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IPA INSTITUTE OF PUBLIC® ACCOUNTANTS

Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

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Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

Career aspirations and expectations of accountants are evolving further away from the hierarchical ladders of old. Is this necessarily a bad thing? No. Do firms of the future need to adapt? Yes. We explore how you can keep your talent on board in this month's cover feature.

We also explore another pertinent and ever-present issue – cash flow. The best remedies are often the simplest ones, and in this case, it seems communication is paramount to keeping the ship steady.

As we march on in 2017, we take a look at what the ATO will be keeping a close eye on for the short to mid-term as it casts its ever-widening net in the digital age.

Features

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Maximising value throughout the lifespan of your practice is key to getting what you want out of selling your business. We asked several leading industry professionals how to ensure you make the most out of your sale

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IPA INSTITUTE OF PUBLIC ACCOUNTANTS®

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Digitisation and the ever-changing landscape

Happy New Year members! I hope your year will be happy and prosperous.

As this is my first Public Accountant report, having been elected president last November, I thought I would start by talking about the IPA board's focus. Our strategic focus is on the growth of the organisation, which we will achieve by providing excellent service to members.

This includes engaging with our commercial and strategic partners who provide products and services to benefit members' practices and businesses; ongoing commitment to advocacy on behalf of members; delivering high-quality CPD and events; maintaining our highly-valued member communications; and extending our global reach under the auspices of the IPA Group.

There is no question that the board understands the changing landscape for accountants, particularly those in small and medium sized practices. These changes include the convergence in the advisory regime and the disruption caused by digitisation.

I was fortunate to have attended our National Congress in November where a number of sessions covered the issue of digitisation and disruption. For some, this remains a challenging factor. However, I believe that within the challenge lies opportunity. Clients need their trusted advisers, which means that we have to lead the way by embracing technology and holding our clients' hands through the changes.

The National Congress provided useful information and advice around embracing technology. I encourage members to stay abreast of change, and one way to do so is to continue to attend events such as the National Congress, events held in each state and local divisional CPD sessions.

I had the pleasure of speaking at the National Congress. I introduced myself and spoke about my passion for accountancy. I also addressed the importance of diversity in an organisation, and I am pleased to say this is an important issue that is embraced by the IPA.

The board has also been looking closely at its market positioning and brand recognition. In 2016, the organisation gained valuable insights through member and IPA staff research. Taking this feedback on board will lead to some changes in our approach to marketing and promotions, with consideration of our brand alignment with small business.

We will also be looking at a more youthful style and approach as we increase our marketing efforts to target university and TAFE students. The student program currently being developed will include a revamp of the student website and Facebook pages, newsletter and masterclasses involving members across Australia.

Damien Moore FIPA FFA

From the CEO

Welcome to 2017: an exciting year ahead

Last year was a busy one and 2016 highlights include the consolidation of back office systems and support for our UK operations, a delegation of Australian members travelling to China, a remarkable National Congress and state-based events, all supporting record growth for the IPA Group.

This year, we will further the voice of small business globally with the development of a UK version of our *Small Business White Paper* which will no doubt look at the impact of Brexit on free trade agreements (FTAs). The Trump administration in the US comes with uncertainty over current and future FTAs which will impact on our relationships with other countries and on trade regionally and globally.

I am of the belief that discussions around Brexit will shortly shift to 'Brentry', as in, which markets the UK will seek to enter. The white paper will consider these factors as we strive for the best outcomes for the small business sector in a globally interconnected world.

Our research for the Australian *Small Business White Paper* revealed that in Australia, just one in eight businesses have any international market presence, with about 75 per cent of Australian businesses trading only in local markets. As we realise the potential for small businesses to be more active in international markets, we will need to drive evidential-based policies to ensure we reap the benefits of trade agreements for all sized businesses trading in both goods and services.

It is also important to mention that when looking at FTAs between various nations, accountants are in the prime position to play a pivotal role as they are involved on each side of the transaction. I see FTAs as an opportunity for members to help their small business clients grow their businesses by guiding them to expand into export markets and to become their 'trusted trade advisers'.

This year, the IPA Group will also commence a journey to develop a single entity approach over the next couple of years. This is not about losing individual entity names but more about having a 'one group culture' and alignment of brand.

This is something that I am referring to as the 'Power of 3' where we will align our brand and our efforts across our member bases, clients and institutes. Similarly, the 'Power of 3' lends itself to our markets in Australia, the UK and Asia.

Stay tuned for more commentary on this in upcoming editions of Public Accountant.

Andrew Conway FIPA FFA

Practice of the Year – (L to R) Thanh Thai and Cheryl Mallett, Vita Gustafson & Associates; Damien Moore, IPA president; Andrew Conway, IPA CEO and and Vita Gustafson, Vita Gustafson & Associates

A celebration of success and progress

Members enjoyed another stellar National Congress at the end of last year, jam-packed with educational content, exclusive networking opportunities, and some well-deserved and highly coveted awards

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Held at the Grand Hyatt in Melbourne, the 2016 National Congress lived up to its reputation as the premier accounting event of the year, delivering delegates the best in professional development and practice management knowledge and strategies.

A highlight of the Congress was the Member and Practice of the Year awards. These awards were handed out to honour members' contributions and/or performance, and covered:

- Dedication to advancing the IPA and/or profession;
- Services to the industry;
- Engagement in innovation;

- Excellence in the IPA program; and
- Outstanding personal and/or professional characteristics

The IPA would like to again congratulate the 2016 winners, who are as follows:

NSW

Member: Kurtis Alaeddin

Kurtis is an executive member and president of the Macarthur Accounting Discussion Group which promotes and assists new accountants. The group provides an annual scholarship to UWS Campbelltown and arranges for students to meet accountants, businesses and potential employers when they graduate. Kurtis, who completed his master's degree in 15 months with two high distinctions and one distinction, has been appointed to the Taxpayers Australia Incorporated Practitioners & Advisers which helps accountants meet their obligations in becoming BAS or tax agents with the ATO.

Practice: PLH Accountants (Linda Holmes)

PLH received a Gold Award for Excellence in Customer Service. A recent IPA audit of PLH showed outstanding results – the "most professional online audit ever completed in one go". PLH promotes cloud innovation to help grow clients' businesses, with 80 per cent of its clients now using the cloud.

ACT

Member and practice: Henry Huang, Tailored Accountants

Henry has aspirations for his practice to be "the accounts department of small and medium business". Tailored Accountants has offices in Canberra, Sydney, Goulburn and Brisbane. It provides back office accounting and bookkeeping services using cloud-based technology. As part of the firm's internship program, it employs and trains accounting students and fresh graduates. It was a winner in the Australian Small Business Champion Awards 2016 in the Accounting Service category and an ABA100 Winner in Enterprise in the 2015 Australian Business Awards.

Victoria

Member: Martin Bailey

Martin has 22 years' experience as a discussion group convenor and is often the 'go to' person for the Victoria Division when they are seeking input for new concepts and offerings for members. He consistently contributes to the IPA by pro-actively providing useful feedback.

Practice: Sky Accountants (Jamie Johns)

Jamie Johns and his firm Sky Accountants are featured in *The world's most inspiring accountants*, produced by the UK's AVN. Sky Accounting was the winner of the 2015 Most Innovative Accountants Award in the Panalitix Annual Achievement Awards, and was a finalist in the Accountants Daily Accounting Awards in 2015 and 2016. Jamie is a leading cloud accountant who presents at many IPA events.

> "Timothy has taken the lead, in his own state of Queensland and other parts of Australia, to help accountants improve using new technology and to promote the IPA name"

Queensland

Member and practice: Timothy Munro, Change Accountants & Advisors

Timothy has been pioneering cloud-based technologies for accounting firms since 2008. His practice was the first to become a 100 per cent Xero-only firm. Timothy runs monthly open days and has held presentations for more than 100 accountants across Australia on issues such as moving to cloud, pricing

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Member of the Year – (L to R) Damian Moore, IPA president; Timothy Munro, Change Accountants & Advisors and Andrew Conway, IPA CEO

upfront and delivering better services to clients. Timothy has taken the lead, in his own state of Queensland and other parts of Australia, to help accountants improve using new technology and to promote the IPA name.

South Australia

Member: Michael Booth

Michael is a strong advocate of the IPA and its CPD program. He also actively supports and promotes IPA events. Michael attends many events in South Australia, as well as interstate, and regularly provides insights and feedback to the IPA.

Practice: Vita Gustafson & Associates

A medium-sized practice located in Darwin, Vita Gustafson's three directors are longstanding members of the IPA. Principal Vita Gustafson has been a FIPA for 30 years, Cheryl Mallett a FIPA for 20 years and Thanh Thai a FIPA for 15 years. The practice believes in hiring local graduates, and continuously strives to develop its staff. It is supportive of the IPA's CPD efforts and has been instrumental in growing the IPA brand in the Northern Territory.

Western Australia

Member: Mitchell Moroney

Mitchell completed the IPA program at the age of 20 and established his own practice, Moroney & Associates in 2015. His firm proudly promotes the IPA brand in everything it does. Mitchell believes in giving back to the community. In early 2016, he became the co-founder of Youth Unity Foundation, a charity that provides funding for mental health services in the Peel region. On behalf of the IPA, Mitchell also speaks to students throughout the state about his education, career and experiences with the Institute.

Practice: RAYME Accountancy (Ivan Robinson)

Ivan and Debbie, of RAYME Accountancy, are enthusiastic about promoting their business affiliation with the IPA and serve as great ambassadors for the Institute. Ivan has been part of the WA Divisional Council since 2001. He has had two stints as council president, from 2005 to 2009 and from early 2013 to the present day.

Tasmania

Member: Chris Williams

Chris, chief executive officer of St Luke's Health, has been a longstanding FIPA. He has previously served as a director and vice-president of the IPA's Tasmanian Divisional Council. In 2003, Chris was named the IPA Accountant of the Year in recognition of his commitment to the profession. He has almost 40 years' experience in the health industry, and was previously director of the Australian Regional Health Group and director of Private Healthcare Australia. He is a fellow of the Australian Institute of Management and a member of the Australian Institute of Company Directors.

Practice: PJS Financial

PJS partners Sam Horsman and Peter Sherriff are both longstanding members of the IPA.

PJS has successfully transitioned from manual data input to cloud-based accounting. It has helped more than 100 businesses convert to cloud-based accounting software system, Xero. The firm lodges around 2,500 income tax returns for clients in Australia and overseas. It is also recognised for providing significant opportunities for the development of students and younger accountants.

National winners

Member of the Year: Timothy Munro

Practice of the Year: Vita Gustafson & Associates

Social media

What's on your mind?

What conversations are the IPA and its members having on social media? Get involved on Twitter via @ipaaccountants and join our group on LinkedIn

@AndrewConwayCEO

So proud of the awesome team @ipaccountants for such great National Congress. You're all the reason behind the record IPA growth! #ipanc16

– 25 November, 2016

@CathCleary

My favourite quote in ages – @BillsonBruce "the world is run by people who turn up" #ipa16 #smallbusiness

– 24 November, 2016

@ipaaccountants

A huge congratulations to @BillsonBruce on being awarded Fellowship of the IPA. Your passion for small business is inspiring #IPANC16

– 24 November, 2016

@DebernardiWayne

Together we can achieve great things for our communities. @ipaaccountants have a dramatic positive impact on lives. Respect that. #IPANSW16

– 1 December, 2016

Inspiring success

"For many creative professionals, success isn't defined by a job title or pay check. Success is about making a difference, hatching big ideas, creating a better life and envisioning a better world. It's about being engaged and inspired by people from other disciplines. It's about learning from leaders and, in turn, about leading a meaningful life and creating meaningful work."

– Colin Thompson

Trusted adviser

"I prefer my accountant to do my yearly tax instead of me doing it online. If you are like me, I trust my accountant whom I have a long-term working relationship. She knows me and my business for many years, knows what can be claimed and what not. I like to sleep well and my accountant provides that service."

– Judit Nagy

Factoring expenses

"Many businesses underestimate one of the common expenses they incur: the cost of sending invoices. There is much more to it than the expense of paper and postage."

– Sam Hassan

Working together

"Brand agnostic collaboration will be the key to efficiency for practices in the future. Should not matter if your client uses MYOB, Xero, Intuit or whatever to enjoy great, easy collaboration."

– Richard Puffe

IPA in the media

The IPA has actively engaged with the media on a wide range of important and pressing issues such as superannuation, national productivity and small business

Super shortfall

People aged over 50 should be encouraged to make further superannuation contributions, if they have the capacity, to address any superannuation balance shortfall.

– Andrew Conway, Accountants Daily

Non-concessional cap

"[Andrew] Conway said the deferral was a budgetary decision to partly offset the cost of reintroducing an annual non-concessional contributions cap. Further, he highlighted the current annual CC cap of $35,000 for over 50s was less than one-third of what the cap was 10 years ago.

– *Self Managed Super*

Research and policy

Through the IPA-Deakin SME Research Centre, we want to ensure there is a rigorous evidential base as the foundation of future policy that will drive ongoing discourse and provide a credible voice for small businesses and small and medium enterprises globally.

– Andrew Conway, *Herald Sun*

Making Australia the best

Research is about building a seminal body of evidence to support a proposition. Our proposition is how do we turn Australia into the best place in the world to start, run and grow a small business?

– Andrew Conway, Accountants Daily

Importance of small business

Small business keeps our economy moving; they sustain our communities and families and we have an obligation to understand their drivers, their challenges and assist them to realise their potential.

– Andrew Conway, *Business Acumen*

Engine room of Australia

Small business is not just the engine room. Small business is the fuel, the labour, the foundation, the entire plant and equipment. And small business is not just the backbone, it is the circulatory and nervous system of the economy.

– Andrew Conway, *Business Acumen*

Productivity threat

Our stagnating productivity growth as a nation threatens our quality of life. One of the critical levers that government and industry must acknowledge and trigger is to unleash productive capabilities of small business.

– Andrew Conway, Accountants Daily

Unused cap amounts

[Andrew] Conway said that the delay for individuals being able to take advantage of unused cap amounts from previous financial years had also played a part in the IPA's opposition on the cap reduction.

– *Money Management*

Reform agenda

We all say we want bold reform. But we have to be, not just in our own communities but collectively, be bold in our thinking … shifting our focus from the here and the now to long-term gain.

– Andrew Conway, My Business

Reducing contributions

The IPA does not support the reduction of the contributions cap to $25,000 and more so, we do not agree to the reduction of the current cap of $35,000 for individuals aged over 50.

– Andrew Conway, *Money Management*

Self-funded retirement

Reducing the cap is adverse to Australians building a self-reliant retirement."

– Andrew Conway, *Professional Planner*

Trump effect

The emergence of the Trump government in America comes with uncertainty over current and future free trade agreements which may impact on our international relationships with other countries.

– Andrew Conway, Accountants Daily

From the Hub

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

Accounting graduates ill-equipped for workforce

Accounting graduates are underprepared for the workforce, prompting calls for academic reforms, a leading academic says.

Dr Luckmika Perera, director of teaching in the department of accounting at Deakin Business School, says educational institutions need to reinvent learning programs to cater to broader skills sets.

"We are setting the standards lower and lower on an ongoing basis at a point in time where students come out, they don't have the necessary soft skills, and sometimes the necessary technical skills, to do their professional level programs and thereafter to go and practise as an accountant in an industry," Dr Perera said.

"My asset test is very simple. Am I confident enough to place my super with a student who's passed out from a particular university to a professional body?"

As many graduates are lacking necessary soft and technical skills, the role of educational institutions is "to bring that back in", Dr Perera said.

Institutions need to assess the gaps between high school programs, degrees, graduate programs and the workforce in order to understand which areas need improving.

"Instead of looking at compartmentalised units, we look at the bigger picture and say, 'OK, where do our students start and where should our students be when they finish their degree program?' And then fix the program in a way that we meet those requirements and bring the standards back up," Dr Perera said.

He added that implementing new requirements such as increasing course entry scores, and having more prerequisites for courses and 'real life experience-based' systems could help better prepare students for the workforce.

