a mug's game," adds Mr Thompson.

Successful digital marketing strategies are based on a business's ability to accurately target a specific audience, causing problems for many generalist firms. So what works best for the generalist accounting firm?

"Typically the generalist firm has organically positioned itself

around attracting and growing clients through the provision of integrated advice across multiple service lines and areas of expertise," Mr Thompson says.

"Making the switch to a narrow whole of firm level position is not realistic for the larger firms for pure practical reasons, plus the existing legacy 'generalist' branding. This then creates a problem because undoubtedly when push comes to shove, the highest-value clients are going to be attracted by your ability

to differentiate your firm based on your expertise, not your brand messaging," he adds.

"Don't lament because this is where real digital marketing comes into its own, and it doesn't matter how big the firm is because the ability to target in the digital environment is not dependent on firm size or firm position."

And the answer is?

A little effort goes a long, long way – at least according to Matt Wilkinson,

CEO of Bizink, a marketing agency dedicated to professional services firms.

"You really need to have a website that goes beyond being a brochure," he says.

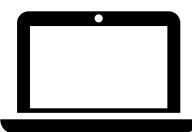
"It's about communicating your unique selling point, what's different about you. Compliance is obviously getting squeezed, that's a familiar story, so what do you do that makes you different from every other firm? Your website needs to convey that."

While the look and feel of a website, the user experience, is of course important, it's the content that will convert leads to clients.

"You need to be publishing some type of content," Mr Wilkinson says, "obviously starting with a blog is a good place to do that."

It's important to regularly update your site too. "In some ways it varies from firm to firm, but probably about once a week is fine, maybe even just a couple of times a month," Mr Wilkinson says.

So what to write? As accountants, writing might not come naturally to you but, luckily, the content should cover what you know best. "The first place to start



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Google AdWords provides a handy Keyword Tool that helps you discover new keyword variations and see the approximate search volume for each keyword.

Also, Google Webmaster Tools provides you with the top search queries your site appears for and the ones that led the most users to your site.

Converting leads

Getting people to your site will raise awareness of your firm, but how can you actually convert this to new business? If you're an accountant, Mr Wilkinson says, the number of people who visit your site who will actually get in touch is always going to be quite low. "So what you need to do [is] something on your site that enables you to continue a relationship with those people," he explains.

"Put a call to action on there, which gives away something useful in exchange for a visitor's email address; it could be an eBook you give away, it could be a kit that you make up of different business resources. It could be something very specific, but what you're trying to do is not let that person leave the site without you grabbing their email address, because most people who visit the site, if you don't do that, they're never going to come back."

Obtaining a potential client's email address allows an accountant to reach out with targeted content or an exclusive offer that can work well in developing a relationship.

Accountants can also send newsletters to their database as a way of reaching them directly with relevant content and drawing them back to their website on a number of occasions.

"That to me would be the most important thing," Mr Wilkinson says.

"Take it from being a brochure into something that can generate a lead for you."



Google says interesting sites will increase their recognition on their own, with compelling and useful content likely to influence a website more than anything else.

Google's own SEO starter guide says: "Users know good content when they see it and will likely want to direct other users to it. This could be through blog posts, social media services, email, forums, or other means. Organic or word-of-mouth buzz is what helps build your site's reputation with both users and Google, and it rarely comes without quality content."

"Think about the words that a user might search for to find a piece of your content. Users who know a lot about the topic might use different keywords in their search queries than someone who is new to the topic. For example, a long-time baseball fan might search for 'nlcs', an acronym for the National League Championship Series, while a new fan might use a more general query like 'baseball playoffs'."

Google says that anticipating these differences in search behaviour and accounting for them while writing your content (using a good mix of keyword phrases) could produce positive results.

The 10 biggest mistakes professional service firms make with their online marketing

1. Poor positioning
2. No strategy or game plan
3. Putting form over substance
4. Porpoise marketing
5. Selling services, not expertise
6. Set and forget mentality
7. Regarding everyone as your customer
8. Fear of sharing knowledge
9. Hiding behind the brand
10. Relying on referrals

Source: www.onerabbit.com.au

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- Auditing personal use assets
- Trust deed considerations
- Discussion on the mandatory auditor contravention reporting to the ATO
- Implications of the 2016 budget announcements on audit procedures

The digital REVOLUTION

Technology has had a huge impact on a number of industries in recent years, but its wider implications across the entire economy will dwarf anything we have seen so far

by Michael Masterman



Science fiction writers have long played with the idea of the computers taking over; it's a story that has sent shivers down the spine of many. But in this new age of technological advancement, is science fiction fast becoming fact?

It's a fantasy to think we will be overrun by robots (I hope!), but there's no doubt that technology is evolving and having an increasingly huge impact on our lives.

Speaking at a roundtable on

the rise of cognitive technology, artificial intelligence (AI) and robotics and the impacts these will have on businesses and workplaces, KPMG Chairman Peter Nash said there's no doubt we are going through a time of great change.

"The digital revolution, the fourth industrial revolution, industry 4.0; whatever you want to call it, that's what we find ourselves in the midst of right at the moment," he said at the event, "and it comes with

a lot of volatility and a lot of uncertainty. As we move through the digital revolution there will be a lot of volatility, there will be a lot of disruption, a lot of unknown, and eventually we will emerge somewhere."

Mr Nash says this technology-driven evolution presents two very real and very different questions: What is it going to do for us? And what is it going to do to us?

"The for us," he says, "is one of those easy things to understand because it's [about]: How is it going to make your life better? What business problems is it going to solve? Which social problems is it going to solve? But the important question of what it's going to do to us is really critical.

"How is it going to impact those societal norms as we understand them today, types of jobs, employment, where jobs are, what people are doing, etc?"

Singling out singularity

Many experts predict a point in time when computers will reach a level of AI that will enable them to learn on their own: this is referred to as the technological singularity. And while we are not quite there just yet, MYOB's chief technology officer, Simon Raik-Allen, says we are well on our way.

"We are not there yet, but a lot of progress is being made," Mr Raik-Allen says in an MYOB report titled *Surviving the Singularity*.

"Scientists are beginning to understand more and more about the detailed operation of the amazing human brain; an extraordinary machine developed and refined over millions of years to thrive in our environment. As they do, engineers are replicating that understanding in software," he says.

According to Mr Raik-Allen, as long as we don't understand how

learning takes place, technology is constrained by our own inputs – but that won't be the case forever, with it only being a matter of time before we understand the "machinations of learning".

"Even though they are capable of incredibly complex calculations and processes, our current computers can only do what we tell them," he says.

"While we are programming increasingly autonomous machines, they are still unable to decide to do things outside the parameters we provide.

"However, it's only a matter of time before we understand the machinations of learning, and become capable of recreating this process within a computer. That will be the moment of the singularity," Mr Raik-Allen says.

Very quickly that ability will allow for autonomous reasoning by computers, with the intelligence and ability of machines soon passing that of humans, he warns, "and at that point, we will no longer be the dominant species on planet Earth".

"The singularity is coming quickly, with predictions it will occur within the next 30 years. After which, the future of humanity is uncertain."

The future of work

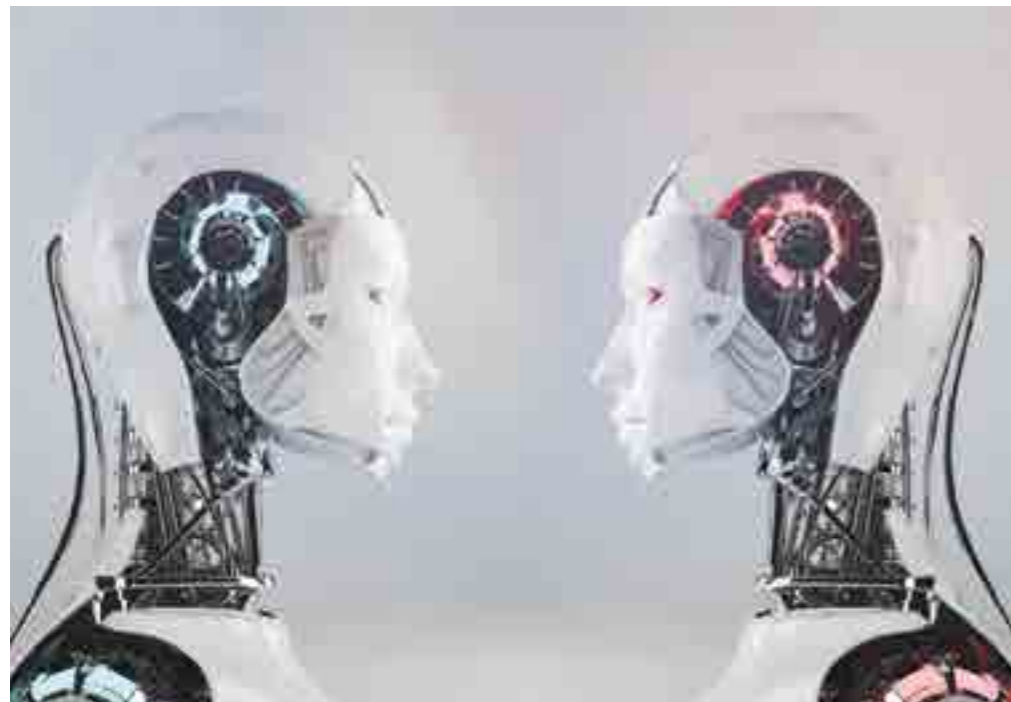
While Mr Raik-Allen's words may seem a little dramatic, there is no doubt technology will have an enormous impact – it already is.

Going back to the question previously posed by Mr Nash of 'what is it going to do to us?', it's easy to let your imagination run

"It's only a matter of time before we understand the machinations of learning, and become capable of recreating this process within a computer"

– Simon Raik-Allen, MYOB chief technology officer

wild. But, staying on something of a conservative path, we can look to employment as an area in which we know we will see great change. The future of work looks very different to what we know now, or anything we have ever seen before. →



What is the role of accounting software in a world dominated by AI?

In a world transformed by AI, online accounting and business management solutions will become even more critical. But it may not be money you are accounting for. It could be 'human experiences' that will become the currency of the future. You could

barter and trade IOUs for artwork, theatrical performances, gardening demonstrations and so forth.

As our world changes, technology will evolve with us. But unlike death, we will probably never beat taxes, so your small business will still have some form of financial reporting, hopefully compiled with just a few seconds' thought and an imprint of your thumb or scan of your retina!

Source: *Surviving the Singularity, AN MYOB Future of Business Report*

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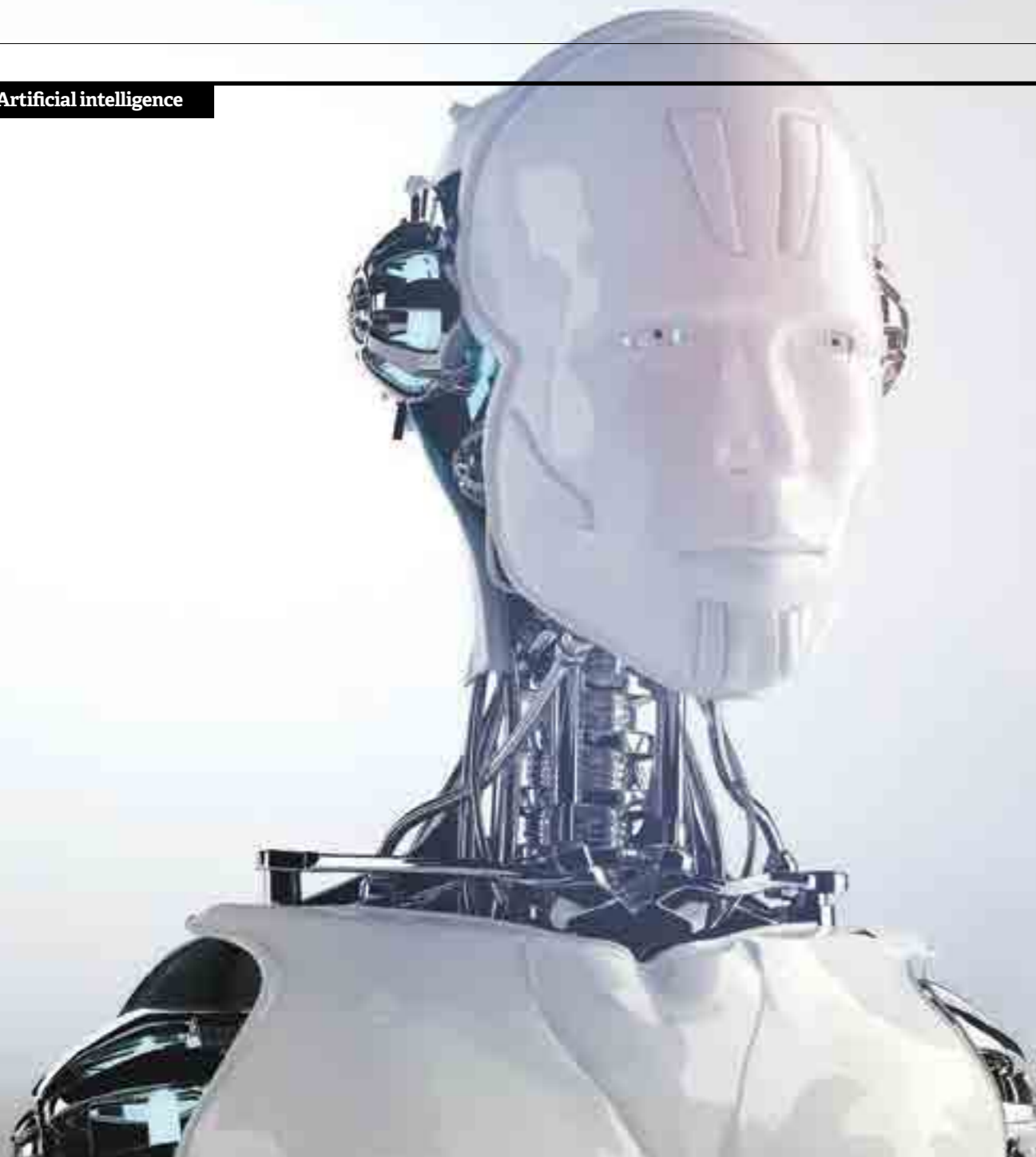
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30

Number of years in which experts expect singularity to become a reality

required to perform these newly created jobs.

“I think there is dislocation, but with that I think there is real opportunity.”

However, speaking as part of the same panel, Martin Ford, entrepreneur and author of *Rise of the Robots: Technology and the Threat of a Jobless Future* (which took out the *Financial Times* and McKinsey Business Book of the Year Award 2015) says he isn't nearly as optimistic as Ms Mitchell.

“I am pessimistic,” he says, “specifically about the future of jobs, especially over the long run. [...] I think the answer to the question here, about ‘is any job truly safe?’, I think that certainly, almost clearly, is ‘no’.”

Mr Ford says the issue at hands is that a huge number of jobs across industries, across occupations and across skill levels are all going to be susceptible to automation going forward, and the technology is the driving force behind that and reskilling or education won't solve the problem.

According to Mr Ford, it's about machines ultimately encroaching on the fundamental capability that sets human beings apart and this is going to be a huge deal going forward.

“And I think there are a couple of reasons to be very sceptical that more education and training is going to, in the long run, be a solution to this,” he says.

“One is that the machines are very clearly climbing the skills ladder and in many cases in an information manipulation job, if you're a knowledge worker, that's actually easier to automate than a low skill manipulative job where you need lots of hand-eye coordination and dexterity and so forth [...] so those jobs are going to be heavily impacted,” he explains.

“The other thing to think about is if you believe that education is a

solution and that's just something that's going to continue forever, then we are eventually going to get to the point where if you want a job you've got to go to MIT and get a PhD in some technical field, and I think it's fairly obvious that not everyone in our population is going to be capable of making that kind of transition.”

It's easy to let this type of argument cloud the vision and get you down about the future, but as Alan Krueger – Bendheim Professor of Economics and Public Affairs, Princeton University and former chairman of the White House Council of Economic Advisers – points out, the efficiency delivered by improved technology will be of huge benefit to workers, and society in general.

“I'm really not nearly as pessimistic; [...] if we reduce our work weeks, which is what I think we should do as we get richer, I think that will be actually positive for our society.”

Mr Krueger says that if we can replace more of what humans are doing, it will free up time for more leisure as well as allow workers to provide other, innovative types of services.

“Look at the massive decline in manufacturing jobs and how that freed up people to go into the services,” he says.

He highlights a number of industries that he says demonstrate how a hybrid model of technology and human skill will likely operate.

“I don't think that all of physical therapy is going to be replaced by technology and there also are many jobs right now – Starbucks doesn't need to employ people to make you a cup of coffee, [but] people value purchasing coffee from someone who's working at Starbucks, so I think we are forgetting the human nature of work and the value that people put on the services provided by people.”

→ The MYOB report touches on how the software provider expects AI to affect the future of jobs, and it's not all good news: some roles are predicted to become extinct as computers take over.

“For example,” the report says, “within one of the largest local sectors, the professional services industry, a number of specialities are likely to disappear or see significant job losses, including telemarketers, auditors, bank tellers, travel agents,

retail salespersons, technical writers, real estate agents, and word processors.”

However, technological improvement will also have a profoundly positive impact on other areas of work – opening up new job opportunities in areas that are currently only theoretical. In fact, MYOB predicts that 65 per cent of children today will end up in jobs that are yet to be created.

Kate Mitchell, co-founder and partner of Scale Venture Partners,

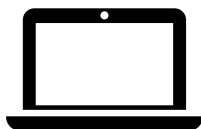
says this revolution of required roles is something that we must begin to address now.

Speaking as part of a panel discussion at the prestigious Milken Institute's Global Conference in California, Ms Mitchell said: “Nobody sits down and innovates with the idea of eliminating somebody's job. What people do is focus on productivity, which is a positive. [...] I think technology has two sides to it; it's easy to villainise

it, but I think there is a lot of opportunity at the same time.

“I don't think we are doomed, [but] is any job truly safe? I would amend that and [ask], is any existing job truly safe?”