"Most of the institutions are trying and that's a positive, but are they all meeting the requirements? I'm not sure.

"It's a matter of trial and error, so you can try different processes, some different policies and see if they work."

Accounting firms failing to capitalise on client networks

Many accounting firms are failing to take advantage of the connections their clients have, particularly with their children. As a result, they are risking their firm's sustainability, says a business consultant.

Kim Payne from 9rok Consulting says many accounting clients have vast networks of potential clients, but it doesn't occur to the client to share these networks with their accountant.

"If accountants want to start attracting greater numbers of ideal clients, they need to start doing more proactive work and the best way to do that is to look at their existing client base," Ms Payne said.

Accounting firms should also be looking to bridge the gap with the next generation.

"I'm sure that a lot of accountants have clients that are getting a little bit older, and they have children and maybe they've got grandchildren, and looking at ways they can now try and bring them into the mix," Ms Payne said.

"My father, for example, he's had an accountant forever. I've never heard from that accountant and I was actually in the market looking for one 18 months ago. There's every chance I would have gone with him because of the family history."

Ms Payne said accountants fail to tap into this network even when it's "sitting right under their nose".

"If they don't, it means that the business is going to get much harder in the future so they need to jump on board," she said.

Time-based billing hitting firms' bottom line

Value-based billing is having a noticeable impact on the profitability of accounting firms compared with the traditional time-based model, according to an accounting software provider.

Intuit conducted research, in collaboration with Mark Wickersham from Added Value Solutions, analysing the use of time-based billing versus value-based billing in accounting firms.

"There was evidence that using value-based billing not only created a better outcome for the client, but also increased the firm's profitability dramatically," managing director of Intuit Australia Nicolette Maury said.

"This makes a lot of sense because if you're billing by the hour and you're completing a task in ten minutes versus the hour that it used to take you and charging the same, [this means] you're able to increase the value-added services you provide with the rest of that hour and continue to make a profit in that time."

Ms Maury said using value-based billing in place of time-based billing means the accountant is no longer incentivised to spend hours on lower value data entry type work.

"It's a fantastic way for accountants to be able to make the most of the time they're able to spend with their clients and really leverage the knowledge and the expertise that they can provide," she said.

'A-class' clients set to look beyond accountants

Accountants need to discuss the $1.6 million transfer cap with their clients or risk losing their "A-class" customers, a mid-tier warns.

McLean Delmo Bentleys partner Jamie Bishop says accountants could lose their "most important" clients if they do not discuss and implement the necessary changes before July 2017 when the $1.6 million transfer cap on pension funds comes into effect.

"Whilst it's estimated [the transfer cap is] only going to affect 1 per cent of members in a self-managed fund, typically the people that it does affect are … the clients that pay the highest fees," Mr Bishop said.

"So whilst [those members] might be smaller in number, they're high in importance … they're typically the high net wealth clients and they're the ones that do often pay substantial fees, what you call your 'A-class' clients."

Accountants will not be displaced by technology in 2017

The "underlying fear" that technology could displace financial industry professionals means accountants should reassess their business strategies, MYOB says.

CEO of MYOB Tim Reed says digital technologies will not displace accountants if they start to "transform the way in which they deliver value to their clients and the way in which they organise their business".

"When we talk about disruption, there's this underlying fear that 'I'm going to be displaced by an algorithm'. I don't think that will happen," Mr Reed said.

"I don't think small business owners are going to become better at understanding the tax app, I don't think that they're going to be more accurate in coding their transactions, but I do think what will happen is the wasted time from data re-entry, the amount of manual work that goes into the end-to-end process, that starts inside the small business and ends up in the accounting practice, will continue to be reduced."

Mr Reed said that while the accounting industry is going through a "period of material transformation", accountants need to embrace technology rather than fear it.

While some accountants are already adapting to the new technological advancements, Mr Reed said many others are falling behind, adding that change "needs to take place".

"The best road forward for accountants is to really embrace that and start to transform the way in which they deliver value to their clients and the way in which they organise their business," he said.

"Not because digital technology is a threat, but because digital technology is a reality and accountants who are dealing with it as a reality are continually adapting and moving forward and therefore setting themselves up for future success."

Travis Allen,
director,
Hillyer Riches

How to move from accounting advice to holistic advice

With change comes opportunity – don't let your competitors beat you to the punch

by Travis Allen

When I first started work in 1995 as a trainee accountant, I raised an issue with a partner in the practice. The concern was with the advent of MYOB bookkeeping software being available to small businesses to do data entry themselves (there used to be a lot of manual processing of cheque butts by junior accountants) and with H&R block moving in, would that have a large impact on our profession? His answer was quite a resounding 'no'. The reason? He said that 10 years ago, people were saying it would be the end of public practice and 'we are still here now and we will be in future, it's just the type of work we do that changes'. Fast forward to 2016 and the same questions are being asked of the profession today.

Reading about, and seeing first hand, the changes to the profession also have alarmists and spruikers saying the profession will come into difficulties (and you just need to buy our products so you can succeed). But is there merit to the argument this time? With automation of data entry making bookkeeping faster, the ATO telling us that standard business reporting will disrupt the industry and be a game changer, outsourcing offshore and the so-called commoditisation of compliance, it may make the most level-headed practitioners start to wonder where they will be in ten years' time.

However, I'm a glass half full person. With big change comes big opportunity. As an example, because bookkeeping has historically required high levels of low-cost labour time, our practice has never been involved in any bookkeeping for clients. This year, because of increased automation possible in software, we have introduced bookkeeping as a service, and it has been a great success with our clients so far. We have automated clients' bookkeeping and they are extremely happy because overall bookkeeping fees have dropped and the quality has increased as our accountants supervise the bookkeeper in the firm. This also pays dividends when it comes to preparing the annual financial statements and tax returns as there is no double handling, and the quality of the data is higher.

We have now started thinking about also having a value-added management accounting service because it ties in well with the month-end bookkeeping processes for clients and will assist them with managing and growing their businesses. Even if the client has a fixed budget for their accounting spend per year, they have the capacity to pay for new management accounting services because the bookkeeping is done in less time and their budget will allow for it.

Financial planning

The removal of the accountants' exemption has also created opportunities for accountants who are willing to adapt and change. As AFS-authorised representatives, the first SOA we produced to commence a pension was cumbersome and difficult. However, now that we have created templates, the process is very efficient. From that baseline of offering strategic financial planning advice with a limited licence (allowing us to continue doing what we have always done), it has given us the experience of preparing SOAs and is a stepping stone needed to transition our business into a general financial services practice if we choose to, rather than a traditional general accounting practice.

In collaboration with an AFSL holder, portfolios that have been developed and managed by the best in portfolio management can now be offered to clients. That way, as GPs, we can implement a full financial plan with products, without needing to watch if BHP shares go up or down today, and distract us from our core work.

Enhancing independence

As accountants, we have always valued and taken pride in our independence. That's why accountants are seen as the trusted adviser – something that is unmatched and envied by many other professionals, including financial planners. If we expand our services to also provide product advice, doesn't our independence increase if we can offer a broader range of, for example, superannuation options?

Challenges

Of course, there are challenges to adding any new service. Thought needs to be given to resourcing it. Do we hire new staff for a service that does not exist in the hope we can generate enough work quickly to keep them busy? Do we hire a contractor and outsource for a period of time? Do we attract someone through an equity model as a lower cost option upfront?

Ensuring the quality of service is high from the first day the service is offered must also be given consideration. Reviewing the professional indemnity policy and updating engagement letters are also required.

Being a sole practitioner would present challenges if there are not enough experienced staff during the early stages of a new service. It can be a challenge for the sole practitioner to work on the business rather than in it. However, with a strong team behind them, they too can continue to flourish in the future.

Alternative models

The alternative to an expanded service offering, of course, is specialisation, either technically or by industry. However, practitioners need to make a decision about which path they will choose. Being somewhere in the middle, with ever increasing competition, is not a safe place to be.

If you are going to specialise, you need to really specialise and not just pay it lip service. Too often, accountants say they specialise in tax. But how do they differentiate that from another practice down the road saying the same thing? Do they need to do, for example, a master's degree in international tax to demonstrate that specialisation?

With the availability of streamlined financial planning products, automation of data entry and no real shortages in the skilled labour market, practices that are able to see the opportunities, rather than the shortcomings and risks, have never been in a better position to grow. The greatest benefits are that it will enable our practices to better serve our clients, and pave the way for more interesting and satisfying careers for us.

The latest on the IPA's lobbying

The IPA's latest submissions to the government span taxation, consumer law and superannuation reform

Inspector-General of Taxation forward work program

The IPA provided a submission in relation to the Inspector-General of Taxation (IGT) 2017 work program. We put forward a number of issues for consideration as follows:

Third-Party Reporting: In 2013, IGT conducted a review into the ATO's compliance approach to individual taxpayers – use of data matching (data-matching report). With an increasing emphasis on matching third-party data, we believe a follow-up review is warranted. Our main concern relates to timelines of availability of pre-filled data. While our tax system relies on self-assessment, taxpayers are increasingly using internet-based tax lodgment options, which can lead to a false sense of security. Taxpayers can lodge returns at the start of the new financial year, well ahead of third-party data availability. Some third-party data can take several months to appear as pre-filled data, further exacerbating the situation. We believe the current system creates subsequent data-matching issues due to timelines of availability of third-party data.

Alternative Dispute Resolution (ADR): ADR is an inclusive term for all processes, other than judicial or tribunal determinations, in which an impartial person assists those in dispute to resolve or narrow the issues between them. The ATO started using the ADR review service on 1 July 2013. The aim is to prevent disputes from occurring and where they do occur, to resolve them as early, quickly and cost effectively as possible. Independent review is a key mechanism to resolve areas of disagreement and disputes early prior to an assessment issuing. It provides for a fresh set of eyes, that is, a reviewer who has had no prior involvement in the audit, looking at the areas of disagreement from both the taxpayer and ATO perspective to determine the better view. Since the ADR process was introduced, it has been successful in reducing cases going to objection and litigation. The downside of this program has, however, been less judicial and tribunal determinations. As a result, there is less guidance on how litigated tax matters have been dealt with between the taxpayer and the ATO.

Since the ADR process was introduced, the ATO has focused on matters where it is confident of winning or there is an important principle to test before it decides to proceed to a judicial or tribunal determination. If a taxpayer's case doesn't fall into one of these categories, however, there is a significant prospect it can be resolved and on favourable terms which unfortunately will remain confidential. There is no decision impact statement equivalent under an ADR settlement process so this is our main concern. The ADR process lacks transparency when it comes to providing guidance on how matters of contention have been resolved.

Inquiry into Superannuation (Excess Transfer Balance Tax) Imposition Bill 2016 and Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016:

The IPA provided a submission in relation to the inquiry into *Superannuation (Excess Transfer Balance Tax) Imposition Bill 2016* and *Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016*. One of our main concerns was the consultation period covering the superannuation reforms was far too short to enable adequate consideration and responses. This has the potential to lead to poor legislative outcomes and the introduction of unnecessary legislative complexity. The government has indicated that extensive confidential consultation had taken place prior to the superannuation reforms announcements on budget night. Our other primary concerns in relation to the inquiry into the above mentioned bills are as follows:

Transfer Cap: The administration path chosen to introduce a balance cap is unduly complicated and alternative systems have not been examined. One of the secondary draft objectives of the superannuation system is to make the superannuation system simple and, therefore, any proposed changes need to be judged on this basis. While it has been emphasised that only a small minority will be directly impacted by the transfer balance cap, adding considerable complexity to the superannuation system with its ongoing administration will need to be borne by all super fund members. The proposed transfer cap is adding more complexity rather than making the system less convoluted. The demise of the reasonable benefits system back in 2006 should serve as a reminder of the administrative issues a cap introduces. The government needs to keep front of mind the disproportionate cost imposed on all trustees relative to the number of individuals ultimately impacted by the proposed changes.

"Since the ADR process was introduced, the ATO has focused on matters where it is confident of winning or there is an important principle to test before it decides to proceed to a judicial or tribunal determination. If a taxpayer's case doesn't fall into one of these categories, however, there is a significant prospect it can be resolved and on favourable terms which unfortunately will remain confidential"

There are significant structural, transitional and implementation issues associated with the implementation of this policy measure. It was well noted at the time that there were many reporting problems not envisaged when the law was developed. The ATO acknowledged at the time that the overall effort required to administer reasonable benefits (RBL) limits appeared disproportionate to the number of individuals ultimately affected by the rules.

The transfer balance cap provisions seem to be heading in the same direction as the RBL system and we need to assess whether there are simpler alternative ways of achieving the government's objectives of restricting access to the concessions for super. The policy settings the government has set preclude looking at alternative models such as leaving existing systems intact and dealing with limiting the tax concessions

when the super benefits are paid to recipients. The benefit of this model, while not devoid of its own issues, allows existing tax structures for superannuation funds and pensions to continue unaffected without overlaying complex arrangements upon the system.

There is also the issue of how relevant information from different funds and accounts will be drawn together so adjustments can be made to balances to comply with the proposed transfer balance cap, and the new limits on non-concessional contributions. Accountants, financial advisers, trustees, super funds and regulators will need to come to terms with complex rules associated with the transfer cap provisions.

Concessional Superannuation Contributions: The IPA does not support the reduction of the contribution caps to $25,000 and in particular, the reduction of the current cap of $35,000 for individuals aged over 50. People aged over 50 should be encouraged to make further superannuation contributions, especially when they have the capacity to do so to address any super balance shortfall.

The situation is further exacerbated as the government has also announced the deferral of the proposed catch-up measure until 1 July 2018, which effectively means the first catch-up will not be available until the 2019-20 financial year. The deferral was a budgetary decision to partially offset the cost of reintroducing an annual non-concessional contributions cap. The current annual concessional contribution cap for over-50s, which is $35,000, is less than a third of what the cap was 10 years ago.

Australian Consumer Law review interim report

The IPA made a submission to the Treasury on the Australian Consumer Law (ACL) review interim report. The IPA responded to various questions including those dealing with: (1) Fundraising activities – the IPA does not believe that the ACL needs to be amended in this regard. (2) Refining the definitions of who is protected under the ACL in various circumstances (e.g. consumer guarantees). (3) The IPA supports removing the financial services and products exclusion from the ACL. Having two almost identical regulatory regimes – one covering financial services and products and one covering goods and services more generally – creates complexity, uncertainty and cost without any tangible benefit. (4) With one qualification, the IPA supports the retention of the status quo regarding the ACL's unconscionable conduct provisions. We believe they are working effectively as the courts (in cases such as Lux and Coles) have displayed an ability to develop this area of law to cover business transactions as well as those involving consumers and to do so in a manner that reflects community attitudes. (5) The IPA supports the removal from s. 21 of the ACL of the 'other than a listed public company' exception. As a matter of principle, unconscionable conduct should be prohibited regardless of the nature of the victim. (6) The IPA acknowledges that the unfair contract terms provisions have recently been extended to small business contracts. Although it would have preferred this extension to have been achieved without imposing monetary limits, it welcomes these being increased to $300,000/$1,000,000, rather than $100,000/$250,000 as originally proposed. (7) Insurance obligations of disclosure and utmost good faith currently operate to protect consumers and small businesses in a manner similar to the ASIC Act's unfair contract terms provisions, so we do not regard this area as being a major issue. (8) The IPA supports prohibiting terms that have been declared 'unfair' by a court. (9) ACCC powers need to be refined to assist in investigations into whether a term is unfair. (10) The IPA supports expanding the 'grey list' in s. 25 where this is necessary to provide guidance about new or emerging unfair terms, with caution.

Proposed industry-funded model for Australian Securities and Investments Commission proposals paper

The IPA made a major submission to the Treasury on funding models for ASIC and alternative co-regulatory models for the Australian market. The IPA believes that while the existing regulatory architecture does not require major change (Financial System Inquiry, 2014), the accountability and capability of ASIC should be strengthened.