Ms Mitchell says she accepts some jobs will become extinct, but believes others will be created – there will always be enough work for the workers. The problem, as she sees it, is likely to be a disconnect between the skills of the workers and the skills



Read this article online at pubacct.org.au

A hot-pink passion

Debra Anderson FIPA has gone back to basics. After a period of self-reflection and an introspective analysis of her business model, Debra has become a true champion for small business, flying the flag for Aussie success stories

by Mitchell Turner

Tucked within the quaint confines of a Mosman shopping centre, Debra Anderson's office is truly a sight to behold. Pink post-it notes and pink stationary cover the desk, while Debra herself is sporting an incredibly vibrant, hot-pink shirt.

I clearly missed the memo regarding the dress code; my suit is not doing this office any justice.

Over the course of an hour-long meeting, it becomes apparent that

there could not be a more apt colour scheme for Debra's office – she is vibrant, loud, and over-the-top, but most of all, she exudes passion; a passion for aiding Australian small businesses and establishing herself as their true “trusted adviser”.

Hanging on the wall beside Debra's desk is an extensive collection of photos, one that could easily be mistaken for candid and personal snaps of friends and family. Upon closer inspection, and as Debra so proudly points out, it's her clients who are on display in this office; they are the heartbeat behind her day-to-day interactions, and the pulse of her passion for the industry.

Debra's own personal journey through the accounting industry has led her to these new surroundings, and after an introspective and life-

changing period of reflection, she has adopted an all-new business model – one that she stresses gives her a unique and personal edge.

An accounting epiphany

Debra does things her own way, and that is very much by design.

“I used to have a team of people that worked for me,” she explains, “then I merged business with someone else and that was a disaster.” After ruining a less-than-ideal business venture, Debra was left to mull over the future of her career, and the direction that she was to steer herself in.

“I thought to myself: well, what do I do? Do I build the business back up again? Or do I just stay as myself?”

“Do I build the business back up again? Or do I just stay as myself?”



Name: Debra Anderson

Company: Anderson Tax & Consulting

IPA status: FIPA

Location: Sydney

After some soul searching, Debra was given a push in the right direction by MYOB CEO Tim Reed during a late-night phone call; a phone call that put things firmly into perspective.

“Tim said to me, ‘Deb, I know you think and feel that the industry is consolidating, but you don't have to consolidate. There is always going to be a market for a really passionate specialist, someone who really gets it, someone who really gives a shit, and someone who does it really well.’ That, for me, was the epiphany.”

With her eyes opened to a new and fresh outlook on the industry, Debra came to a concrete conclusion – it was time to get back to the bare bones of the industry, and the roots of the profession.

Debra recounts how she approached the Mosman Professional Centre and requested their smallest possible office, so that the temptation to take on additional staff members wasn't a possibility.

“I said ‘That's it!’ no more staff. From now on, my point of difference is that when I work

on your business, I work on your business from start to finish,” she says.

“I don't offshore, so I can't take advantage of cheaper rates, I don't have a junior staff member, but I can tell you that I will know absolutely everything about your business, from start to finish. Every time you have a question, it's me that you're going to speak to.

“My model is quality over quantity.”

Debra began her journey with the IPA after completing her TAFE studies, and immediately knew that she had aligned herself with a body that stood for what she believed in – the ongoing support and nurturing of Australian small businesses.

“You can just tell that the IPA is focused on small business. I think that's a massive point of differentiation.”

The accountant's importance

Debra understands just how important a role that the accountant plays in assisting small business; a role that goes far beyond an affiliation with numbers.

“The thing about working with people [...] is that if you're a small business person, you don't talk to your mum about your cash flow problems, you don't talk to your best mate about your cash flow problems, so who are you going to talk to?”

The answer is simple, according to Debra, and she is well aware that the small business community is collectively crying out for a helping hand.

“A lot of them can't even talk to their partner, their husband, wife or girlfriend, because they're just so busy trying to keep it all together and act like everything's fine. Most of them are really just going from week to week and trying to get through. They need



“You can just tell that the IPA is focused on small business. I think that’s a massive point of differentiation”

→ that advice, they want advice, and they’re desperate for it.”
Debra turns the conversation back to her office, noting that most days she feels like a counsellor in her day-to-day business life, with a revolving door of clients spilling their rawest emotions and personal situations on that vibrant, hot-pink desk.
“I have people in my office, and

on the phone, constantly crying. It’s one of the most common things. I feel like I’m a counsellor; that I should go and do some kind of counselling degree, because when you’re dealing with small business, it’s not just a calculator. You are dealing with a person – their success, their failure, and their legacy.”

“I think that the majority of people go into business because they’re passionate about it,” Debra adds, “so the legacy part of it is actually really important.”

Debra knows that her clients have their houses riding on their success, and working through a failed business venture never gets any easier. Debra tells a heartbreaking story of a client facing personal bankruptcy as her personal finances and prospects collapse.

“If she can’t pull this off, we are talking bankruptcy. She’s worried about the stigma that surrounds that. I actually believe that’s her only option. I’m counselling her. How do you tell someone that? That’s not what I signed up for.”

According to Debra, the industry sometimes forgets the important role that it plays, and that while many are swept up in talk of consolidation and commoditisation, the personal impact of the accountant has not wavered.

“People are forgetting that we are not business to business. We are person to person.”

It’s clear that Debra’s passion for aiding small business and celebrating a small business success story has not budged. She insists that her passion for the industry and her passion for the profession is firmly set within her bones. She tells a story about a recent hand-off of a client’s portfolio to a young, fresh-faced accountant. Debra could sense her uncertainty.

“She looked at me and said, ‘How do you know that things are wrong with the numbers?’ And I told her that you just know; you just feel it.”

Big passion for small business

Debra is the first to admit that she struggles to switch her brain off when it comes to supporting small business. Client or not, Debra is the first to stress at the sign of a poor financial decision.

“We’ve just got this new little café downstairs, they opened in early December,” she says. “Great coffee, but I was really worried about them. They had a sign out the front of the store that says ‘cash only’.”

“Did you know that 5.1 million people walk away from buying something every month because they can’t use a card of some sort? That’s 54 per cent of sales. That’s huge! You can’t ignore those numbers.”

Debra laughs as she recalls pulling the manager aside and telling him that an EFTPOS machine would be a smart business decision.

“This week I get there and the

“I’m losing sleep about this café, that isn’t a client of mine. I don’t even know the guy’s name!”

manager tells me that they’ve got EFTPOS now. I high-fived him and told him that now he can change the sign!”

She adds: “It’s none of my business! I’m losing sleep about this café, that isn’t a client of mine. I don’t even know the guy’s name! I’ve had to learn that when I stop working on a client, that I have to stop the numbers, because the numbers clog up my brain.”

These days, Debra has established herself as a leading voice when it comes to championing the issues and input of small business. She now sits on a variety of ATO advisory

boards, including the ATO Tax Practitioner Advisory Group, and the BAS Agent Advisory Group. Debra has also served as a member of the Tax Office’s own small business ‘Fix-it Squad’, an initiative designed to simplify the BAS process for Australian SMEs.

She is adamant that small business is the lifeblood of the Australian economy, and her new approach to business has further ignited her passion for the Aussie battler, and a true success story. It is clearly more than just a numbers game for Debra, and she wouldn’t have it any other way. 📌



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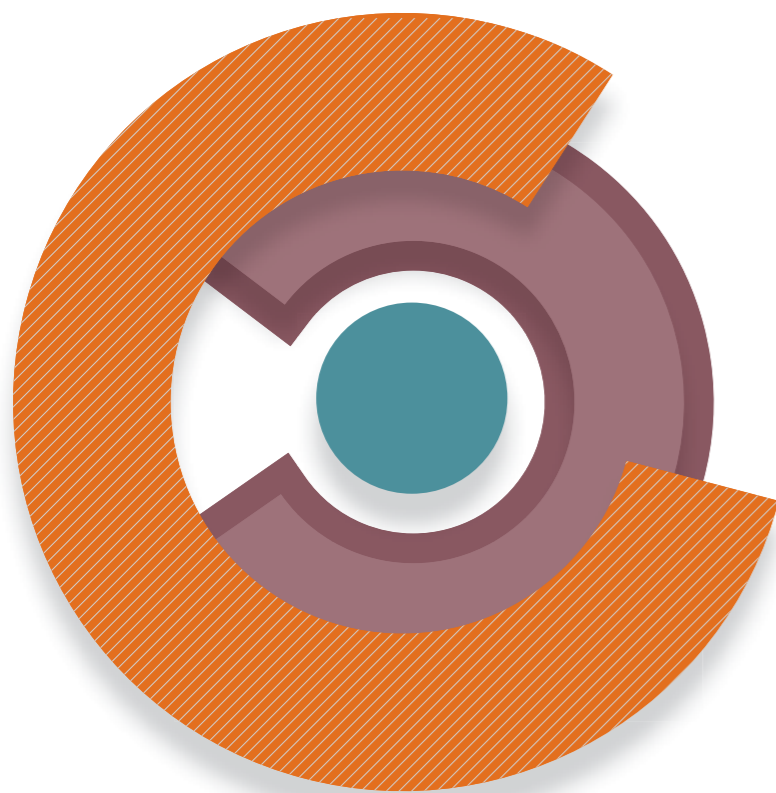
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Is gender discrimination still an issue in the accounting profession?