We further understand that the pressures of globalisation, advances in technology and the endless complexities driven by rapidly changing markets now require greater and timelier regulatory responses. The IPA proposes, inter alia, that the government seriously considers the establishment of a formal co-regulatory environment in which some of the responsibilities of ASIC are shared with private actors. For example, the government should consider a horizontal co-regulatory framework for the regulation and monitoring of auditors, along with associated enforcement activities, which is equitably shared among key actors including the state, the accounting/auditing professions and private industry.

Competition law amendments – submissions to the Treasury on the exposure draft; and to the Senate Economics Committees on the bill

The IPA made submissions to the Treasury on Competition Law Amendments: Exposure Draft Consultation into section 46 (misuse of market power) and strongly supported the proposed amendments to introduce an 'effects test' as recommended by the *Harper Review*.

The IPA made a further submission on section 46 to the Senate Standing Committees on Economics which is considering the bill, with some divergence from the *Harper Review* recommendations. The IPA believes that the existing misuse of market power provision does not adequately protect small business, and by extension consumers, from the predatory actions of companies with substantial market power.

Chasing new HORIZONS

With a namesake that conjures up images of grand adventures, Sarah Penn explains how she is steering her small business, Mayflower Consulting, towards growth

by Adrian Flores

One of the most striking things about Sarah Penn is the strategic approach she takes to improve and grow her consultancy firm.

Strategy is something Ms Penn always returns to when she reflects on her success today.

"Our fundamental thing is we are very good at helping businesses solve tricky problems. That's what it comes down to," she says.

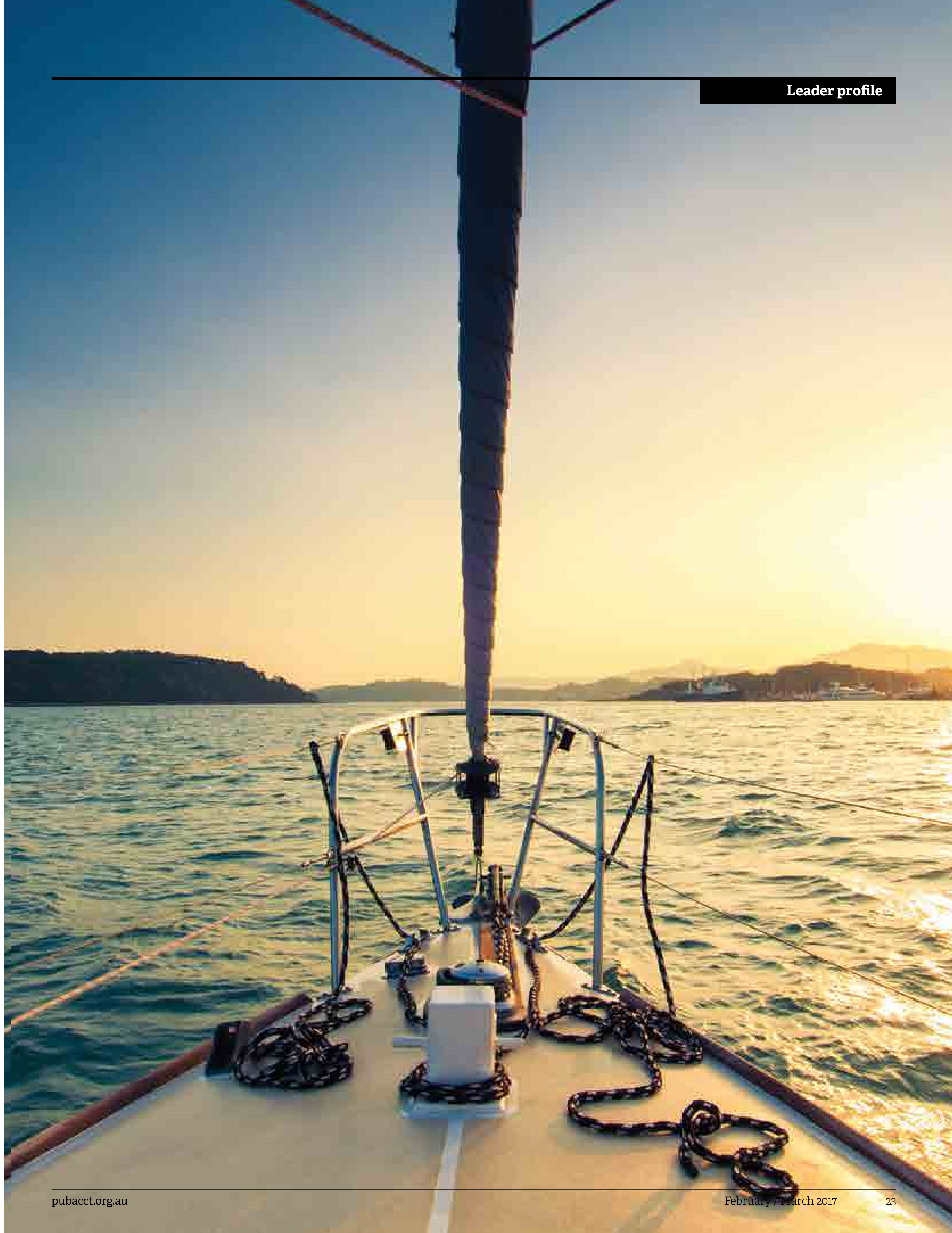
"For me, that is what I absolutely love. I really enjoy the intellectual stimulation of a very difficult problem. And being able to solve problems for clients is fantastic."

A defined focus

In addition to her passion for problem solving, Ms Penn believes having a solid knowledge in a range of areas is crucial to successfully negotiating the SMSF space, which is an approach all SMEs can benefit from.

Her professional experience spans platforms, retail super, financial planning, cash products, mortgages and financial planning software.

"Focusing on self-managed super requires a deep knowledge of an awful lot of areas from a strategic perspective," Ms Penn says, adding, "There is just not that



Sarah Penn

many people who have that sort of background."

She says her diverse work history has enabled her to work collaboratively with financial planners, accountants and even direct consumers.

"It's meant I've had a really good working knowledge of all the pieces in the industry put together," Ms Penn says.

"We've been able to take that knowledge and help companies apply it in their business to help grow their business."

Ms Penn acknowledges that there are differences between working in the retail space and the SMSF space. For example, in self-managed super, there are usually three or four different parties involved for every product, compared to one or two in retail super.

However, from a consulting perspective, businesses generally face the same challenges and deal with mostly the same issues.

"Once organisations get to a certain size, I don't think there's very much difference in the issues faced from one organisation to the next," Ms Penn says.

"It tends to be similar sorts of things. What's our strategy? How do we find the right people? What are we doing about pricing pressure? How are we going to make more money? What are the new products and services we should launch?

"This is pretty typical stuff. It doesn't really matter whether it's self-managed super or retail super or any other product for that matter."

Tackling challenges

Ms Penn says two problems seem to recur when navigating a client's issues.

The first is not understanding all the facets of a client's industry in sufficient detail.

"That tends to play out where a business is focused on one segment. For instance, they're just focused on accountants and they want to move into selling their products and services to financial planners," she says.

"Or, conversely, they have one product and they're looking to launch a new product."

Ms Penn says people wrongly assume that everyone will act the same way and all products will work the same way.

"Though it's easy to say, 'Yes of course, we all know that's not true', it's a bit different when you're in the middle of running a business," she says.

It is this day-to-day compliance aspect of running a business that leads to Ms Penn's second recurring issue – allocating enough time in the day for it.

For Ms Penn, this means balancing her time between day-to-day compliance and formulating strategies to expand the business. She concedes finding a balance between the two can be difficult.

"People can see roughly what needs doing, but are so busy doing their day job," she says.

"As a small business owner, I can tell you I completely understand the issue of trying to do things strategically while, at the same time, trying to do the day-to-day."

"It's way more difficult than I thought it would be when I left corporate life, to be honest."

> "As a small business owner, I can tell you I completely understand the issue of trying to do things strategically while, at the same time, trying to do the day-to-day"

Locking down talent

One of Mayflower's challenges has been finding the right staff to complement Ms Penn's strategy and vision.

"One of the things that I make sure I do when I'm hiring people is to hire people who are very complementary to my skill set, and add in the things that I'm less good at or, as my husband might say, absolutely rubbish at," Ms Penn says.

The business owner works alongside Cameron Woods, Mayflower's corporate communications specialist, and Deborah Blott who is the company's business manager.

Ms Penn – who considers business administration one of her weakest points – hired Ms Blott within months of opening Mayflower.

"She's absolutely fantastic … She does bookkeeping. She does all the invoicing for me, and a whole bunch of other things around the business, just to make sure everything keeps running smoothly. She really manages me on those aspects," Ms Penn says.

Ms Penn recognises that she needs to employ people who have a slightly unusual skill set and/or can work with her and her foibles.

"We're very clear about what our competitive advantage is and how we all fit together," she says.

"I think, in terms of working together, it really comes down to understanding what your own strengths and weaknesses are.

"My strengths are strategic thinking and an ability to hold many different ideas in my head at once and be able to think of a way through."

Open to explore

Similar to the namesake ship that transported pilgrims to the New World, Ms Penn says Mayflower Consulting is broadening its work geographically.

"We're not just in Australia. We do some work in Singapore and Hong Kong as well."

Ms Penn says her company's work in Asia is focused on funds management, rather than SMSF advice. Mayflower will be focused, in the immediate future, on exploring opportunities beyond self-managed super.

"If you can help people understand how self-managed super fits together, it's a pretty good advertisement for your ability to manage projects and help people make decisions in other parts of their business as well," she says.

"For our business to grow, we are seeing opportunities in retail super and in investment management, so we're doing a bit more in both of those.

"We're looking to expand our service offering in probably six months, I think, and go from there."

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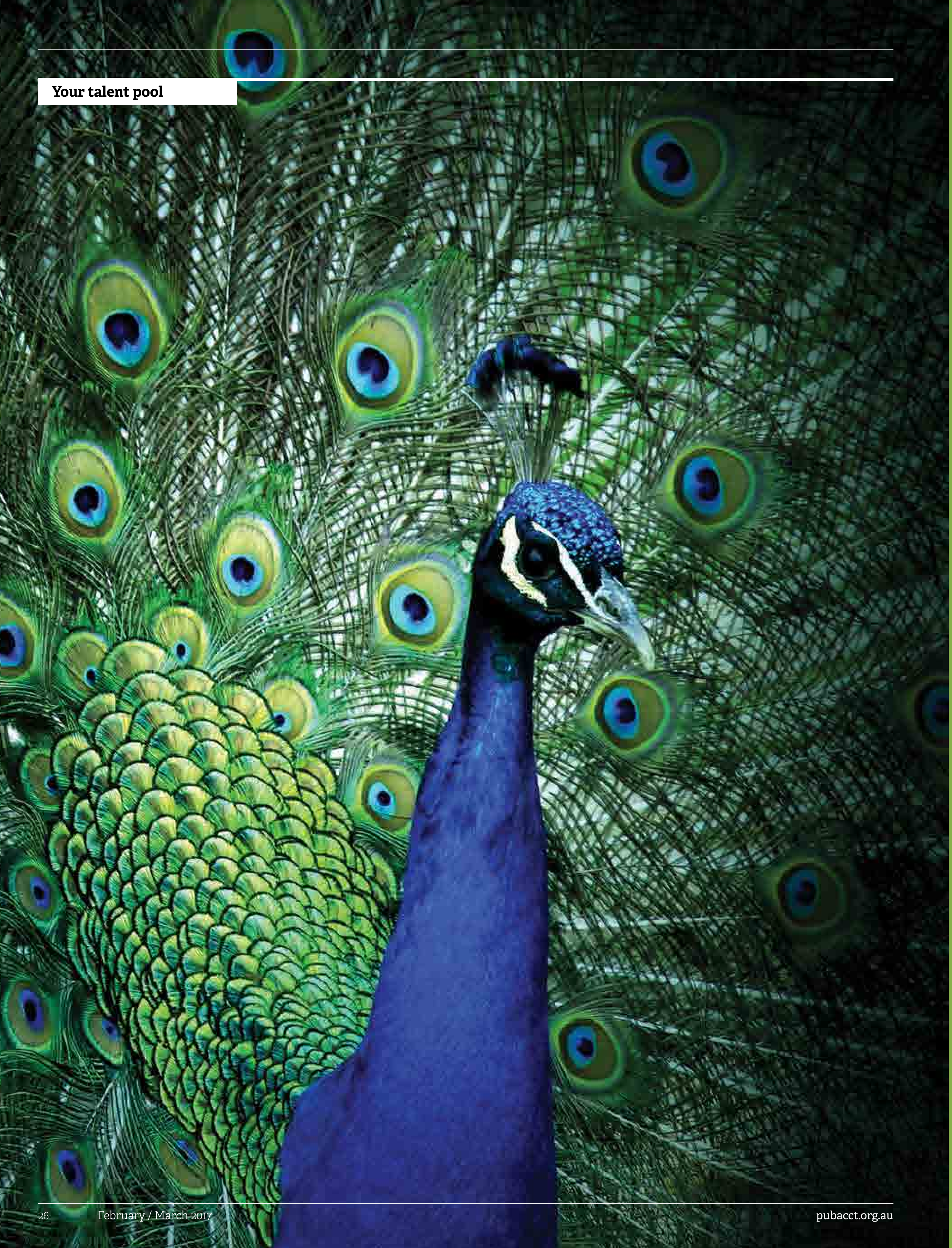

Your talent pool

ATTRACTING *and keeping talent* ON BOARD

Having a strong team differentiates outstanding advice firms from merely adequate ones. But many firms make simple mistakes in the recruitment and retention process. How can you hold on to your talent in 2017 and beyond?

by Stephanie Deller

→

Retaining good staff is the constant goal of small businesses in Australia. In the past, accounting firms did not have to work too hard to achieve – and maintain – this goal. The traditional hierarchical structure of accounting firms meant that to reach the pinnacle of your career, you had to do your time from the ground up.

But with the next generation of accounting graduates possessing a more entrepreneurial spirit, the hierarchical models in the accounting space are slowly but surely evolving.

While the partnership model remains 'old-school attractive' in the industry, it is becoming increasingly less appealing to younger accountants who have different career and lifestyle aspirations.

However, some things have remained the same. Prospective staff – regardless of the generation they belong to – want to be useful, appreciated and incentivised. And once they start the job, an employer needs to deliver.

Hays regional director David Cawley says focusing on strategies to attract the right candidates to your firm is an important starting point, and it goes beyond having a well-worded job advertisement online.

"Lots of candidates these days consult websites like Glassdoor that will really demonstrate what the great organisations are to work for and why," Mr Cawley says.

"Having a structure and how that can impact on the brand… that can be used as a tool to appeal to new candidates."

First impressions are crucial in an age where candidates will be Googling your firm before deciding to apply. Establishing your firm's brand and online presence, as well as clearly conveying your company's offerings to new candidates will result in a more effective recruitment process.

Mr Cawley says a lack of these essentials could result in candidates assuming your firm is "not good enough" to apply for.

"If companies don't have a good online presence, it's taken as a negative," he says.

"I think the really good organisations articulate [their offerings] very clearly and are religious in the repetition they do around that to make sure the prospective new hires really understand it.

"The ones that don't realise the importance of that are getting left behind in terms of attracting the very best candidates."

The working environment

Never before has the company's working environment been such a crucial factor in staff retention, according to Mr Cawley.

"The environment that individuals are working in has really gone up the pecking order in terms of criteria when selecting a new role," he says.

"I think there is certainly something attributed to going to work in one of these nice environments where you can hot desk … and it's a really pleasant environment to work in."

Some ways of creating such an environment include adopting flexible working systems and readily acknowledging staff contributions.

"We recently concluded staff engagement reports [that found] 20 per cent of employees would take a salary drop if it meant they could work from home or have increased flexibility," Mr Cawley says.

"It's a fairly huge number and probably ratifies the weight that flexibility carries with what's traditionally been classed as one of the most important factors around remuneration."

While increased working flexibility is a key factor in employee retention, Mr Cawley says rewarding staff will also enhance the culture at the firm.

"When I say 'rewarding staff', I don't mean the obvious things around salary. I think it's small incentives, creating a really clean environment culture, understanding how your staff want to be rewarded.

"Ensure there are employee feedback surveys in place for opportunities to give feedback on the environment, so that individuals feel really rewarded and they understand where that reward has come from."

Staff engagement and reviews

One of the most important factors in staff retention has to do with how engaged team members are with their work and colleagues.

Traditionally, accounting firms have relied on annual performance reviews to gauge how their employees are tracking, and to receive general feedback about the organisation.

However, Mr Cawley says a system of 'regular check-ins' as opposed to annual reviews will increase staff engagement, and in turn, staff retention.

"There's an interesting debate ongoing around Deloitte, one of the large organisations who came out globally and said they ditched the annual review and they're doing more bite-size, more regular catch-ups.

"My personal belief is that that is the way forward. I think stockpiling your views and feelings to have that one-on-one session with your manager once a year is probably quite archaic."

Mr Cawley says organisations need to look at how they are conducting their reviews.

"The research tends to show us employees want more regular contact with their manager as they want to be able to have more of an informal conversation just to check-in," he says.

"That more consultative, regular approach is aiding engagement. It is also identifying development issues and training issues.

"The way I try and work across my business is I'm probably catching up with [colleagues] weekly and that might be 20 minutes over a coffee, it might be telephone, it might be just in an office saying, 'How are you? What's going on in your world? What can I help with and what are you really proud of?'"

While larger organisations generally have the time, money and resources to research their employees' wants, Mr Cawley says SMEs that do not focus on staff needs risk losing them.

"I think the smaller organisations that don't necessarily have that back office support structure to be able to do that either don't have those

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reviews in place or they are a bit more like the older versions where it's once a year."

Creating a career path

Staff retention runs parallel to employees being able to see a viable pathway for career progression in their company.

According to Mr Cawley, this means firms need to clearly articulate to their employees what a long-term career pathway looks like, and have a strategy in place to develop those individuals.

"In my world, leaders or individuals who are going to develop into a bigger role are being identified very early on in their career, so how organisations harness those softer skills, and the potential in people who look like they could lead others or help and support people, is critical," he says.

"Typically, those people are the ambitious individuals who want to enjoy a fruitful career and I think if organisations don't have a program in place to identify those people, [they] are simply going to go look somewhere else where they can go and get that input."

Mr Cawley says career development is connected to having open discussions with employees, ascertaining what their career goals are and explaining the opportunities that will enable them to achieve their goals.

"Organisations being able to explain how the role of each individual fits into the bigger picture and how that will evolve over time is probably another [factor] linked to engagement."

Dealing with graduates

Firms need to focus on the needs of Millennials and what they want in the workplace. Failure to do so will only result in them seeking out employers who better understand them and meet their needs.

Engagement with graduates is often cited as a crucial component of retaining talented Millennials and technology is often the key to this.

Intuit senior business development manager Trent McLaren says "a lot of firms find it hard to keep their team engaged dealing with younger people" as the new intakes do not understand "what their current practice needs and wants are".

He says educational institutions are struggling to keep up with the digital advancements in the industry, leaving younger recruits underprepared for the workforce and ultimately disengaged.

As the industry moves to become more tech heavy, Mr McLaren says "there needs to be more tech development systems so accountants come in understanding what their real world looks like".

"[Graduates] go in learning all the theory of accounting which is great and they learn how to do everything on their desktop play systems, but as they move into a newer firm, they're having to re-learn all the stuff they did at university.

"From the top end side, it's hard from the partner's direction to maintain good staff because they can't keep the good ones engaged."

On the flip side, new technology can be used as a tool to enhance engagement for younger recruits, but it boils down to how you introduce the new systems and how involved the team members are in the process.

"The good thing is because we've got so much change going on that it's not hard to find new things to learn about right now," Mr McLaren says.

"Giving little projects to junior accountants and saying, 'Hey, this is something I need you to hone, and give us some opinions on that technology or whatever it may be' … a lot of them will really take that on because it's not boring, it's not daunting and they can actually make a real difference and change."

Articulating value

While employers are needing to cater to a whole new set of expectations with current-day graduates, some things have remained the same for decades: employees also need to see the direct value of their work within the company.

Mr McLaren says if companies cannot show how their employees' work fits into the bigger picture, they will be left with 'at risk' employees who are "likely to leave and go somewhere else".

"Employees are trying to understand 'Where do I fit in this? How is this applicable to what I'm trying to do in my own life?' They need to understand what their value is, what role they play and what their future is in the organisation.

"If the culture doesn't exist, the employees feel like they're cattle in a farm. They don't feel valued, they don't feel they're contributing to anything other than a machine they're a part of."

Mr McLaren says "high-performing" firms can create a good working culture by reinforcing employee value.

"[Employees] understand what their mission is with the company and where they're trying to get to, versus some people, that are just, 'I'm in the job, I'm getting a pay cheque'.

> "When I say 'rewarding staff', I don't mean the obvious things around salary. I think it's small incentives, creating a really clean environment culture, understanding how your staff want to be rewarded"
>
> – David Cawley, Hays

"Those people will exist and that's fine, but having a different culture that supports the work-life balance side of it makes all the difference."

Keeping up with the times

Accounting firms in particular have a reputation for being slow on the uptake of new technologies and practice management tools.

To be an attractive employer, companies have to be willing to adapt to employee wants and needs, which collectively translate into the wants and needs of the firm.

"Too many times you go in to these 'old school' accounting firms, a firm that's been there for 30 or 40 years. They still rely very heavily on what got them to that point, but that's not necessarily helping them stay around for another 40 years," Mr McLaren says.

"It's the difference between someone saying, 'Can I work from home today?' and the boss saying, 'You know, we don't do that, it's not our policy'. It becomes a thing when it doesn't need to be. It's just all added stress and pressure."

Adapting to modern systems, whether it is technology-based or flexible work environments, will help create an "employee-first culture" that will ensure you retain the people who will propel your company's success.

"Whatever it is, being able to say, 'Hey, you know what? Work from home today, just get the work done. If you can get the work done, well, what does it matter?'" Mr McLaren says.

"If you've got that culture in place where you work hard, it doesn't matter where you are as long as that work is completed at a quality standard that we would expect whether you're here or there."

Boosting cash flow

CASH *conversation*

For an accounting practice to achieve a healthy cash flow, clear client communication is as important as an efficient management system

by Stefanie Garber

→

Boosting cash flow

Cash flow is often perceived as being pure mathematics – money in versus money out. Yet, finding an equilibrium between bills due and fees owed is more complex than the numbers on a balance sheet. While effective management systems are important, so is clear communication with clients about payment expectations.

A 2016 report from accounting advisory Business Fitness shows the average debtor days of Australian SME accounting firms is 54 days, well above the standard 30-day trade terms. In the rush to put their clients' first, some accounting practices are putting their business' needs last, a strategy that can undermine the business' success.

Following the flow

Cash flow as a concept is fairly simple. Cash must be paid into a business at a rate that allows cash to be paid out to suppliers and staff.

If cash flow is not properly managed, a business will face due dates without the necessary liquidity to pay. Over time, this can decrease a business' working capital, according to Atradius Australia's managing director Mark Hoppe.

"If you're getting paid more slowly than you have to pay money out, that eats into your cash," he warns.

To quantify their activity, accountants often point to revenue. Yet, billing clients does not translate to business success if money is not coming in at regular intervals, Mr Hoppe says.

"It's okay to have a nice result on paper, but in the end, you need to have positive cash flow in the business, even more so in an SME."

QuickFee's managing director Bruce Coombes agrees, saying revenue is "of no value until you can bank it".

The consequences of falling into negative cash flow can be severe, according to Mr Hoppe. The business may need to deplete its cash account or take out borrowings to pay its bills. Suppliers who are not paid on time may withhold goods, leaving the practice without the resources it needs.

Struggling to make payments also leaves the practice with fewer resources to develop or expand its services, Mr Coombes warns. If the problem is exacerbated, businesses may struggle to pay their taxation or superannuation obligations. They may also find it hard to pay shareholder dividends.

"In an extreme case, a firm may not be able to continue if it's not getting paid," Mr Coombes says, adding, "Money is a finite resource".

First Class Financial Group's executive director Clive Barrett takes the warning one step further, urging accountants to see cash flow as a core business focus.

"The major reason most businesses fail is as a result of not having sufficient cash flow," he says.

Potential pitfalls

Despite accountants' solid understanding of financials, their practices face numerous challenges in maintaining a healthy cash balance. Some of these challenges are operational. The nature of an accountant's service means they often only bill clients once or twice a year.

Given the fact that most suppliers tend to bill on a 30-day cycle, a practice can be left paying bills without a regular inflow, Mr Coombes says.

"A lot of the time, SMEs engage their accountants maybe once or twice a year, whereas a lot of other interactions with their own suppliers and customers can be regular, weekly or monthly, interactions," he says.

SMEs also tend to have less of a buffer to cope with late or non-payment. According to Mr Hoppe, small practices are less likely to have hard assets and may struggle to secure borrowings.

"There's more room for error overall [with SMEs]," he says.

Small accountancy practices are also disadvantaged due to their position in the supply chain.

Their suppliers tend to be larger businesses that expect payment on time and can withhold goods or services if payments are late.

At the same time, accountants find it difficult to withhold services from clients for non-payment given the large intervals between client meetings.

> "Even though [accountants] are getting paid more slowly, they have to pay their bills more quickly"
>
> – Mark Hoppe, Atradius

"Even though [accountants] are getting paid more slowly, they have to pay their bills more quickly," Mr Hoppe says, adding, "So all of a sudden, there's a hole in the cash flow."

In addition, accountants face less tangible challenges such as client relationships.

Even when a client has failed to pay on schedule, most accountants are reluctant to raise the issue immediately.

"Accountancy firms are less likely to stop providing the service because they want to keep the relationship," Mr Hoppe says.

Mr Coombes believes this reluctance stems from a natural tendency for accountants to put their clients first.

“Accountants, on the whole, will put their clients ahead of themselves,” he says.

“As a result, they are less inclined to have a conflict-style conversation with a client when they feel that the client’s interests might be impacted.”

Even where accountants have made their payment terms clear upfront, they may be reluctant to enforce payment if they are aware the client is struggling financially.

“Accountants often know the client’s financial position and think they can help their clients get out of their difficult situation,” Mr Coombes says. “But the accountant needs to remember they are running a business and they need to get paid as well.”

Re-aligning the cycle

When an accountant finds their practice consistently falling short on cash reserves, they may need to reconsider how their cash flow is managed.

Mr Barrett suggests accounting firms look at how their clients are being billed. Sending invoices immediately after a client meeting is likely to result in receivables coming in more quickly, he says. He also recommends offering clients a settlement discount if they pay before a set date.

Mr Coombes also weighed in, warning that the longer a bill is outstanding, the less likely it will be paid. Sending bills out straightaway – and following up with regular reminders – will compel a client to prioritise paying.

“If the accountant is not pushing, the client is not going to volunteer to pay earlier,” he says.

Having an overview of incomings and outgoings is critical and may highlight where the gaps in cash flow are.

“If they’re paying their bills on an average of 30 days, they need to make sure they’re billing their clients on a 14- or 21- or 30-day period,” Mr Hoppe says.

In situations where clients only come in once or twice a year, he recommends staggering bills to ensure that one client is paying in January, another in February and so on.

However, Mr Hoppe warns that cash flow management is not a ‘set and forget’ procedure.

Accountants should be reviewing their cash flow on a regular basis.

“It’s about making sure you’re doing good forecasting and staying on top of your cash flow, rather than just taking a look at it once a quarter or once every six months,” he says.

Numerous technological options are available to help accountants manage their incomings and outgoings, according to Mr Barrett.

“There are many accounting software companies that provide this technology,” he says.

These systems can allow accountants to track debts, send automated follow-ups and forecast future patterns.

However, Mr Hoppe warns that technology alone is not enough.

“The software package is one thing, but it’s about keeping on top of it and managing the relationship with the client.

“You still need the discipline yourself, no matter how good the package is.”

Discipline may mean forcing yourself to have a potentially uncomfortable conversation with your client about late payments.

Mr Coombes believe s cash flow does not come down to numbers but to human relationships. A willingness to communicate openly with the client about payment terms is the best way to avoid non-payment.

Accountants should be discussing payment plans with their clients in the first meeting.

“The number one tip is to have a conversation with the client right upfront,” Mr Coombes says.

“Work out right at the start of the engagement what payment method is going to work for the client. Is it 50 per cent or 100 per cent upfront? Do they agree to pay in full?”

These conversations set an expectation that the accountant will be paid on time for the work they do. They also identify any potential problems.

Mr Coombes advises accountants to view the conversation in the same way a bank assesses a candidate for a loan. What is the likelihood the client will be able to pay on schedule?

Back-up options

Even the most diligent business owner can run into a cash shortfall. An unexpected bill comes in, a client’s business goes bankrupt or an investment fails to pay dividends and the accountant is suddenly facing a hole in their cash flow projection.

To prevent this from getting the accountant behind on their own bills, practices should hold sufficient cash reserves and avoid unnecessarily tying up cash assets, Mr Barrett suggests.

However, large cash reserves are not always feasible for small businesses with limited margins

“The major reason most businesses fail is as a result of not having sufficient cash flow”

– Clive Barrett, First Class Financial Group

and in these cases, businesses may benefit from an overdraft facility at their bank.

"An overdraft is basically a short-term business loan, just a rolling one. It's almost like a credit card," Mr Hoppe says. "If they have to pay bills, they can draw on that [lending pool] and as they get paid on their own bills, it clears the account."

Similarly, short-term business loans can help businesses plug temporary gaps in their cash flow. While these solutions do work, Mr Hoppe advises businesses against relying heavily on borrowings.

If a client fails to pay, a business is still liable to repay the loan or overdraft.

"If you can afford to pay it, that's fine. But if you're relying on payments coming in from your customers, what happens if those customers don't pay?"

Using borrowings to pay operating expenses can also leave a business continuously scrambling to repay loans, limiting its growth opportunities.

"As a business owner, you'd rather be borrowing to grow your business, not just to sustain your business," Mr Hoppe says.

"If you're borrowing to increase the size of your business, that's great. But if you're borrowing to play catch-up, you need to look at why that's happening."

An alternative option is debtor financing arrangements, where a non-bank lender covers the company's outstanding invoices, Mr Barrett suggests.

"Having the ability to generate funding from invoice or debtor funding has allowed many companies to dramatically improve their cash flow," he says.

Under such arrangements, including those offered by Mr Coombes' firm QuickFee, the lender pays the client's outstanding invoices and the client pays back the lender. Mr Coombes says this can help the accountant get paid

"Work out right at the start of the engagement what payment method is going to work for the client. Is it 50 per cent or 100 per cent upfront? Do they agree to pay in full?"

– Bruce Coombes, QuickFee

faster while allowing the client more time. However, clients may incur a fee when using a debtor-financing service and some accountants could prefer to keep their payment relationships in-house.

Another option is credit insurance, which pays out if a party in a transaction goes bankrupt before the final bill is paid. Mr Hoppe's company Atradius provides cover for B2B transactions, offering accounting firms protection if their clients are other small businesses.