Katie Timms

Katie Timms is a director at RSM Australia



Challenges still remain

As a female partner in an accounting firm, the question of whether gender discrimination is still an issue in the profession is one that is often raised with me. Whether it's regarding the traditional issues of the 'glass ceiling' and unequal salary, or less tangible concerns around leadership and management, discrimination is still a hot topic.

Recent research in the US suggests that gender-based wage discrimination is still firmly entrenched in the profession. However, the situation in Australia appears to be changing. A strong push towards equality in reward and a generational shift has seen vast movements in the industry. Flexible work arrangements are being offered to, and taken by, both male and female staff. The alternative skills that a female manager is able to contribute to a team are increasingly becoming important to many firms.

Clients also appear to be embracing the movement. The shift from accountants being 'number crunchers' to being trusted advisers highlights the need for the different personal skills each gender can bring.

And, for many, the skills are simply more important than the gender of the person providing them.

This doesn't ensure all the issues have been addressed. There could still be an unconscious bias towards more traditional gender roles.

Males are often considered to be better at providing strong leadership and able to address conflict.

While the days of being addressed as the PA for another partner are now a thing of the past, some challenges still remain.



Helen Argiris

Helen Argiris is the national chairman of BDO



Improving every day

While there are pockets of gender discrimination in our profession, there is no doubt it's improving. It starts with the people at the top and, if they see it as an issue that needs to be dealt with, the culture within an organisation will shift.

Educating employees on the issue is imperative, and that seems to be working. A firm's culture brings out the best or the worst in an organisation, so if a company continues to monitor employee behaviour and takes the issue seriously, then you will have a culture that promotes equality. A few years ago, you would hear comments you simply don't hear now. I think it's fair to say gender discrimination was prolific in the 80s and 90s.

Many years ago when I was pregnant, I had a client for whom I was about to sign off on end of financial year documents. The next thing I knew, I had received a letter saying the client was going to engage another accountant. I thought I had done something wrong, but I discovered it was because I was going to have a baby – they assumed I was going to lose my focus.

Thankfully, people's behaviour has changed a lot over the last 10 years. The Diversity Council of Australia has done an amazing job bringing it to the forefront of people's minds.

There is more work to be done, but we're certainly heading in the right direction. Having said that, I think it's still going to take another generation or so until it gets to a point where it's not an issue any more. It won't be until those who are currently in their 20s get to the top of the corporate ladder that we reap the rewards of the hard work that's being done right now.



John Dorazio

John Dorazio is a director at Walker Wayland WA



Discrimination does not work

We live and work in an environment that requires co-operation and exchange of ideas. The greater diversity of ideas and effort we have, the better the outcomes for our clients. I have never seen gender-based discrimination in any workplace in which I have been involved. What I have seen is people being rewarded for their hard work.

Women are taking increasingly prominent roles within accounting firms, and this represents a generational change running through the profession. Fifteen or 20 years ago, it was a male-dominated profession in terms of pure numbers. But now we are seeing more women completing accounting degrees and working in the industry.

Ten or 15 years ago, there would have been almost no women at partner or director level. Today, more than 25 per cent of senior roles within the Walker Wayland network are held by women – and that percentage is growing.

The firms within the Walker Wayland network employ nearly 500 people, with women representing almost 60 per cent of them. This is not because any firm practices positive discrimination, but simply because each individual represents the best candidate for each role. There are bound to be inevitable gaps if one compared a person who had been out of the workforce for a number of years with someone who has been in the industry the whole time – male or female.

Any firm that practises gender discrimination – whether overtly or through age-old practice – should be named and shamed. There is no place for these attitudes in our profession – or anywhere in Australian society.



Alan Osrin

Alan Osrin is managing director of Sage Australia



The landscape is now changing

I don't believe gender discrimination is an issue in today's accounting profession, despite the fact that, generally speaking, the majority of our accountant partners are male. This is more a residual effect of fewer females studying for degrees in the field. The exciting and dramatic change in our industry is that the landscape is rapidly evolving.

We are seeing a distinct generational change with the majority of graduates and junior staff now being female, which will lead to further diversity across the industry. We don't believe gender discrimination is evident – perhaps it is more a case of unconscious bias as accounting and math degrees were seen as male-dominated.

Accounting firms succeed or fail based on their ability to service, retain and grow their clientele, and therefore the staff they hire needs to reflect the clients' demographics. For example, in a suburban firm where the clientele is predominantly Asian and speaks Asian languages, it would be difficult for that firm to hire non-Asian speaking staff.

This isn't a case of discrimination, but simply that these suburban firms are a reflection of the Australian society and the multi-racial pockets that exist in different parts of our country.

With more females being attracted to the industry, I see this shift as being a significant and positive development. Particularly as the majority of SME owners are female and female-to-female counsel can be seen as an additional selling point.

The inevitable gender shift will only improve our industry, by giving customers more choice in their accounting partners.



James Solomons is the director of Aptus Accounting & Advisory and the head of accounting at Xero Australia

What the next generation of accountants really wants

Millennials are often portrayed in the media as entitled, frequent job switchers and interested primarily in monetary gain. But the reality doesn't quite match up

• • •

by James Solomons

Members of the next generation of accountants want to be exactly that: accountants.

They studied accounting because it interests them, not because it is a stable career they can fall back on if 'plan A' fails. They're also not afraid to call themselves accountants. In fact, they relish in breaking down the stereotype of the boring accountant.

They do, however, expect something from their employers that previous generations didn't. They want to be engaged. They want to use their minds to solve problems for clients. They want to challenge themselves on complex tasks or projects.

Millennials want to use technology.

You won't keep an accounting graduate for long if they are set to work coding and posting bank statements – which was my first task on my first day of work 15 years ago. Even the date is etched on my mind – there I was, on 29 January 2001, coding and posting a quarter's worth of bank statements. I fell asleep and woke to my head hitting the desk. I thought there had to be a better way and set out to find it.

Within six months I had that client on a computerised cashbook doing his own data entry while we did the reconciliations and payroll. Over time, I trained the client to do his own recs and payroll. Eventually I implemented an invoice manager into his workshop, helped him design the templates and

perfect the process. This excited me. Coding and posting bank statements did not.

But back in 2001 this was what you did. You did your time. Today, doing time alone is no longer accepted as part of the maturation of a young accountant. I've heard stories of big accounting firms still having graduates code and post bank statements in their private client divisions. It's no wonder these accountants become disillusioned and turn to other roles outside of public practice.

This is one of the reasons accounting as a profession is finding it challenging to fill vacancies with accountants who have three to six years' experience. These are the graduates who started their careers just as technology was starting to make an impact on the roles of accountants and only a handful were lucky enough to work for early-adopter firms.

And this is why Millennials are the

“Accounting firms need to embrace this youthful enthusiasm and expertise, and channel it in the right direction”



answer to this problem. They are ready to work hard for firms that are going to give them an opportunity to learn, and they are also the ones who are going to assist those firms that still need to get started on their digital journey.

The cloud has given accounting students new horizons. They've heard about it, read about it, and now it is finding its ways into their uni degrees. I've been lecturing on the cloud at Macquarie University for the past three years. Students know what the cloud is and they expect to use cloud tools when they start their first job. They see no value in wasting time restoring backups and moving figures from a client's desktop program to a desktop accountant's general ledger program.

They are entrepreneurial and want to work on cool things. Fortunately, the cloud is cool. Young grads are great at using technology, and it's important these days for accountants to have the

skills to help clients run their business better using technology – so there's a perfect match.

Accounting firms need to embrace this youthful enthusiasm and expertise, and channel it in the right direction. If there's a new cloud reporting app to check out, give the Millennial the task of trialling it, learning it, and reporting back as to whether it is useful for your firm and your clients. Encourage them to become the source of in-house knowledge and support.

Being entrepreneurial means Millennials are problem solvers at heart. They want to be challenged. So throw them the difficult tasks and expose them to the more challenging scenarios once reserved for seniors. In many cases, I have seen the younger accountants come up with some ingenious solutions.

However, they may not always provide a technically correct solution, and many employers find this hard to deal with, often feeling let down by the

Millennial. But, in fact, what they have done is demonstrate that it's possible to view a situation from a different perspective – one that otherwise might not have been considered.

This is the learning environment in which Millennials thrive, and they will happily get it wrong nine times out of 10 because they see this as a crucial part of their development process. The key is ensuring that as employers we set clear boundaries to ensure the process remains efficient. The good news is, thanks to their knowledge of technology, Millennials generally get through three times as many scenarios as their more experienced colleagues do.

If you include learning challenges like this in the mix together with technical accounting and tax training, and give them opportunities to shine internally and then externally, you'll master the art of employing, nurturing and getting the best from the next generation of accountants. ☺



Tony Greco FIPA is the IPA general manager of technical policy. He can be contacted on (03) 8665 3134 or at tony.greco@publicaccountants.org.au

Federal budget 2016 – political reality takes over

The stakes were high leading into the 2016 federal budget, with the Turnbull government having only one shot at putting together a credible plan to win over the electorate

by Tony Greco

If this was the first budget in a three-year term, it would look decidedly different. We need to be realistic about the expectations of what the budget can achieve given the background scenario facing the new Treasurer Scott Morrison's first budget. The Treasurer has a difficult job to produce a plan to stop the deficits, while providing some goodies to reinvigorate the government's stalling fortunes.