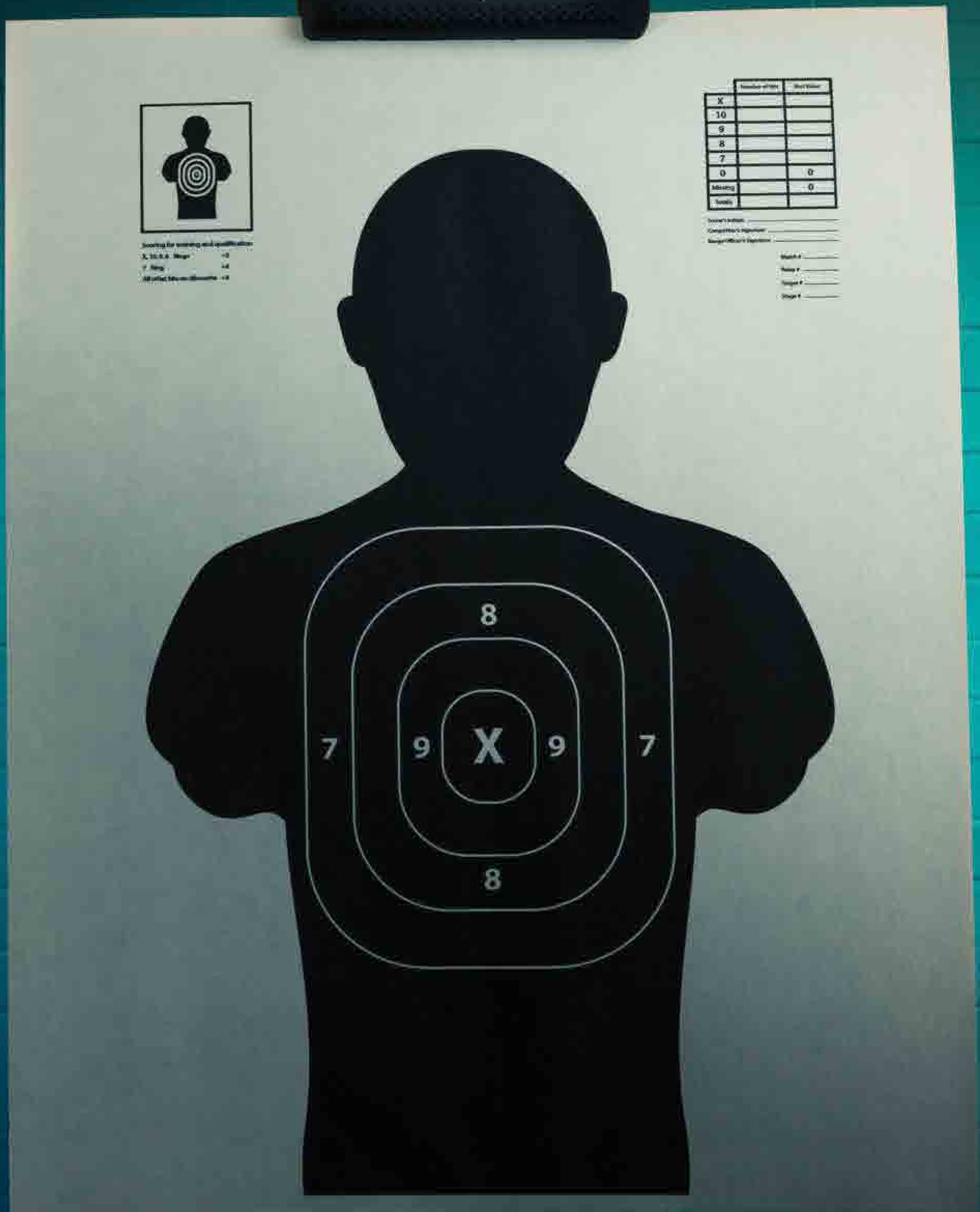
"If I'm an accountant providing services to a business and that business goes bankrupt, unless you have some sort of insurance, you've lost that cash," he says. "But you can take out insurance that puts the cash back in your business."

Alternatively, accountants may choose to make a provision for bad debt in their profit and loss statement, allowing the business to incorporate non-payment into its forecasts.

Mr Coombes believes accountants overall are becoming better at managing their cash flow. The Business Fitness study shows that accounting firms in Australia have reduced their cash lock-up by 13.4 per cent in the past two years.

When examining cash flow within a practice, the most crucial lesson may be that clear communication makes non-payment less of a concern.

"Successful firms are the ones that are not scared to have those conversations with their clients early," Mr Coombes says.



Regulatory radar

The ATO's 2017 HIT LIST

With its data-matching capabilities at all-time highs, the ATO will be casting a wide net in 2017

by Lara Bullock

→

Every year, accountants and businesses ponder what will be on the ATO's regulatory hit list for the year head. And in 2017, compliance targets may not be as obvious as they previously were.

The Institute of Public Accountants' senior tax adviser Tony Greco says the ATO used to be more transparent. The tax office used to release a lengthy document every year detailing the areas they would be focusing on.

"The ATO used to tell the industry these are all the things, these are all the market segments we're looking at. Effectively, it was a road map ahead," Mr Greco says.

"They've moved away from that and it's not as transparent as previously."

Mr Greco says the ATO's position is understandable as giving people advance warning about what it plans to crack down on can be counterproductive.

"If they're telling people what they're going to focus on, people will generally steer away from those areas.

"But then, people think if they're not doing those things, then maybe they'll be off the hook so it's a twin-edged sword."

In the absence of a document this year, Public Accountant spoke to ATO assistant commissioner Colin Walker to gain some insight into the tax office's 2017 hit list.

Targeting tax agents

The first area to look at is what the ATO will be targeting in relation to tax agents and accountants.

Mr Walker says the tax office will be checking that tax agents are complying with their own obligations.

"For all tax professionals, we always look at their personal tax obligations, as does the Tax Practitioners Board who are their regulators.

"We look at how they're complying with the law in their own personal tax affairs and we, like the regulator, have an expectation under the taxation services act that they will maintain their own obligations and that they'll turn their mind to supporting their clients in an appropriate way."

Mr Walker says the ATO will also look at how accountants are managing their clients' affairs.

"We take a pretty clear focus on those agents that we see through our analytics who are doing the wrong thing," he says.

"There are not many. It's not a significant part of the population at all, but like most professions, there is an element which we call 'agents of concern' who are involved in egregious activity."

"So we've got quite a bit of work going on in that space all the time, trying to identify that risk and then in conjunction with the AFP and the Tax Practitioners Board, we try to deal with those agents."

A new approach to WRE

The ATO recently embarked on a new way of examining work-related expenses by looking at agents as opposed to clients directly.

"Work-related expenses have always been a focus of the ATO, both for self-preparers and for agent lodgers," Mr Walker says.

"What we're doing at the moment is taking a view from an agent perspective and looking at all their clients and doing the analytics.

"Essentially, what we try to do is compare taxpayers to taxpayers in similar areas, in similar professions and look for what you would describe as outliers, those that don't seem to be around what you would expect would be the average type claims."

Agents who appear to be outliers can expect to hear from the ATO.

"... A number of those we will send a piece of paper that essentially shows them what their client base looks like from the WRE claim perspective and then we're going to go out and talk to them about what we're seeing," Mr Walker says.

"If we find issues, we can highlight those to the agents and clarify and clean up some of that, and of course if we find significant problems in there, we can actually deal with them directly with the agent."

Mr Walker emphasises that not all agents who appear to be outliers are making illegitimate claims.

"There are always cases where particular agents focus on particular types of industries and may even focus on particular types of taxpayers," he says.

"So you can actually be outside of what you would call the 'mean type figures' but still be quite legitimate."

Mr Greco also weighed in on the issue, saying he expects the ATO to double-check accountants' personal WRE claims as well.

"For professionals such as accountants and tax agents, their own returns are subject to industry averages, so again looking at their level of spend," he says.

"Self-education is a big one. They will make sure that the self-education wasn't a holiday, and a lot of people do tag on a holiday with a conference and that's OK so long as the main purpose of going was to attend such a thing... Also, normal averages for things like motor vehicle claims and subscriptions and the like."

The black economy

When it comes to more general targets, the cash economy is at the top of the ATO's hit list.

In December 2016, the government announced a taskforce led by the former chair of the B20 anti-corruption taskforce, Michael Andrew, to take down the 'black economy' which includes those who operate entirely outside of the tax system or deliberately misreport their tax and superannuation obligations.

"We're very much looking at the cash and hidden economy," Mr Walker says.

"That is a major focus for us and in the past it would've been viewed as catching people who are involved in the cash economy. The focus these days is around protecting the honest businesses from unfair competition."

Mr Walker says the ATO understands that it needs to deal with the impact of wrongdoers on law-abiding businesses.

"We don't want to have a situation where businesses are struggling because they are suffering from unfair competition," he says.

"Agents are highly professional people and they know their law very well and they support their clients very well so it's not unusual for them to come forward and say, 'I don't like what I'm seeing here'"

– Colin Walker, ATO

"So we're very focused in areas such as the restaurant and cafe, hair and beauty, and building and construction [sectors], and other areas such as the sharing economy industries..."

Mr Greco adds that the increased amount of third-party data available to the ATO is helping to facilitate its crackdown on the cash economy.

"For small business, there are benchmarks – the cash economy benchmarks, for example. They've been up and running a while and they use those quite extensively.

"If a business is looking like it's under-reporting income or is not as profitable on paper as the average, then what they'll do is match that up with other data."

Third-party data is useful because the benchmarks are averages and do not take into consideration factors such as location and number of hours worked, according to Mr Greco.

"There's a lot of third-party data making its way into the ATO and the ATO has that at its disposal, and it also has the ability to ask for information," he says.

"It can go to eBay, it can go to Airbnb, it can go to Uber, and it can basically suck up all that information and then compare it to its record of activity that has been lodged. There's no limit to the amount of data."

Regular programming

Other areas of scrutiny are fringe benefits tax compliance, phoenixing and multinationals tax evasion.

Mr Greco points out that the ATO will likely look closely at fringe benefits tax compliance for things such as work vehicles.

"There are a lot of people using exempt vehicles and they are exempt only under the very strict condition that you use them just to go to and from work, but a lot of these are lifestyle vehicles that people also use on the weekend," he says.

"[The ATO will] look at sporting venues, for example, where a lot of these vehicles appear and they take number plates down and say, 'Well, hang on a minute, this is more than to and from work you're using it for'."

Phoenix activity will also be on the ATO's radar in 2017, Mr Walker says.

"We're very concerned about those who facilitate phoenixing and how we deal with that. There is a phoenix taskforce that the ATO leads and we'll be continuing to work in that space."

Mr Walker adds that accountants can help facilitate this crackdown by continuing to be open with the ATO about suspicious activity they witness.

"The large agents quite regularly talk to us about what they are seeing, particularly in the building and construction industry, and what they are seeing is particular liquidators and agents at that egregious end who are involved in such practices," he says.

The ATO will also focus on the big tax players such as multinationals and wealthy individuals.

Mr Walker says the tax office will be homing in on offshore tax evasion under the Serious Financial Crime Taskforce and the Multinational Anti-Avoidance Law.

No escape

Mr Greco reminds tax agents they need to always comply with the law.

"[Agents] have to ask the right questions from their clients and if they find that the client does want to do something not in compliance with the law, it almost forces them to say, 'I can't lodge this return knowing that you want to miss expense this way or under-report income or not disclose a capital gain'," Mr Greco says.

"Effectively, their licence is at risk because the Tax Practitioners Board has a code of professional conduct and regardless of which agent you go to, they all have to be competent in the application of the law."

An open door

As the ATO's hit list becomes longer and the chances of non-compliers getting caught become higher, Mr Walker urges tax agents to be open and transparent with the tax office.

"We talk to agents very regularly about them coming to us when they see schemes or promoters come to them with things that they think are outside of the law or are pushing boundary lines within the law where they're uncomfortable."

Mr Walker says when an agent is uncomfortable, it's usually a pretty strong indicator that something is amiss.

"Agents are highly professional people and they know their law very well and they support their clients very well so it's not unusual for them to come forward and say, 'I don't like what I'm seeing here'," he says.

"In many ways, it really challenges their professionalism when others are out there doing things that are wrong."

Voluntary disclosure rewards will continue to be used to encourage agents to be more transparent, even if they are accidentally in the wrong.

"In Australia, we have high levels of voluntary compliance so you don't want to hit those people over the head if they do something wrong occasionally," Mr Greco says.

"If the client doesn't fully disclose and it's not unreasonable for the agent not to ask that question, then it's not the agent's fault if they've decided to under-report some income and it hasn't been brought to the agent's attention. You can't blame the agent for things like that," he says.

Mr Greco believes this is part of a bigger shift at the ATO.

"The whole cultural aspect of the ATO is slowly changing and this is an example of one of those things where they've effectively given taxpayers a break for trying to do the right thing or trying to lodge on time and haven't been able to do so."

Mr Greco believes this cultural shift can have both positive and negative implications.

"It's good for people who are trying to do the right thing, and the tax law is complex, so every so often someone will get something wrong. Hitting them over the head doesn't necessarily make them good taxpayers going forward.

"But people who go out there to do the wrong thing, they're the ones who probably shouldn't be given the pity of these confessions. It's a balancing act, but it's very encouraging that they understand that the tax laws are complex and people generally try to do the right thing."

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Selling your business

How to BOOST the sale of your business

Maximising value throughout the lifespan of your practice is key to getting what you want out of selling your business. We asked several leading industry professionals how to ensure you make the most out of your sale

by Stephanie Deller

→

The decisions and processes involved in selling your business can seem like they are a lifetime away. However, the reality is, they are not and it is important to keep the end goal in mind the entire time that you are in business.

It seems that accountants have less time these days, especially in the face of endless changes in the industry, with new technologies an example of constant change.

While accountants are aware of the digital disruption, Bstar CEO Grant Bloxham says many do not understand the impact it has on their practice value.

"What's happening with technology is it's putting pressure on compliance fees and margins," Mr Bloxham says.

"The historical records won't be representative of what you're actually going to do, so we do a lot of consultation with future partners who are looking at buying. We want to make sure the practice has a strategy for the digital disruption technology is having on accounting practices these days."

What else do you need to consider to ensure your nest egg is sold for top dollar? Let's take a look.

When should you plan to sell?

A big mistake accountants make when they're selling their firms is not leaving enough time to optimise their selling strategies.

Taking a long-term approach to getting your affairs in order can make a huge difference. Mr Bloxham says the optimum time frame to plan and execute the sale is three years.

"Normally, when somebody buys an accounting practice, one of the first things they look at is the profitability of the practice, the cash flow of the practice over the last three years," he says.

"If you've got good profits, you've got higher value so if you're thinking about selling, normally I say have a three-year plan in place and the earlier you act the better it is."

With all the technological changes impacting the accounting industry, you may be wondering – should I upgrade my practice or sell now?

A quick sale may not be wise, as without futureproofing against technological change, the value of your practice could diminish.

"It depends on what their cloud accounting strategy is. If they've got one in place, not a problem. But if the practice is starting to address that issue, there will be some issues around future profits and cash flow," Mr Bloxham says.

Fail to plan, plan to fail

In a recent survey of 2,000 NSW business owners, consultants and directors, mid-tier firm RSM found that 66 per cent of respondents did not have a formal succession plan.

RSM says these numbers likely reflect a trend across Australia.

"Most business owners don't start or buy a business with the end in mind. But they should. Exiting the business is inevitable, regardless of whether business owners intend to run it until they retire, bequeath it to a family member when they die [or] sell it once it starts turning a profit," RSM Australia's director of business services Patrick Flanagan says.

"Failing to plan for this exit could have disastrous consequences. By contrast, a well-planned exit can deliver much-improved capital returns and minimise tax implications," Mr Flanagan says.

According to Mr Bloxham,

"Succession has been put on hold in the last three years"

– Grant Bloxham, Bstar

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Selling your business

Bstar's research shows seven out of 10 accountants do not have a plan. This is likely due to the changes hitting the industry in recent years.

"In 2013, accountants had to deal with the digital disruption. In 2015, they faced pressure from a profit-cash flow perspective because of technology, so they restructured their practice and they capped costs and they got rid of non-performing people in their business," he says.

"In 2016, what's come out of that is accountants have said, 'We need to grow our top-line revenue and we need to get more profit in our practice before we sell it', so I think succession has been put on hold in the last three years."

When planning for succession, Mr Bloxham points to two main areas of business advisory buyers want.

"If you look at our SME research, it confirms that they need to be delivering services such as CFA programs for small clients and boards of advice for large clients," he says.

"If you can generate more revenue from advisory services, minimum 30 per cent, you're in good shape, really good shape."

Who will buy your practice?

Once you decide to sell your practice, you need to turn your attention to finding the right buyer, which can be challenging.

HLB Mann Judd partner in assurance and advisory Simon James flags several issues in the buying market, one being generational change.

"What's quite interesting now is you've got the ones who are looking to retire, but the guys below them either don't have the cash – they've got big mortgages and it's a lot harder for them to raise the funds to make the acquisition – or the kind of generation below the X, the Ys are not interested," Mr James says.

With fewer buyers in the market, the need to advertise that your business is for sale becomes greater, but this also brings its own set of challenges.

"People tend not to want to advertise that their practice is up for sale, obviously from a staff point of view and a client point of view, so … they've not got very much visibility with potential acquirers out there," Mr James says.

"The most likely buyers of firms are the ones within the firm itself … so in theory you can take a longer-term approach and actually sell down over a period of time to the people coming through."

Reducing your risk

Many industry risk factors, such as technological or legislative change, are out of your control but Mr James says there are several things you can do to reduce these risks.

What is one low cost and overlooked risk-mitigating strategy? Getting organised.

"Get the documentation ready. You've got to have your back office and your processes in order if you're going to go through an exit," Mr James says.

"The better the quality of the financial information and the analyses you can give a potential purchaser, the easier the transaction is."

Reducing risk runs parallel to allowing enough time to go through an exit.

Another consideration is time. Having sufficient time means you can prepare thorough documentation, which allows buyers to see a way to take the practice forward even during periods of high industry risks.

"Price is inversely proportionate to risk. Anything that reduces the risk of the purchaser increases the price," Mr James says.

"Don't think about it from your point of view. Think about the buyer. What are they worried about and how do you reduce that risk? If you do that, the price goes up."

Keeping it real

Planning to sell a firm at maximum value requires strategic and realistic thinking.

While pushing for top dollar is the natural inclination of most people, Mr James says setting realistic expectations will allow for a smoother transaction and ensure that you do not lose out on a good buyer.

"Align expectations with the

Read this article online at pubacct.org.au

Eight top selling tips

Simon James, HLB Mann Judd

1. Be proactive: Most business owners think first of competitors as potential purchasers of their business, but this is unlikely to be the only option. Seek out potential purchasers such as international corporate buyers, equity institutions, existing management or long-term employees.
2. Get organised: Most business owners are unprepared for the amount of work and documentation required to support the due diligence process. This documentation is needed to verify the performance and profitability of a business.
3. Maintain business focus: As retirement approaches, business owners may be tempted to take their foot off the accelerator, but this is a mistake. It can damage the business by allowing competitors to gain market share.
4. Consider a staged exit: It's not always necessary to sell 100 per cent of the business immediately. Many purchasers see an advantage in a 'staged exit' because it retains customer goodwill and gives the new owners time to learn how the business operates.
5. Understand tax implications: We've known business sales to be cancelled because the business owner didn't understand the implications of their current personal tax structure.
6. Keep personal expenses out: The purchase price of a business is usually linked to a multiple of annual earnings, including personal 'non-business' expenditure in the cash flow. Excluding such expenses can have a significant impact on the sale price.
7. Reduce risk for purchasers: Provide a clear business forecast and an ongoing business model that is proven, robust and realistic.
8. Reassess expenditure: It is a good idea to be competitive on technology and plan, but at the same time not to overcapitalise immediately prior to a business sale. Any new equipment purchased must be adding value to business processes and efficiency and bottom line to increase sales value.

→ market value. Expect to get the price of what [the practice is] worth, not what you want to live on," he advises.

While there are numerous strategies that will ensure you get value for money, Mr James says you should take a long-term approach and consider your lease if you have one.

"If you can actually time it so you can get your sale close to the expiry of the lease … if it's a larger practice that's absorbing you, that's got space for example, there's a significant amount of cost that can be achieved if you line it up right.

"You probably need to start that process nine to 12 months

away from the end of the lease just so you make sure you can."

Aligning values

Another vital factor is considering the company's values and working environment. This will make for an easier exit process and will help ensure the firm's ongoing stability.

When you are choosing a buyer, Mr James suggests you "speak to values".

"Whatever the culture is at the firm, you've got to have a value alignment right. If you've got someone who has bad values, staff don't like them [and] depending on the size of the practice, it can really affect the morale of the place," he warns.

"You've got to have good people and you've got to stick to your culture and make sure you do the right thing by

> "The better the quality of the financial information and the analyses you can give a potential purchaser, the easier the transaction is"
>
> – Simon James, HLB Mann Judd

everybody, else it will fall down pretty quickly."

Time is money

With the countless factors to consider, strategies to implement, documents to prepare and potential buyers to identify, selling your firm at maximum value is a huge undertaking.

Mr James' underlying message remains the same. "Start early," he says.

"Think about all your potential exit options. Don't be afraid of having some of those conversations earlier rather than later.

"It's much easier thinking about succession, what does that mean in three years' time as opposed to succession in six months' time. Time is definitely the biggie."

The relationship GAME

Establishing long-lasting friendships with clients has not only helped Sylvia Troccoli build up her practice, it has also given her personal satisfaction

by Stefanie Garber

→

The walls of Sylvia Troccoli's office are lined with photographs – tradies posing in hi-vis vests, happy young professionals standing in front of newly opened businesses and beaming retirees celebrating their newfound freedom.

Sylvia Troccoli Pty Ltd has been servicing clients from its suburban Sydney location since 1987. The practice has grown to more than 400 clients, many of whom Ms Troccoli counts as personal friends.

Friendship is the core of her business philosophy. She believes helping clients is as much about addressing their concerns as counting numbers on a balance sheet. For Ms Troccoli, business has always been personal.

Off the corporate ladder

Ms Troccoli was drawn to accounting from a young age. Early aptitude tests showed a talent for language and literature, but her love of numbers eventually prevailed. After moving to Sydney from Uruguay with her family, she obtained a degree in commerce, majoring in accounting from the University of Sydney in 1977.

Her career took her to France, where she worked for Galeries Lafayette in Nice. She went from one major company to another, with stints in Swiss Aluminium, Unilever and P&O. As P&O's first female chief accountant, Ms Troccoli made waves when her visit to the docks resulted in a strike. The irate wharf workers were protesting against the presence of a woman on the wharf, something that was unheard of at the time.

By 1987, Ms Troccoli wanted a change. She was pregnant with her second child, and remembers feeling "it was all too much". Breaking away from corporate practice, she set up her own accounting business from her Sydney home.

For years, she had been giving tax advice to family and friends, and she hoped to turn this informal advice into a part-time business.

It didn't take long for the small practice to outgrow its original design. Other accounting practices came knocking, looking for advice on how to expand, and Ms Troccoli found herself providing business advisory services to a growing pool of clients.

Name: Sylvia Troccoli
Company: Sylvia Troccoli Pty Ltd
IPA status: FIPA
Location: Sydney

As her client list expanded, she moved from a part-time service to a fully established accounting and advisory practice.

Know your market

Over the years, Ms Troccoli has fine-tuned her expertise in dealing with small- and medium-sized businesses, which make up around 70 per cent of her clients.

Many of these clients are tradespeople whom she especially enjoys working with, given her son is an electrician and her husband a mechanic. She also gets plenty of business from counsellors and natural medicine providers, such as naturopaths and hypnotherapists.

When dealing with these small businesses, Ms Troccoli believes it's essential to help clients fully understand each component of their business model.

"Most people tend to concentrate on the operational and they forget about the financial," she says.

"They focus on the tools, rather than managing from the top down."

For these clients, Ms Troccoli seeks to provide an overview of the business and how each component is interconnected. She likens this to taking business owners on a "helicopter ride" and showing them a top-down view of their practice.

For example, a cabinet maker may want to increase sales and he offers a discount on installation costs. This is where Ms Troccoli steps in. She ensures he understands who his market is, how the discount will affect his profit margins and how it may impact on staffing or other costs.

"You get them out of the tools and raise them up because maybe they've never seen their business from that perspective before," she says.

In addition, she also helps clients to understand how they can compartmentalise their business, for example, how often they should be working on their BAC and how often they should be pitching to clients.

She describes the process as "taking their blinkers off" so that clients have a clear view of their financial needs.

Given this wide scope, Ms Troccoli bills herself as a business adviser as much as an accountant. However, she stresses that she is not a registered financial adviser, mortgage broker or insurance broker.

Where necessary, Ms Troccoli refers clients to qualified experts, while she remains focused on ensuring her clients have a solid financial plan that will see them through future ups and downs.

She regularly draws on her experience at larger companies to advice on best practice for smaller businesses. For example, if a tiler is looking to buy a new truck, she recommends sourcing three quotes, just as a large corporate purchasing office would.

"It's the [corporate] processes you can draw from, and the average small business doesn't have access to that. I can bring that to small organisations, based on my experience," she says.

Ms Troccoli is fluent in multiple foreign languages including Spanish, Portuguese, Italian and French, which has allowed her to develop a strong following in migrant communities. Clients who have moved overseas, especially retirees, also retain her services as an executor or to manage their estates.

Ms Troccoli believes her key role is to help clients by providing a firm financial foundation to grow their wealth. She likens being a business owner to riding a bike, where the numbers act as the balance.

"You have to get your numbers right. After you learn to balance, you start to enjoy the ride," she says.

As an accountant, she sees herself as the "training wheels" that help the business owner establish financial equilibrium.

"[Once you learn to balance,] you can go wherever you want to and you're not concentrating on the technique, you're concentrating on your surroundings and where you're going," Ms Troccoli says.

Personal touch

For Ms Troccoli, helping her clients thrive means more than finances. It means improving their lives. She believes accountants can have a profound impact on helping people achieve their goals.

"It's about them coming in with an ache and telling you, 'I want to do this'. Then I ask, 'Why do you want to do it?'"

Once she understands the motivation behind a client's goal, she helps them work out how to achieve it and what steps to take.

In many cases, clients go to Ms Troccoli facing dire circumstances. In these situations, she believes accountants must offer emotional support as well as financial guidance.

"It's about going behind the numbers, about circumstances and seeing how the numbers affect the person," she says.

"It's about what you can do to take away the pain… Clients come and pour their heart out [and] you have to listen.

"It's often about hurt and it's horrible when it's financial hurt."

Clients approach her when they plan to have children, and also when those plans falter after multiple rounds of expensive IVF. Ms Troccoli has also worked with people facing divorces and bankruptcy. At times, she has had to advise close friends to shut down their failing businesses.

"It's not about the failure, it's about picking them up and helping them," she says.

Expanding on the bike analogy, Ms Troccoli suggests clients sometimes need to hear, "You can't ride a bike. Let's buy you a scooter".

This emotional connection to her clients is central to Ms Troccoli's business model. It is clearly working as many of her clients have been with her for more than a decade.

"My clients have all said in testimonials that I deliver very strong relationships," she says.

"It's emotional for me because one of my core values is people."

Despite the growth of her client book, Ms Troccoli continues to operate out of an office attached to her home in Sydney's southern suburbs. Her desk is angled to allow clients to sit beside her so that she is not "in a position of superiority".

A few years ago, she removed her certifications and awards from the office walls, replacing them with photos of clients and the charities she supports. She says seeing photos of her clients daily reminds her of where her focus should be – squarely on people.

In her spare time, Ms Troccoli does work for non-profits, including athletics clubs and migrant organisations, and serves as an external trust account examiner for the Law Society of NSW. She believes getting involved in these activities helps foster a sense of community spirit.

Ms Troccoli credits the success of her practice to her people-first approach which has also paid off on a personal level. Over the years, she has attended clients' weddings and visited them in their holiday homes in Europe.

"One client said, 'You're a real accountant for real people' and that's a motto for me now," she says.

Looking ahead

Looking ahead, Ms Troccoli plans to maintain her practice and stay up-to-date with new technology.

Her membership of the Institute of Public Accountants fits in with these career goals. Ms Troccoli praises the IPA for providing opportunities for members to engage with the organisation and fellow members.

> "It's emotional for me because one of my core values is people"

She especially appreciates the way in which the IPA responds quickly to new developments and member feedback.

"The IPA is young and dynamic, they're innovative," she says.

"I have been to many discussion groups with the IPA and the IPA actually turns up to our discussion groups. The delegates actually answer our queries."

On the technology front, Ms Troccoli has embraced new means of engaging with clients. She urges other accountants to "be innovative and learn with the times", emphasising that a fear of technology will hold practices back.

Ms Troccoli – who uses a virtual assistant to help manage her work – is looking to add another.

This will free her up to spend more time with clients.

"My vision for the practice would be to get out there and be with my clients more. I love seeing them at work," she says.

She also hopes to assist clients more with operational issues, as well as learning more about the challenges facing their businesses. On a personal level, she is also excited by the prospect of engaging with people in other industries.

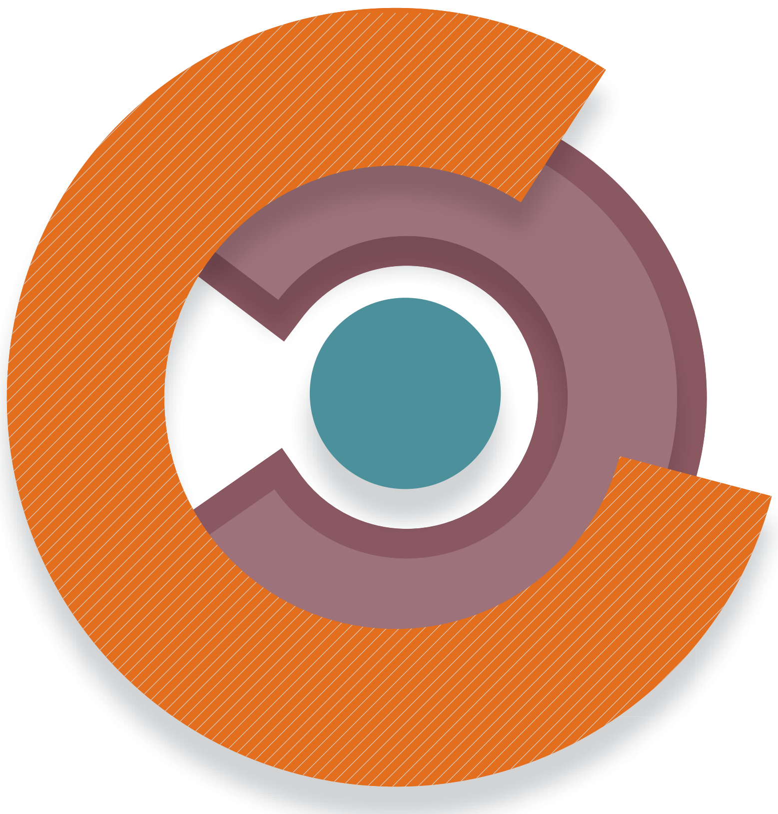
"I love watching the work – wearing a hard hat, going out to have lunch with a psychologist. I'd like to be in their shoes for once."

Ms Troccoli urges accountants to engage with the world around them, instead of simply providing advice across a desk.

"You have to be out there. You miss your opportunity if you're not out there and you have your blinkers on."

360 DEGREES

Do you think cloud computing is essential to a modern accounting practice?



Jenny Brown
founder and chief executive,
JBS Financial Strategists

Information at your fingertips

We all have mobile phones in our bags or pockets that are much more likely to be used as information providers than for ringing and talking to people. Everyone has the ability to find out anything at any time by the touch of a few buttons.

We all want the answers and we want them now, and it is inevitable that businesses need to step up and give their clients the information they want as soon as they want it. Cloud-based software allows not only businesses to access real time information on their clients, it also allows clients access to the same up-to-date information on their situations.

Cloud-based options improve staff retention as the information can be accessed anywhere, any time, allowing for a more flexible work environment and providing a better work/life balance. Cloud systems also allow easy collaboration as team members can work on the same master document regardless of where they are in the world.

With cloud, companies can do away with costly servers, room to store the servers and maintenance. It reduces the issues with having all your data saved at one physical location that others can access. You will also no longer need a disaster recovery system as many providers have their own and this forms part of the overall service offering.