It would be unrealistic in an election year to expect any significant reduction in the size of the overall federal deficit. The best we can hope for are signs of a credible plan towards the road to budget surplus. When the leadership of the Liberal Party changed in September last year, everything was back on the table in relation to tax

reform. Unfortunately, the tax reform process that was started in March 2015 with the discussion paper titled Rethink Tax has been put on hold. The government's initial intention was to take tax reform to the next election, but this is a risky strategy in an election year.

Turnbull has decided early into his reign to take reforms of the GST off the political agenda. He will not be seeking a mandate from the public in the upcoming election on possible changes to the rate or base of the GST. Given that there is no bipartisan support for changes to the GST, it is understandable that this pledge was dropped early in the piece as it carried too much political risk leading into a tight election cycle.

Given this scenario, what is the best

we could hope for, you ask? Well, some small steps in the right direction would be good given the fiscal tightrope facing the Treasurer.

The government indicated in the lead-up to the budget that it would channel tax savings towards reducing PAYG taxes on workers and small business tax cuts rather than reducing the size of the deficit in the short term. The government is hoping to obtain a growth dividend from such a strategy to shore up its re-election prospects and provide an impetus to the economy in the short term.

The long-term structural deficits live to fight another day as a result of the political realities heading into another election period.

Tough decisions will loom ahead in order to address government expenditures rising much faster than revenue. Without meaningful tax reform and expenditure restraint, the budget will remain in structural deficit for the foreseeable future.

“Our tax mix is essentially unchanged since the 1950s and is not fit for purpose for today’s economy”



What did we get on budget night?

The two big announcements were in relation to small business tax concessions and, as anticipated, superannuation changes. Savings in the taxation treatment of superannuation have been channelled to fund tax cuts for SMEs. Last year's budget bestowed tax concessions on the micro-small business sector with turnover of less than \$2 million. This year's budget has moved some of these concessions up the food chain into SME territory. The government hopes mid-size businesses are more likely to invest, employ and survive than micro-businesses. There are rosy assumptions built into the budget projections. Some of these

assumptions are already under pressure, such as the inflation rate and iron ore price. Lower inflation reduces bracket creep that could create further headwind. If the robust assumptions do not hold true we could see a blowout of the deficit, which is not expected to be in surplus until 2020-21 at the earliest based on current budget projections.

Small business

The big announcement on the night was increasing the definition of incorporated small businesses from \$2 million to \$10 million turnover. This gives such businesses access to the full suite of small business tax concessions.

From as early as 1 July 2016, all incorporated businesses with annual turnover of less than \$10 million will have access to the following small business tax concessions:

- A lower small business company tax rate of 27.5 per cent;
- simplified depreciation rules, including immediate tax deductibility for asset purchases costing less than \$20,000 until 30 June 2017 and then less than \$1,000;
- immediate deduction for prepaid expenses, where the prepayment covers a period of 12 months or less, that ends in the next income year;
- simplified trading stock rules, giving businesses the option to avoid an end of year stock take if the value of the stock has changed by less than \$5,000;
- a simplified method of paying PAYG instalments calculated by the ATO, which removes the risk of under or overestimating PAYG instalments and the resulting penalties that may be applied;

Budget aggregates	Actual		Estimates		Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Underlying cash balance (\$b)(a)	-37.9	-39.9	-37.1	-26.1	-15.4	-6.0
Per cent of GDP	-2.4	-2.4	-2.2	-1.4	-0.8	-0.3

- ■ the option to account for GST on a cash basis and pay GST instalments as calculated by the ATO;
- other tax concessions available to small business currently, such as the Fringe Benefits Tax concessions (from 1 April 2017, the beginning of the next fringe benefits tax year) and immediate deductibility of professional expenses;
- immediate deductibility of professional expenses such as legal and accounting when setting up a new business; and
- access to small business restructure rollover if there is a change in legal structure.

The increase in the small business entity turnover threshold provides greater access to the tax concessions previously enjoyed only by entities with turnover of less than \$2 million.

For unincorporated small businesses (sole traders, partnerships, trusts), the government will increase the unincorporated tax discount from five per cent to eight per cent for entities

with turnover less than \$5 million. Unfortunately, the cap for the discount remains at \$1,000.

The government has indicated that the \$2 million threshold will be retained for the purposes of the small business capital gains tax concessions. If all these changes go through, we will have \$2 million, \$5 million and \$10 million thresholds adding further complexity to the system.

Superannuation

As expected, there was a raft of superannuation changes. The government proposes to introduce from 1 July 2017 a maximum pension account balance of \$1.6 million, which will receive concessional tax treatment of zero tax.

The annual concessional contribution cap will be cut to \$25,000 for all individuals as from 1 July 2017. Also applying from 1 July 2017, the threshold at which Division 293 tax applies will be reduced to \$250,000 from \$300,000. Contributions caught by Division 293 are effectively taxed at 30 per cent rather than 15 per cent.

In a welcome move, taxpayers will no longer have to show that less than 10 per cent of their income came from employment in order to claim a deduction for super contributions. This has been a longstanding anomaly that discriminated taxpayers based on their sources of income. It is also abolishing the work test for taxpayers aged 65 to 74 allowing them to make concessional contributions to super regardless of their age.

Both these measures will make it easier for taxpayers to contribute to superannuation up to the maximum concessional contribution cap.

From budget night 2016, individuals will be limited to a lifetime non-concessional contribution cap of \$500,000, which will replace the existing annual non-concessional contribution cap of \$180,000 per year (or \$540,000 if the two-year rule bring forward rule was applied). If you have already exceeded this amount since 1 July 2007 to budget night 2016, then you will not be penalised or required to

remove the excess component from their superannuation savings.

To round off a raft of changes to superannuation, the government also made changes to transition to retirement income streams (TRIS) and anti-detriment tax. In relation to TRIS, the government will take away the tax-free treatment of income earned by assets supporting a TRIS as from 1 July 2017.

With respect to anti-detriment payments, which essentially refund the contributions paid by the deceased fund member over their lifetime, these will come to an end.

Some of the proposed changes (lifetime cap for non-concessional contributions and maximum pension cap of \$1.6 million), in our view, represent retrospective changes to superannuation, which the government undertook would not be done prior to the budget.

Australia has had 25 years of uninterrupted growth but has accumulated a sizeable debt, which needs to be reined in to protect our AAA credit rating and to lessen the burden on our future generation. Our tax mix is essentially unchanged since the 1950s and is not fit for purpose for today's economy. We have an ageing population, anaemic growth, declining productivity adding to the mix of challenges ahead requiring difficult decisions to be made regardless of who wins the next election. The budget has cast an economic plan back to surplus, but its fortunes are riding on the back of small businesses as the economy transitions away from mining.

A final word of caution: the budget has created a plethora of tax planning opportunities. One caveat, however, is that budget changes are not yet law. The government needs to win the next election and the changes need to make it through Parliament to see the light of day. The Labour Party has already indicated that some of the proposed changes, such as the change to the definition of a small business, will not be supported, so we live in uncertain times – which seems to be the only constant in life. ☹



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The new small business tax rollover

A new small business tax rollover makes it easier for SME owners to restructure their businesses without having to face CGT consequences



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Outsourcing: It's the new black

Three years ago, if you asked an accountant "do you outsource?" or "would you consider outsourcing?" nine times out of 10, the answer would have been: no way!

Technical

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

The new small business tax rollover

A new small business tax rollover makes it easier for SME owners to restructure their businesses without having to face CGT consequences

by George Kolliou



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

The new small business rollover (the rollover) is contained in *Subdivision 328-G of the Income Tax Assessment Act 1997 (ITAA 1997)*. The rollover is effective from 1 July. Readers of the tax report may recall previous articles about taxation rollovers and a tax adviser's toolbox in restructuring businesses.

The rollover is a new, effective tool in restructuring small businesses and, when combined with existing rollovers and concessions, certainly provides a wide range of tools to restructure clients' affairs. The purpose of the new rollover is to make it easier for SME owners to restructure their businesses without having to face CGT consequences in restructuring their affairs.

Existing rollovers

Existing rollovers available under Division 122, subdivision 124-N and Division 615 of the *ITAA 1997* all focus on transfers of assets to companies or exchange of interests in trust for shares and companies. The focus is on moving to a company structure.

The new rollover

The new rollover is limited to company entities only. For example, assets can be transferred from one trust to another trust and, by utilising the rollover, CGT consequences will not arise.

This means that trust-cloning techniques used prior to legislative amendments effective from 2008 can now be used again.



The rollover will allow for the transfer of assets from:

- (a) Individual(s) to trusts or companies;
- (b) Partnership assets by partners to trusts or companies;
- (c) A company to a trust;
- (d) A company to individuals and partnerships;
- (e) A trust to beneficiaries of that trust; and
- (f) From one trust to another trust.

As with all taxation concessions, stringent conditions need to be satisfied to access the rollover. These are the main conditions that must be satisfied to access the rollover:

1. There must be a transaction

The transaction may be for consideration (eg, a sale of assets) or for no consideration (eg, a gift of assets). Given the word transaction is not defined, it takes its wide ordinary meaning.

2. The entities involved in the rollover must be small business entities

This means that the entities must satisfy the

\$2 million turnover test. The rollover can apply to entities holding passive assets, provided those assets are used by a connected small business entity. The connected entity and affiliate rules that apply for the purposes of the small business CGT concessions apply for the rollover.

3. There must be a genuine restructure of an ongoing business

The fact that taxation considerations are taken into account in a restructure is not a bar to a genuine restructure. A genuine restructure is one where the restructure is driven by business efficiency gains, the business continues to operate and the structure would have been adopted at the establishment of the business if advice had been obtained at that time.

4. Genuine restructure safe harbour

Where a restructured business continues for at least three years the restructure is deemed to be genuine, provided the assets rolled over continue to be used in the business.

5. There must be no change in ultimate economic ownership of the asset subject to rollover

For example, if an asset is transferred by partners to a company and they want to use the rollover, they must hold all the shares in the company in the same proportion as they held the partnership assets.

6. There is an alternate ultimate economic ownership for trusts

Although two trusts with identical beneficiaries may satisfy the ultimate economic ownership test, where a trust has made a family trust election and the asset transfers are within the members of a family group, the alternate test will be satisfied.

For example, an asset transferred from trust A to trust B where both trusts have the same test individual will not give rise to a change of ultimate economic ownership even if the beneficiaries are different.

7. The asset subject to rollover must be an active asset

This requirement is consistent with the rollover being used for business and not investment assets. Because of amendments to Division 40 of the *ITAA 1997*, the rollover also extends to depreciating assets.

8. The rollover is intended to be income tax neutral

In other words, there should be no income tax consequences arising from the rollover. It is important to note that tax consequences arising indirectly from the rollover cannot be ignored.

For example, a transfer of assets out of a company with a complying Division 7A loan agreement for the purchase price should not have any income tax consequences; but if that loan is subsequently forgiven, the taxation consequences arising from the forgiveness of the loan are not covered by the rollover.

Pre-CGT assets, interaction with the 50 per cent CGT discount and the small business 15-year CGT concession

Pre-CGT assets transferred under the rollover retain their pre-CGT status. The transferee is deemed to have acquired the asset before 28 September 1985.

The acquisition date of CGT assets transferred under the rollover is not carried forward and the transferee acquires the CGT assets at the time of the rollover.

This is consistent with the rollover being targeted at genuine restructures of an ongoing business and is not intended to cover restructures to facilitate the sale of a business or asset shortly after the restructure. For the purposes of the 15-year exemption available under subdivision 152-B of the *ITAA 1997*, the transferee will be taken to have acquired the asset subject to the rollover when the transferor acquired it. Effectively, this means that the rollover will not break the ownership period for the purposes of claiming the 15-year exemption.

The flexibility of the new rollover gives greater scope for restructuring clients' business affairs without triggering CGT consequences. This is a welcome addition to a tax adviser's toolbox, and should be considered whenever a business restructure is contemplated. 📌

Damage control

How do you minimise the damage if you have underpaid superannuation on behalf of your employees?

by Rebecca James



► **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

In an attempt to simplify the superannuation guarantee (SG) regime, and reduce the penalties associated with the superannuation guarantee charge (SGC), the government intended to introduce the *Superannuation Guarantee Legislation Amendment (Simplification) Bill 2015*. As this Bill was not successfully implemented, the status quo remains.

In this article, we consider how to minimise any penalties and address this scenario in the most expedient manner.

Superannuation guarantee charge

As the law stands, when an employer fails to make SG contributions on behalf of an employee, they are liable for the SGC, which is calculated as follows:

- a shortfall amount determined by multiplying the employee's total salary or wages (rather than just their ordinary time earnings (OTE) against the charge percentage (currently set at 9.5 per cent);
- an administration fee of \$20 per quarter per employee; and
- interest at 10 per cent on the shortfall amount from the beginning of the quarter in which the contribution was required to be made (ie, 1 January) until the lodgement of an SG statement outlining the shortfall amount or the 28th day of the second month after the end of the relevant quarter (ie, 28 May for the quarter ending 28 March).

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



Additional penalties

Employers may also be liable for:

- a penalty of up to 200 per cent of the SGC amount under Part 7 of the *Superannuation Guarantee (Administration) Act 1992* (Cth) (SGAA);
- a penalty of up to 100 per cent under the *Taxation Administration Act 1953* (Cth) (TAA) (although the commissioner will generally remit this penalty in full as the Part 7 penalty is the more specific penalty);
- a choice of fund penalty up to \$500 per quarter per employee; and
- an amount equal to the SGC personally if the Commissioner of Taxation (commissioner) issues a director penalty notice.

In addition, unlike SG contributions made on behalf of an employee, the SGC is not deductible to the employer. These penalties can apply regardless of whether the failure to make SG contributions was an inadvertent mistake or a misunderstanding. While the commissioner has no discretion to remit any part of the SGC, they may remit certain applicable penalties where the employer is attempting to comply with their SG obligations, and otherwise has a good compliance history.

Strategies to minimise the penalty provisions

It is critical that an employer regularly audits its own business to ensure that any underpayment of SG is caught by the employer before the commissioner becomes aware of the issue, either through its own data matching or audit processes, or because a disgruntled employee has made a complaint to the ATO.

Where there is in fact an underpayment of SG and the employer is outside the relevant timeframe outlined above, the employer should take the following steps:

Step 1:

Complete SG statements for each employee for each quarter and provide the SG statements along with a cheque for the amount owing to the ATO.

If an amount is paid directly to the employee's fund as opposed to the ATO, the payment will not reduce the SGC liability owing and the employee will effectively receive a windfall (unless the employer can have the payment offset against a future liability to make SG contributions on behalf of the employee).

Any attempt to have the fund trustee return

this amount in the above scenario on the basis that the employee has been unjustly enriched may not be successful unless it can be shown the employee was operating under a mistake of law or fact, and the relevant employees have not relied on the contribution or changed their position in the interim. Further, the fund trustee may seek the direction of the court as to whether they have authority to return the contribution in these circumstances (refer to the case of *Personalised Transport Services Pty Ltd v AMP Superannuation Ltd & Anor* [2006] NSWSC 5).

Further, as the case of *Payne v Commissioner of Taxation* [2016] AATA 104 illustrates, paying the SG amount to the employee directly will not be sufficient to prevent a shortfall under superannuation law.

Step 2:

Prepare a submission to the commissioner to accompany the SG statements and cheque, outlining the circumstances of the underpayment, and the reasons why further penalties should not be applied.

Generally, the commissioner will remit the Part 7 penalty (up to 200 per cent) in full or in part where an employer has an otherwise

good compliance history and has made a genuine attempt to comply with its SG obligations. The starting position is as follows (refer to paragraph 19 of PSLA 2011/28):

DEGREE OF ATTEMPT TO COMPLY	LEVEL OF PENALTY REMISSION	RESIDUAL PENALTY EQUIVALENT TO SGC
Genuine attempt to comply – the employer lodges an SG statement after the due date, but before ATO compliance action	100 per cent	Nil
Moderate attempt to comply – the employer lodges an SG statement after the due date in response to ATO compliance action	87.5 per cent	25 per cent
Default assessment information provided by employer – the ATO makes a default assessment based on information provided by the employer after the due date in response to ATO compliance action	75 per cent	50 per cent
Default assessment information not provided by employer – the ATO makes a default assessment where the employer has failed to lodge an SG statement or provide relevant information in response to ATO compliance action	62.5 per cent	75 per cent

Step 3:

Put in place procedures to ensure an underpayment of SG does not occur again. Review the terms of any clearing house agreement and ensure compliance. Most clearing houses will require the SG contributions and relevant information to be transferred to the clearing house five to seven days before the SG contribution is due to avoid a shortfall under superannuation law. Importantly, a payment to a clearing house is not enough to constitute a payment to a complying fund. Therefore, unless the clearing house contravenes a contractual provision such that the employer has recourse to the clearing house provider for any costs or liabilities incurred, the shortfall and accompanying penalties (if any) will rest with the employer.

Conclusion

This is an area where planning is key, as an employer's best option in an unpaid SG context is to minimise the damage rather than rectify the original shortfall. Thus, an employer is better off where they have obtained advice on what components of an employee's salary attract SG contributions and have put in place systems to ensure SG contributions are made on time to avoid a shortfall under the SGAA. 📌

The challenges of the new leasing standard

What will the changes to leasing standards mean for you and your clients?

by Sean Rugers



► **Sean Rugers** is a partner at PricewaterhouseCoopers and regularly advises companies on their lease arrangements. Sean is also a member of the IPA's Faculty of Accounting Regulation

In January, the long-awaited new accounting standard for leases, AASB 16, was finally issued. The new standard puts almost all leases on the lessee's balance sheet, removing the distinction between operating and finance leases.

It's only mandatory for financial years ending Dec 2019 or June 2020, but companies are already starting to prepare now for two main reasons; firstly, they're signing long-term leases going past FY19-20 that the new standard will apply to and, secondly, it can be a long and challenging process.

The exemptions for leases less than a year and assets costing less than US\$5,000 may help to remove the burden for some of your leases, such as laptops, but higher-value leases, such as buildings and vehicles, will be in scope.