It seems that most small businesses are already utilising cloud technology to run their business. If you are one of the few who are not embracing the cloud, you may find yourself being left behind and your clients seeking providers who are more in tune with modern times.

Liam Shorte
director,
Verante Financial Planning

Flexible and secure

As an advice firm that works in a number of accountants' offices and with our own staff in various locations throughout Sydney and Port Stephens and outsourcing services in Brisbane, we can no longer function without the flexibility that cloud computing provides us.

To be able to have reliable access to our databases, software and up-to-date client reports from any location is essential to how we now work. Recently, a storm affected the power at our Castle Hill office. My assistant moved to our Windsor office and I was able to work from home and access our remote server and cloud-based software like Xplan with no disruption to our workflow.

The flexibility provided by having our main software, document vaults and project management systems available on secure remote servers, as well as appointment diaries and communications systems online, means we save time at all stages of the workflow process and can adapt quickly as circumstances arise.

Our next step is to involve the client more in the data collection process from the outset and for updating their information prior to reviews. Accounting software is ahead of financial planning as firms like MYOB and Xero already encourage the client to input the majority of data required.

On the issue of data security, we are confident the cloud services we use have suitable password protection and double back-up facilities. While you always fear the possibility of hackers accessing data, we are more confident that this can be minimised by the use of remote servers than we were when we had our own server on-site in each office.

Cheryl Mallett
partner,
Vita Gustafson & Associates

Expensive and unnecessary

Although we are heading to a cloud version of everything and it is becoming necessary for clients' record keeping, I don't believe it is essential for accounting advice. Cloud-based computing is still only a minor part of the accountancy and business advice jigsaw.

A good adviser will build relationships with complementary professionals and use them to provide their client with a one-stop shop. That quality of advice is far more important than any cloud-based computing.

I will resist going totally cloud-based for as long as I can because I believe software providers are trying to exploit their positions and cash in on this technology.

My issue is with the software providers touting what a great deal they are offering, while at the same time increasing our software fees by, in some cases, tens of thousands of dollars. Our SMSF software providers have indicated they are going to force us to transfer to their cloud system under the auspices of it making us more efficient. We have around 100 SMSFs. The cloud system charges on a 'per file' basis of up to $250 each, potentially increasing our software costs from $6,000 to $25,000.

What happens if a client hasn't been in for two years and then decides to go elsewhere? At $250 per file per annum, we are down the drain for $500. One answer from the software providers is to charge the client upfront. I don't agree with that. And why should I increase every client's fees just to hand it over to the software providers?

Until this is reconciled to something more equitable, I'll be sticking with the desktop software I've got.

Matt Laming
partner,
BDO Adelaide

Cloud drives business growth

Data and cloud-based technologies are challenging the way businesses operate and interact with their customers.

Today, an accountant's tools are internet-enabled devices, databases, cloud applications and not just bookkeeping software, but the whole suite of tools our clients use to run their businesses.

With data that's always up-to-date and readily available, we have immediate access to the same information as our clients. Not only does this enable them to more efficiently prepare monthly statements and year-end reports, it also fuels timely business insights and proactive decisions.

We continually research the best add-ons available for cloud accounting programs, and select and recommend the ones that provide the greatest value and efficiency for clients.

These can include features such as streamlining data management for receipts and invoices by automating input from scanned images and alerts to identify when accounts dip below a certain level.

We also analyse the information from cloud accounting programs to generate benchmarks for clients. This allows them to assess their progress and results against similar companies to better understand where they're excelling or falling short.

These cloud resources open the door to take accounting data and apply it in ways that drive business growth and proactively address issues before they become significant obstacles.

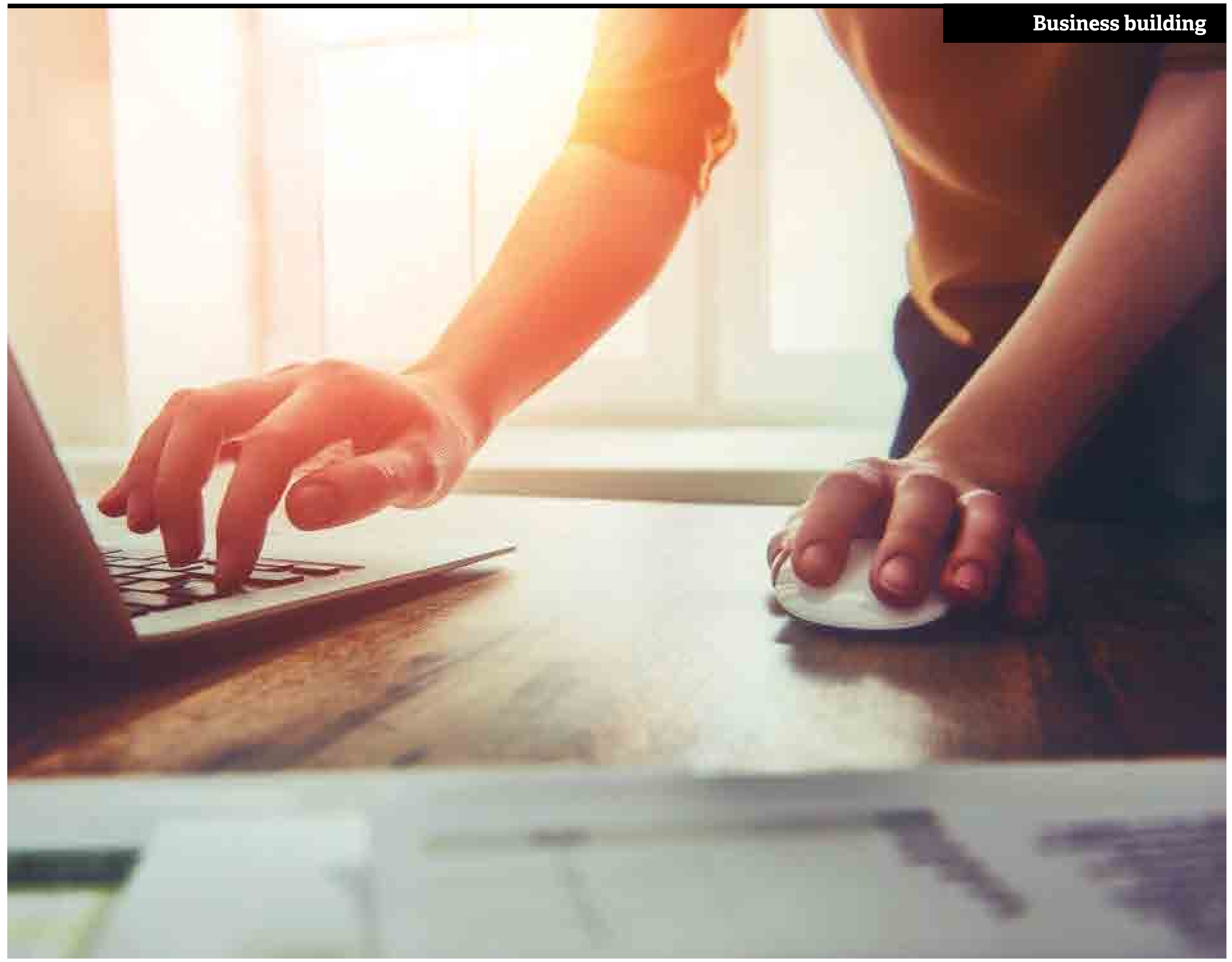
At BDO, we've already seen positive outcomes from some of these tools and services for clients.

Luis Vazquez,
senior editor, Thomson Reuters

How can you become an innovative accountant?

For accounting practices to be successful in a contemporary world, they need to focus on their professional competence as well as embrace newly emerging technologies to deliver services and communicate with their clients

by Luis Vazquez



Outstanding communication with your clients

A paramount element in the accounting profession is clear communication and an understanding between the practitioner and the client. From the very start of the relationship, the accountant must inform the client of the purpose and scope of the proposed engagement.

Traditionally, this has been done through an engagement letter. However, there are other valid methods, such as through emails or a brochure.

By doing this, the practitioner is protecting himself or herself by managing the customer's expectations, as well as limiting the likelihood of client disputes in the future. It also needs to be clear from the commencement of the relationship that despite the accountant's desire to improve the financial position of their client, there are ethical rules that demand transparency and objectivity when reporting the financial state of affairs.

Accountants can deliver on service by clearly explaining these legal obligations, ethical practices and client responsibilities in plain English. Compliance will be greater among those who understand the clear message being communicated. Regular, professional and respectful communication will aid in client retention.

One-stop shopping

As accountants know more than anyone the financial position of their clients, it places them in a unique position to not only advise clients in terms of specific jobs (such as preparing a tax return or the annual accounts), but also to provide input into the overall business operation of clients. The accountant is the person who has a clear ability to understand their client's business and to stand in his/her client's shoes.

In short, an accountant can assist a client in all areas of the business, as long as he or she possesses the necessary business acumen. This could be advantageous for professionals in possession of other strong background skills like economics, financial planning, wealth and asset management or any other business/finance-related background.

> "It needs to be clear from the commencement of the relationship that there are ethical rules that demand transparency and objectivity when reporting the financial state of affairs"

Find your niche and shine

The best way to generate new business is still through networking and word of mouth (the latter is arguably the best marketing campaign). Finding your own niche can be achieved by exploiting your own background, previous experience and roots.

For instance, a person who grew up on a farm may have contacts in that area as well as a deep understanding of agricultural business and its requirements (farmers have a number of tax concessions they can access, as well as a variety of income or loss reporting options, spread over a number of years).

A person born or who grew up overseas may know others from that same background who could become clients. Having a close relationship with specific communities can help establish a huge source of potential clients for a number of reasons:

- The ability to communicate complex professional details in the client's own language; and
- An awareness of cultural sensitivities and a natural trust may exist due to sharing a common background with the client.

The internet is clearly the cheapest and quickest way to access a niche market, although it

should be remembered that there will be pockets of the population who do not respond to online marketing for the simple reason that it doesn't reach them.

For example, older people may not have the IT acumen of a younger crowd (although this is changing). Generally though, online portals are an excellent starting point to reach out to those in need of accounting services (i.e. business start-ups, young entrepreneurs, first-time investors and people requiring taxation services).

Investing in a social media strategy and increasing online presence can be done via apps which allow the same posts to be automatically updated on a variety of social media accounts (i.e. Hootsuite, Facebook, Instagram, Twitter etc) or by increasing websites by improving SEO, driving traffic from social media accounts, keyword searches, hashtagging, blog posts etc.

> "The best way to generate new business is still through networking and word of mouth"

Stay on top of technology

Adapting to the changing technological environment has become vital for success. Just think of how efficient an accounting business would be if it implemented a cloud-based software system and went paperless. Cloud computing enables effective and flexible management of financial records as the access to the data and software happens anywhere, any time through any computing device.

This is possible without being dependent on a hard drive, network or at the risk of moving the data with a USB drive. Along with the cloud system, the accountant should consider putting in place a security system to combat any cyber attack. Why not even check the possibility of taking out cyber insurance?

Obviously, it is not only cloud computing. An accountant can leverage their practice by offering other digital and mobile technology services to avoid the possible time cost, to both the accountant and client, of meeting in person. Examples are apps that allow digital signing of contracts, online client portals to tele-submit compliance documents, live data streaming and access to records.

Technical

Our technical section keeps you abreast of the regulatory, legislative and policy developments affecting the accounting industry

Brace yourself – Single Touch Payroll is coming

Single Touch Payroll is yet another example of the digital by default journey we are on

by Tony Greco

Tony Greco FIPA, general manager of technical policy, IPA

In case you missed it, Single Touch Payroll (STP) legislation was introduced into federal parliament on 31 August 2016 through the government's *Budget Savings (Omnibus) Bill 2016.*

It aims to cut red tape for employers by simplifying tax and super processes. Make no mistake, it also aims to benefit the ATO by providing it with more data and in a more real time manner. Single Touch Payroll will initially involve just real time information and not real time payment as was originally proposed.

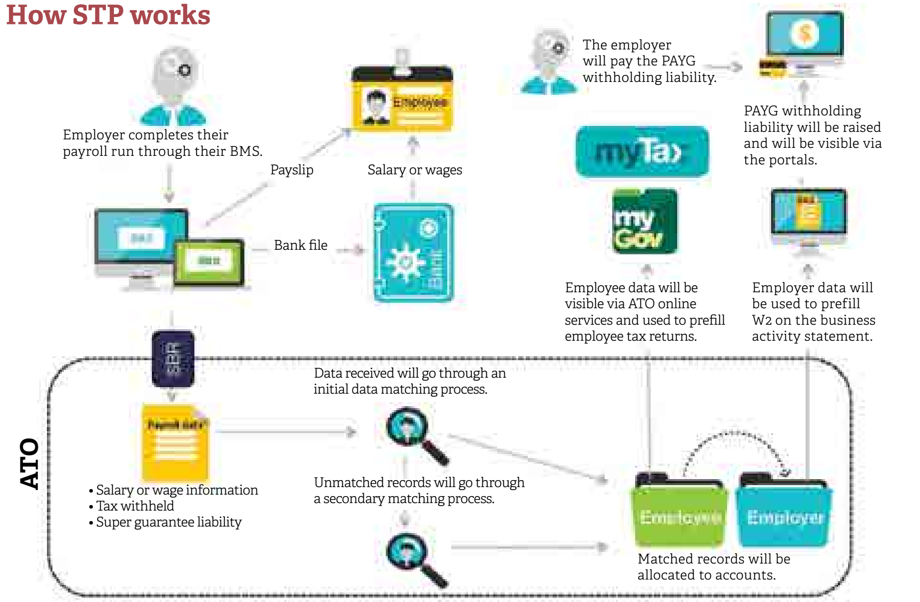
STP should make the ATO's task of tracking non-compliance of super a little easier as it increases the availability of real time data. It, however, does not ensure that what is reported makes its way into an employee's super account as there is a delay between reporting and payment. Employers are only required to pay superannuation once every four months and super payments are not always synchronised with payroll information. Similarly, employees will have greater visibility of the information via their myGov account. It is the policy intent that myGov will also include employer superannuation payment information (i.e. super stream), improving transparency around when the accrued superannuation entitlements are actually paid.

The IPA was concerned about the impacts of STP on small business operators. The government has committed extensive trials on this sector to prove the business case before it makes any announcement on whether this sector is brought into STP reporting regime. It needs to ensure that it is not adding to the administrative compliance burdens on small business operators who employ people (see below details of pilots that will be conducted to better understand impacts and benefits of STP). Mandatory STP reporting will commence on 1 July 2018.

What is Single Touch Payroll?

Single Touch Payroll aims to align employer reporting of Pay As You Go (PAYG) withholding (PAYGW) and superannuation contributions to an employer's payroll processes. Entities that report under STP are able to obtain relief from obligations to provide payment summaries to individuals and a payment summary annual report to the commissioner. The data that is reported will be year to date information so any adjustments to previously submitted information for normal payroll adjustments will be incorporated in any new data provided. STP will also have flexibility by allowing employers the opportunity to adjust previous year's data after year end to reflect changes to previously submitted data. The system has been designed to ensure that payroll data will be the source of truth for STP reporting purposes.

How STP works



Source: ATO

Who is initially caught by STP reporting?

You will need to commence reporting under STP from 1 July 2018 if you are a 'substantial employer' on 1 April 2018.

A substantial employer is an entity that has 20 or more employees or if you are a member of a wholly-owned group and the group has 20 or more employees in total.

To determine whether you are a substantial employer, you only need to count individuals who are your employees as defined under the ordinary (common law) meaning of 'employee'.

This means that contractors and other individuals who are employees under the extended meaning of 'employee' in the *Superannuation Guarantee (Administration) Act 1992* (SGAA) are excluded from the headcount if they do not meet the ordinary meaning of 'employee'.

As a headcount is to be used to determine the number of employees, your employee's full-time equivalency (FTE), the casual nature of their employment or the fact that they work overseas will not be relevant.