What is changing?

Leases will be measured as the present value of lease payments for the lease term and recognised as a lease liability and right-of-use (ROU) asset, grossing up the balance sheet. This will immediately have an impact on balance sheet metrics, such as net debt and gearing.

The income statement expense recognition will change in two ways: firstly, the presentation within the income statement and, secondly, the timing of costs recognised in each year of the lease.

Under the current standard, operating leases are typically expensed as they are incurred or with a 'straight-lining' adjustment to smooth out future fixed increases. Under the new standard, operating lease expense will be replaced with interest and depreciation. The new classification will affect metrics like EBITDA.



The profile of expenses over time will also change. The ROU asset will typically depreciate straight-line but the interest expense will be front-loaded, similar to a mortgage where the interest expense is high until the capital is significantly reduced. The increase in interest expense will affect ratios such as interest cover.

A portfolio effect may reduce the income statement volatility from the new standard, but the timing of significant renewals may still cause variability in expenses each year.

What are the challenges?

The first challenge is collating the information for your existing lease portfolio. You should already have the information available for your existing lease commitment disclosures, but many companies use manual processes such as spreadsheets to manage the information.

Under the new standard, you'll likely need more information from each lease. As well as

this initial project, you'll need to develop an ongoing robust process for collating and validating lease data.

Calculating how to measure a lease will require judgement in several areas, so you will need to make these decisions for each lease and be prepared for the scrutiny once leases are on balance sheet.

- Are you paying for bundled services (eg, maintenance) that can be separately identified?
- Should you include variable lease payments?
- Should you include payments for periods covered by extension, termination or purchase options?
- How should you measure residual value guarantees?

Some of these judgements need to be re-assessed throughout the lease term, adding complexity to the calculations.

One example of remeasuring leases that will add complexity is leases with inflationary increases or market rent reviews. You will initially calculate the lease using the initial nominal rental payments (ie, ignoring future expected inflation). Each time that an increase takes effect, the lease will be re-measured to the new nominal payments.

What are the wider implications?

The new accounting treatment will have implications beyond the accounting including:

- **Debt agreements** – Although many debt agreements have clauses about changes in accounting standards, the covenants may still need to be renegotiated or calculations prepared on both bases.
- **Lease negotiations** – While accounting should not be the key driver in

commercial lease negotiations, is there an opportunity to reconsider certain lease terms and the structure of lease incentives to mitigate adverse accounting outcomes?

- **Sharing economy** – Services are emerging that enable new ways to share capacity of an asset rather than leasing or owning a particular asset. For example, office space, car fleet and parking spaces are all available now using interchangeable assets. This will create interesting opportunities to consider how you source the assets you need for your business.

What else is changing?

There are other changes, which may be important depending on your business.

The definition of a lease is changing. The removal of 'off-balance sheet' operating leases brings into focus the distinction between a lease and a service arrangement, which is not accounted for on balance sheet. AASB 16 includes new guidance and illustrative examples on assessing whether a contract contains a lease, a service or both. The new guidance focuses on the principle of control and whether a lessee has the right to control the use of an identified asset during the lease term; it may give a different classification to the previous standard.

The new standard requires more extensive disclosures – both qualitative and quantitative. This will have an impact on the information that is available about your business to evaluate for lending or transaction purposes.

What should I do now?

Given the potential impact the new standard will have on financial reporting, you should:

- analyse the various complex and inter-related elements of your lease agreements across the portfolio;
- quantify the impact for key stakeholders such as audit committees and analysts; and
- consider the terms of new leases and renewals being negotiated. 📌

You can find more information about the new leasing standard at www.pwc.com.au/ifrs/new-standards.html

Innovation for success

Embracing change and thinking outside the box might be difficult for accounting businesses, but it's fast becoming the only way forward

by Jamie Johns



► **Jamie Johns** is the CEO of Sky Accountants. The firm has been recognised on several occasions as one of the most innovative in the Australian accounting sector

Being a self-confessed seminar junkie, I get to review lots of business ideas and meet with entrepreneurs. Everyone has different views on the pace of change in the accounting industry.

Four years ago I reinvented my own firm and its operations from top to bottom, both in terms of technology and processes and my role within it. I removed myself from it to work on it.

At a basic level, all businesses need to stay abreast of changes because if they don't, they're actually going backwards. My mentor, Ed Chan, says: "If you're not growing, you're dying." There are firms out there not growing; I speak to them routinely.

In April, at the *AccountantsDaily* Business Advisory Day in Melbourne, I met a firm with \$4 million in turnover and their fees were going backwards. So, where to from here?

On the front foot

Partners need a leadership strategy on how to move their own business to the cloud and also that of their clients. In my view, you need to walk the walk.

If you haven't moved your own firm to the cloud, how can you ask your clients to do the same with confidence?

Secondly, the leaders need to determine what technology to use because there are a host of options. We used Google apps for a while, then dumped it and moved to Microsoft's SharePoint.

You need to see what works for you and test the software. This will save you a



lot of time and money in the long run. Use this approach with any innovative ideas, outsourcing, etc.

The cloud is here to stay and it's simply not an option to ignore it - but some firms still are. The next five years are critical because the adoption curve will be heading towards the top. Change is a long-term investment, not a quick fix.

The other strategic point to note is innovation never happens unless it becomes a core value of your firm's culture. From my experience, change takes courage. I recently heard author and international presenter Ridgely Goldsborough speak about the importance of your 'why' and integrating that into the heart of your team's culture and moving everyone forward together as a team.

It took me 10 years to get my team right. The number one barrier to growth I see these days is leadership. This is a topic I am

“You need to walk the walk. If you haven't moved your own firm to the cloud, how can you ask your clients to do the same with confidence?”

heading up at the IPA's state conferences: advising firms on how to set up their firms to be profitable commercial enterprises that run without them.

Follow the leader

Someone capitalising on innovation, and I would argue spearheading the race of change, is a young American woman called Jessica Mah. Jess is the CEO and founder of inDinero.

Her company is growing at a rapid rate

and has been featured in magazines such as *Forbes*, *The Wall Street Journal* and many others. Fundamentally, her business acts as the virtual CFO companies traditionally had in-house.

The cloud makes this possible. It's about giving the business owner specialist services and software, and packaging this up to deliver excellence in service and support, without all the hassle of hiring your own CFO in-house.

The CFO was once only the domain of

larger-size businesses, but now it's an option for the everyday SME.

It's a great outcome for small to medium-size business. InDinero looks after the back-office, not just the tax, and this results in a more integrated delivery of accountancy service.

Globalisation, innovation and change are all here to stay and will continue to challenge us all, both at home and at work.

The message from the recent Panalitix conference was: "Everything that can be connected to the internet will be, including your fridge."

For those who invest in change and embrace it, the ride can be rewarding and provide a long-term return on investment. Innovation and change are never easy, but from my experience they are worth the ride and the destination. 📍

Outsourcing: It's the new black

Three years ago, if you asked an accountant “do you outsource?” or “would you consider outsourcing?” nine times out of 10, the answer would have been: no way!

by Nicholas Sinclair



► **Nicholas Sinclair** is an entrepreneur, speaker and innovator, and the CEO of The Outsourced Accountant. He has owned and operated a successful accounting and financial planning firm for 12 years before turning his focus to The Outsourced Accountant in 2015.

But there is a shift now. Sure, a small one. Accountants are now offshoring their accounting work overseas. At Rob Nixon's THEPAC conference in April, two speakers focused heavily on outsourcing and they discussed why you can't run a business without it.

When they asked the crowd of roughly 450 accountants how many were currently outsourcing, a good 40 per cent of the room put their hands up. This number is high compared to the industry, as it is well known the attendees of THEPAC are some of the more proactive and innovative in the industry. However, a show of hands of 40 per cent was still surprising.

I remember when Xero first came to the market, the industry as a whole didn't believe it would ever take off. Remember? Then over time, Xero educated the industry on cloud technology and a whole new way to provide innovative advice that significantly adds value to clients. And now, cloud technology is widely accepted as an essential way of doing smart business.

I can see similarities with outsourcing and cloud technology. Actually, outsourcing is the new cloud technology. And just like the industry was initially resistant to cloud two or three years ago, the industry now widely accepts it as an innovative way of being able to offer clients better value than ever before.

Too busy for clients

We in the industry are known as the 'trusted advisers', but yet many don't have time to even talk to their clients or, worse yet, truly work as their clients' trusted advisers. Most are rushing

to complete returns and complete compliance, too busy to spend the time to actually add value to clients. Does that sound familiar?

Outsourcing, or offshoring, allows you to really analyse your business, and get the right people doing the right work, at the right time.

It amazes me how many accountants, who are charging \$100-\$300 per hour, are still doing work that is process-orientated and can be done by someone for \$3 to \$10 per hour. What business are you losing while you are doing these tasks?

The world has become more global with cloud technology, but many firms are yet to take advantage of this and build a team with the best talent from around the world. The simple truth is too many people are running inefficient firms, and it's not surprising staff don't want to stay working for you long term. Here are the top four concerns about offshoring:

1. Is my data secure offshore and does it meet the industry bodies' privacy rules?

The reality is no data is stored offshore if your outsourcing provider is following the correct laws. The big benefit with cloud technology is that no data is kept locally. This makes it easy to offshore, and staff in best practice outsourcing firms don't have access to printers, USB drives and can't email the documents either.

We do often get firms that are still using old technology (servers in their office with documents stored there). If this is your firm, don't worry – you can still outsource. The offshore team member just needs to be able to get remote access to your service. If they do this, no information is stored offshore as they can only access via your server.



2. Should I outsource a project or build a dedicated team offshore?

There are pros and cons to both, and this article doesn't provide enough time to discuss these in detail. The way we look at it is project outsourcing is a short-term fix and building your own dedicated team is a long-term solution.

So I ask you, are you interested in long-term solutions that will assist your business growth?

3. The offshore team requires a lot of training, which is time consuming

Yes, this is true. You need to dedicate a good amount of time to get your team up and running, but once they are educated on your systems, processes and Australian tax law, it multiples quickly and, before you know it, your offshore team members are training your new hires themselves.

While it is an investment in building your engine room offshore, in a short amount of time you will see the productivity benefits, which flow on to profitability and ultimately to being able to deliver a far superior service to your clients. Imagine having a team offshore where you are making 10 times their cost per hour, and being able to deliver information

“Outsourcing, or offshoring, allows you to really analyse your business, and get the right people doing the right work, at the right time”

and services to your clients in a fraction of the time that you do now.

4. My staff will leave

The only staff that will leave your firm are the ones that have been hiding behind mountains of work and their true inefficiency hasn't been seen. At first you will need to reinforce the reason for doing this strategy with your team, but once they see it working and how it helps them fast track their career, they will become the advocates for it moving forward.

It's like every team member gets their own personal assistant. And who wouldn't want that? It also allows your onshore team to do the work they enjoy, and that they are paid to do, not the low-end tasks that always creep into their workload.

Now, offshoring isn't for everyone. Some

firms are happy with their profits, some never lose team members, have happy clients that never have to chase their work and are happy with the value they add to their team, their business and ultimately their clients.

Cloud technology has truly created a flat world where sourcing the best talent can now happen globally, and where clients start to become the centre of how accounting firms design their business model offerings, instead of the clients being at the mercy of the accountant and their workload.

The industry is going through changes and innovation and, much like cloud technology is here to stay, so too is outsourcing and the benefits it provides to accounting firms and ultimately your clients. 📍

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

Lesley Carlisle
Hulya Acar
Xiaona Ai
Anestis Apostolas
Mark-Anthony Basha
Pratibha Bhanushali
Melissa Browne
Jennifer Casburn
Richard Godfrey
Yifei Gu
Anthony Hanna
John Idotta
Eui Jae Lee
Sarah Magann
Theresa Maloney
David Mansfield
Muhammad Mushtaq
Krishneel Narayan
Tanya Provis
Kyle Pryor
Michelle Ramos
Ivona Richter
Jodie Russell-Smith
Mazhar Saleem
Brock Savage
Bhavana Vilas Shah
Teerapong Sirisonthi
Richard Tadros
Chau Tran
Liangming Linda Trotter
Vrushali Wagle
Joy Wang
Xinming Xue

Tasmania

Nathan Percy

Australian Capital Territory

Shengya Wang

Queensland

Mahdi Amouri
Tuan Chau
Jessica Doman
Christopher Elsworth
Justin Hillman
Katy Johnson
Sarah Lawrinson
Danielle Nastov
Margaret Stewart

Sureskumar Subramaniam
Qiyang Zhang
Yichi Zhang

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Natalia Bzikadze
Jay Gandhi
Stephen Goyak
Suzanne Lee
LingYun Liu
Mary McConville
Todd Meaney
Bianca Nazzaro
Tony Pirone
Ajay Thaper

Victoria

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Christopher Bastin
Wai Chun Hsu
Yuri Khanin
Reece Kimpton
Praveen Puvanakumar
Emran Shozzeb
Peter Strickland
Kate Woodhams
Godwin Yesudas

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Sunil Adiyodi
William Amoraal
Shaan Arya
Ronald De Jesus
Michael Kenny
Sarah Little
Rameshchandra Raval
Fateen Tahir
Apple Villegas

Overseas

Khin Kyi
Syed Kashif Ali Rizvi

Admitted as MIPA

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Xianfu Hao
Nalaka Polgolla

New South Wales

Shamoun Abdallah

Tomoko Amari
Kostas Augerinos
Bradley Calvert
Matthew Connell
Preeti Gupta
Fady Hanna
Jacob Hanna
Bhavesh Hirani
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Paul Ingham
Cedomir Jesic
Venkata Karanam Chandamarai
Joesph Lancuba
Anna Luck
Rupert Macarthur-Onslow
Lloyd Magann
Liping Mao
Nicholas Melia
Peter Mikhail
Alan Molony
Gerry Papas
Padmini Rayapudi
Catherine Resurreccion
Harender Samtani
Katherine Schofield
Lee Seigenberg
Jinhan Sun
Neena Wang
Ronalynd Woodford

Victoria

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Mathew Blum
Brodie Brown
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Nickolas Giorgio
Debra Grant
Cassandra Gravenall
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Alan Lane
Anson Lee
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Suzanne Lucas
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Billy Murelli
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Wing Yee Connie Yuen

Malaysia

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Lai Leng Foo
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Siew Hoong Ng

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Ubaid Ullah
Muhammad Abdullah
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Shoaib Akhter
Muhammad Akmal
Mazen Albasri
Elena Carminati
Petra Chan Tung
Neeraj Chandan
Roshanth Chandrakumar
Hassan Farooq
Hassan Gubara
Noman Hakam
Natasha Kanwal
Rajeev Kumar
Reena Kun Kuruvilla
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Isaac Ntiamoah
Patrick Nyarko
Jeff Rey Panaligan
Rajashakar Pasupuleti
Sai Shalini Puthanveetil
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Muhammad Shahid
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Derek Richard Vogt
Umer Yousaf

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Han Yunyun
He Lianfeng
He Ping
Huang Hengcai
Li Hongjing
Li Mandun
Li Xin
Sha Feng
Song Chenggang
Song Hua
Tan Weizhe
Tang Jun
Tang Yue
Wang Jing
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Wang Xiaohui
Wang Yexi
Wu Guoyan
Yang Zhendong
Ye Haiqiu
Zhao Cunfang
Zhong Angang
Zhu Yujie
Zhuang Yu

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Nancy Michail
Aleksandra Princip
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Ignatius Rizzuto
Amarjeet Singh
Ahmad Zeidan

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Excellent return on investment

There is a wealth of emerging evidence indicating that successful health and wellbeing programs provide an excellent return on investment. They can:

- decrease sick leave absenteeism by 25.3 per cent;
- decrease worker compensation costs by 40.7 per cent;
- decrease disability management costs by 24.2 per cent; and
- save \$5.81 for every \$1 invested in employee health and wellbeing.

Source: Comcare, *Benefits To Business: The Evidence For Investing In Worker Health And Wellbeing*

FIT WORKERS, FAT PROFITS

There is significant evidence to suggest a healthy workforce can improve business performance

According to Australian government agency Comcare, there are a number of reasons to invest in programs to enhance worker health and wellbeing.

Put simply: healthy workers = healthy organisations = healthy business performance.

Comcare says research on the relationship between health and productivity finds healthy workers are more productive at work than unhealthy workers.

“Healthy workers rate their work performance as much higher than unhealthy workers and have far fewer short-term absences than unhealthy workers,” the agency says in a special report entitled *Benefits To Business: The Evidence For Investing In Worker Health And Wellbeing*.

“When an Australian study considered

the combined effects of self-rated work performance and absenteeism data, they found that the healthiest employees are almost three times more effective than the least healthy, with the healthiest employees working approximately 143 effective hours per month compared to 49 effective hours per month by the least healthy.”

And if that’s not enough, Comcare says healthy employees are more engaged too.

“[The] roll-out of [health and wellbeing] programs has the potential to improve workplace culture as well as workplace health by developing a closer congruence between employer and employee values – increasing the satisfaction level of employees.”

Mischa Weissenberg, a workplace wellbeing specialist at Holistic Services Group, says there is a lot that businesses – even small operations, such as

suburban accounting firms – can do to improve the health of employees.

“While each organisation will have different objectives for their wellness programs, common activities for the workplace can include seated massage; health classes like yoga, fitness or pilates; meditation sessions and workshops on stress management or mindfulness; workshops on nutrition, healthy eating, work/life balance and leadership development,” she says.

Every organisation is different, and so is each employee, but Ms Weissenberg says that is not a problem.

“Most professional and experienced facilitators will be able to handle a group with a variety of skill or fitness levels. So a fitness class instructor would normally be able to design a session that challenges everyone, if the age gap is known in advance.”

She adds: “But if it’s a major concern, I would suggest holding activities that are suitable for everyone. For physical health, two examples would be a nutrition seminar and a workshop on better sleep quality.”

“For mental health, try a meditation class or a resiliency workshop. For team building, try a laughter yoga workshop or a team cooking challenge,” Ms Weissenberg suggests. ☺

“Accounting firm faces court over alleged involvement in underpayment of workers”

Fair Work Ombudsman Media Release, 19 February 2016

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