If you have 20 or more employees on 1 April in a later year, you will commence reporting under STP from the next 1 July. This means you will have a minimum of three months to organise your systems and procedures in order to commence reporting under STP from 1 July of that year.

Once you become a substantial employer, you must continue to report under STP, even though you may no longer have 20 or more employees, unless the commissioner grants you an exemption.

Based on ATO annual payment summary data, there are 99,629 substantial employers. Of these, 84 per cent use the services of a tax agent and 30 per cent have an annual turnover of less than $2 million.

As stated earlier, employers with less than 19 employees are excluded from the initial rollout of STP reporting. The ATO is conducting a series of pilots with a broad range of smaller employers, solution providers and tax practitioners to better understand the impacts and benefits of implementing STP.

We believe there is merit in taking advantage of technology to streamline processes. As a country, we have adapted, grown and greatly improved by embracing proven and secure digital technologies. While digital security needs to always be at the forefront of any new data initiatives, it is hard to imagine a business system in five or 10 years' time that hasn't further evolved and become more efficient than the practices of today.

Single Touch Payroll Pilot

Pilot overview

A series of pilots will be conducted with a broad range of smaller employers (19 or less employees), solution providers and tax practitioners to better understand the impacts and benefits of implementing STP.

The pilot is split into three stages, as shown below:

Stage 1 – started September 2016
- Employers that are paper-based non-software users.

Stage 2 – begin early 2017
- Simulated-based pilot to test STP prototypes.

Stage 3 – begin early 2017
- Tax practitioners will provide services to clients using an STP solution.

What we know

Employer size range	Number of employers	Number of employees
1-4	472,225 (66%)	920,568 (29%)
This employer group is more likely to use manual lodgment options or a tax/BAS agent to meet obligations.		
5-9	142,384 (20%)	941,525 (30%)
More likely to use software or payroll provider with clearing house to complete payroll and payment obligations.		
10-19	96,179 (14%)	1,299,839 (41%)
More likely to use software to complete payroll and payment obligations.		
Total	710,788	3,161,932

Data source: ATO Smarter data based on 2014 annual report lodgment

Must-knows for governance and family business

Governance is not just a concern for large corporate or listed entities. It is something that should be addressed in all businesses, particularly in family businesses

by Kirstin Stewart

Kirstin Stewart, partner – business advisory services, HLB Mann Judd Perth

Robert Tricker, the Oxford scholar regarded by many as the father of corporate governance, once said, "If management is about running the business, governance is about seeing that it is run properly".

Governance can generally be defined as the rules and processes by which a business is operated and controlled. Corporate governance is just as important for a family business as it is for any non-family business. For family business owners, ensuring the business is running properly is perhaps even more of a priority than for large businesses, as it can have direct consequences for the family, whether they work in the business or not.

This becomes an even more important consideration as family businesses start to span multiple generations. In such a situation, you may have to factor in the involvement of different family members who may (or may not) work in – or have an ownership interest in – the business, as well as families considering their exit options such as selling the business or listing on the Australian Securities Exchange.

The ASX has a more formal definition of corporate governance, defining it as 'the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account'.

The ASX has established eight corporate governance principles and recommendations. While they have been drafted with listed companies in mind, these principles are relevant and applicable to all businesses.

Principle one: Lay solid foundations for management and oversight
This relates to establishing the respective roles and responsibilities of the management and the board about how their performance is monitored and evaluated. The separation of ownership and management is a significant change for many family businesses as they grow, and may include the appointment of non-family members to key management roles. Ensuring the responsibilities of each role are clear will add value, strength and transparency to your clients' businesses. Delegating responsibility of the day-to-day running of the business to managers will enable more time for the owners and board to work 'on' the business rather than 'in' it. This can further assist if your clients have family members in key management roles to ensure they are accountable and have relevant key performance indicators for their positions.

Principle two: Structure the board to add value
The board should be of an appropriate size, composition, skills and commitment to be able to effectively discharge its duties. There is no 'one size fits all' approach to governance. Some families may want to set up a formal board of directors, whereas other families may wish to start with a family council. Whether the approach to governance starts out small or takes a more formalised approach, it is important that the size and composition of leaders and advisers are right.

Principle three: Act ethically and responsibly
All businesses have a responsibility to their stakeholders for ethical and responsible decision-making. Stakeholders include owners, employees, customers, suppliers, lenders and the community, whether family members or not. While this may seem an easy principle to adhere to, there have been a growing number of examples in recent times where businesses have acted unethically and irresponsibly. The business should be committed to this principle and the tone should be set from the top management team which can be done with 'code of conduct' documents for all staff.

Principle four: Safeguard integrity in corporate reporting
Family businesses have family members working in the business and other family members who do not. Those involved in management are accountable to those who are not, to ensure that the financial reporting is independently verified to avoid conflict within the family. While listed companies are required to be audited, many private businesses do not require an audit. If considered a 'large' private proprietary company, it should be audited and an audit report should be lodged with ASIC. In basic terms, a proprietary company is considered large if it (grouped) meets two of the following three criteria:

- Over $25 million in turnover;
- Over $12.5 million in gross assets; and
- Has more than 50 employees.

Principle five: Make timely and balanced disclosure
The timeliness of reporting of material matters to all relevant parties is imperative to the success of all businesses.

Principle six: Respect the rights of security holders
In many family businesses, the shareholders are involved in the management of the business. Shareholders, as the ultimate owners of the business, must always be considered. Family businesses may have shareholders not involved in the business and/or non-family shareholders, and their rights must not be ignored.

Principle seven: Recognise and manage risk
All businesses should establish systems to reduce risk. Systems to tighten internal controls will increase transparency and competitiveness of the business and can reduce the abuse of so-called family privileges.

Principle eight: Remunerate fairly and responsibly
Many families in business have a policy, formal or not, regarding family members working in the business. Family members employed may expect to be remunerated at commercial rates. However, an excess of what is reasonable may cause conflict with family members who are not employees. It is important remuneration is clearly linked to performance to provide transparency and credibility. This transparency may also assist with any perception among the employees of the business, or family members who do not work in the business, that there has not been any favouritism or nepotism.

Many family business owners don't do anything about corporate governance due to fear. They fear losing control of the process – or of the business itself, fear of the unknown – as this may be the first time they have attempted to do this or fear of the additional work involved. However, this should be outweighed by the fear of not doing anything.

By not addressing governance, your clients may be lessening the value of their businesses, falling behind competitors or leaving problems for the next generation.

The governance procedures should be designed around achieving the goals and ambitions for the business, as well as the goals and ambitions of the family, which may change, particularly where a business may have been passed from one generation to the next.

Governance of a business is an ongoing process. Family business owners will need to embrace the changes that will be involved with implementing governance procedures within their organisation. It's all about creating value in the business, for the long-term wealth of the family.

Where do your clients go wrong with depreciation?

There is an opportunity for accounting professionals to capitalise on the knowledge gaps in property and depreciation

by Brad Beer

Brad Beer, chief executive, BMT Tax Depreciation

While accountants are familiar with property depreciation and the rules that should be followed when lodging their clients' annual income tax assessments, the same can't always be said for rental property owners.

Depreciation, which is a non-cash deduction relating to the wear and tear of an income-producing building and the assets it contains, can be a complex topic for investors to understand.

There are a number of errors taxpayers can make when claiming. Below are some of the areas where investors get it wrong and the corresponding advice accounting professionals can provide to help steer them in the right direction.

They don't claim deductions for older properties

One mistake investors tend to make is assuming an older property will no longer have any deductions available to make a claim worthwhile.

While legislation enforced by the ATO does outline some restrictions regarding the construction date of the property, this doesn't necessarily mean owners of older properties will not benefit from claiming depreciation.

This is because depreciation is broken into two categories – capital works deductions and plant and equipment depreciation.

Capital works deductions apply to the structure of the building and any fixed items, while plant and equipment depreciation can be claimed for any of the mechanical or easily removable fixtures and fittings found within the property.

The rules state that owners of residential properties can only claim capital works deductions for properties constructed after 15 September 1987. In commercial properties, this date is 20 July

1982. However, it is rare to find a property that has been constructed prior to these dates that has had little or no work completed after its original build.

Structural work completed to a residential or commercial property within the legislated dates may entitle its owner to capital works deductions, even if the work was completed by a previous owner.

For plant and equipment assets, there are no such date restrictions. Their value is determined by the condition, age and quality of each individual asset. A fair value should be ascertained and each item should be claimed based on its individual effective life. This effective life will start from the date of settlement.

They claim capital works and plant and equipment incorrectly

As there are two categories in property depreciation, this can lead to incorrect claims being lodged, particularly if an investor doesn't seek appropriate advice.

Investors who self-assess depreciation deductions often make one of the two mistakes:

- They claim structural items as plant and equipment; or
- They claim plant and equipment as capital works deductions.

As the depreciation rates used to calculate deductions and the period of time over which capital works items and plant and equipment depreciate vary, this can result in the following outcomes:

- By claiming structural items (which depreciate at a rate of 2.5 per cent over a maximum of 40 years) as plant and equipment, owners could over-claim and put themselves at risk should the ATO conduct an audit;
- By claiming plant and equipment items using the rate for capital works deductions, investors could under-claim and miss out on substantial deductions; and
- They may not apply an immediate write-off or low-value pooling to eligible items.

They get confused between repairs and maintenance and capital works improvements

An area often on the ATO's watchlist, where investors can easily find themselves making errors, is mistaking repairs and maintenance with capital improvements and vice versa.

The ATO provides clear definitions of each of these terms which accountants can explain to help their clients to decipher how work completed to a property should be claimed.

Repairs are considered work completed to fix damage or deterioration of a property, for example, replacing part of a damaged fence. Maintenance is work completed to prevent deterioration to a property, for example, oiling a deck.

Any costs incurred for repairs and maintenance of a rental property can be claimed as a 100 per cent immediate deduction in the year of the expense. However, if any work completed enhances the condition or state of the item beyond its original state at the time of purchase, this is considered a capital improvement.

Capital improvements must be classified as either a capital works deduction and claimed over time or claimed as plant and equipment depreciation.

If existing items have any remaining depreciable value, the owner could be entitled to claim what is known as 'scrapping'. Scrapping allows the owner to claim any remaining depreciable value for structures or assets removed in the year of the items' removal.

They aren't aware that co-ownership influences how depreciation should be calculated

As housing prices continue to rise, more investors are joining forces with family and friends to purchase investment properties.

Co-ownership opens doors for investors by increasing their buying power and reducing the burden of purchase costs and ongoing expenses such as rates, repairs and maintenance. As such, accountants need to make their clients aware that ownership structures influence how property depreciation should be calculated.

When applying depreciation legislation to assets within co-owned properties, the cost threshold that qualifies assets for accelerated depreciation rates can be governed based on each owner's interest in the asset. However, it's often more beneficial to calculate each owner's interest in the individual assets value first and apply the depreciation rules accordingly.

Legislation allows property investors to claim an immediate write-off for assets with an opening value of $300 or less. In a situation where ownership is split, an accountant can apply this rule and claim an immediate write-off to items where an owner's interest in the asset is below $300.

Where an owner's interest in an asset is $1,000 or less, these items will qualify to be placed in a low-value pool. Pooling is a method of depreciating plant and equipment assets at a higher rate to maximise depreciation deductions. Investors who decide to place assets into a low-value pool can claim them at a rate of 18.75 per cent in the year of purchase and 37.5 per cent for each year afterwards.

When qualifying assets for immediate write-off or the low-value pool, the value of the asset can be distributed based on the percentage of ownership. This increases the number of assets that qualify.

In a 50-50 ownership situation for a residential property for example, by splitting an owner's interest in each asset, the owners can claim items up to a total value of $600 as an immediate write-off. An asset that is valued or costs less than $2,000 will now qualify for the low-value pool and the owner can take advantage of the increased rates of depreciation available for pooled assets.

Ultimately, the deductions an investor receives from a maximised depreciation claim are essential to boosting their cash flow.

Providing an investor with some basic knowledge about depreciation will not only help them turn a negative cash flow scenario into a positively geared asset, it will also help accountants to extend their existing services and add additional value, encouraging repeat business.

Technical | Global tax

Global tax concerns – not just for the big end of town

Global taxation has been a hot topic for politicians around the world in the last couple of years, but its effects pervade all sectors

by Zara Ritchie

Zara Ritchie, global and national leader – transfer pricing, BDO

Public concerns about whether or not multinationals are paying their fair share has led to a raft of inquiries and summits to try to tackle the thorny issue of base erosion and profit shifting (BEPS).

The Organisation for Economic Co-operation and Development (OECD) is leading the charge for a multilateral approach to BEPS, but numerous countries, including Australia, have already moved to establish their own response.

While much of the public scrutiny has focused on major technology companies like Apple and Facebook operating in Australia, the changes will affect many different enterprises. While smaller multinationals will not have the disclosure requirements, they will still have to deal with the same issues and international tax changes as larger multinationals. The proposed country-by-country reporting – transparency law – has been set to cover groups with global turnover of A$1 billion. At the time of writing, this converts to approximately €690 million (which is lower than the OECD recommended threshold of €750 million) so there is already 'bracket creep' due to the weakening Australian dollar.

Importantly, these rules can apply even where the local Australian subsidiaries are relatively insignificant, as the test is global turnover and not merely local turnover.

The ATO initially may focus on larger multinationals, but it is reviewing companies of all sizes. We are already seeing the ATO take a BEPS-focused approach to audits regardless of the size of the company.

While smaller and medium-sized groups will not have a formal requirement to comply with the new BEPS documentation requirements, the ATO is likely to raise similar detailed questions relating to profit shifting in the event of a risk review or audit. If small and medium businesses ignore the impact of BEPS on their transfer pricing structures, particularly with regard to evidencing substance, it could mean they face the risk of an audit adjustment, including interest and penalties extending for many prior years.

The current challenge for multinationals operating in Australia is to consider what steps they can take now to consider the impact of the key changes and the potential impact this could have on their global effective tax rate and audit risk both in Australia and overseas. The introduction of a formal requirement to account for tax uncertainties, and how such a requirement applies to transfer pricing positions, will also need to be considered.

"Importantly, these rules can apply even where the local Australian subsidiaries are relatively insignificant, as the test is global turnover and not merely local turnover"

As a first step, we recommend assessing what systems and resources a multinational has in place to prepare for country-by-country reporting. Consider undertaking a dry run of the country-by-country reporting, whether it be for a full year or part of a year. The purpose of this exercise is to look at the structure from a tax authority perspective in all jurisdictions and to identify possible mismatches between economic substance and the profit outcomes of an entity.

Consider engaging an independent team to conduct the review rather than the team that was originally responsible for implementation. Review what was intended and what may have deviated over time – businesses change continuously. The findings of this review should be elevated to board level and appropriate action taken.

Undertaking this exercise now enables multinationals to get their house in order in advance of full transparency – effectively 31 December 2017 when country-by-country reports for FY16 must be filed with relevant tax authorities including the ATO. For many, such an exercise may extend to a review of current supply chains, transfer pricing policies and the safeguards which may need to be built in to 'BEPS proof' the group going forward.

Brass plate companies, fly-in fly-out arrangements, dual roles and the use of hired company directors from company secretarial firms are all likely to be challenged in the new world.

Careful consideration needs to be given in each country in which the group operates as to precisely which BEPS actions are likely to be implemented. This could impact disclosure requirements from a transfer pricing perspective. For example, it could fundamentally impact deductibility of interest on intercompany loans that could still be taxable in the source country. A plan of action needs to be developed for local country rules with appropriate responses for each location, both short term and longer term.

Most importantly, if the impact of BEPS is not carefully considered and managed, groups risk reputational damage. Reputational risk and tax adjustments by tax authorities can impact future earnings.

Boards need to understand the implications of BEPS in terms of potential risk, reputation and reporting obligations. Tax risk should be high on the board's agenda and there should be active involvement/oversight by the board in gaining comfort that management is reviewing risks and appropriate action plans have been developed to respond in our new BEPS world.

Companies that assume that BEPS is an issue that only the 'big end of town' needs to worry about may end up with a nasty surprise.

Technical | Estate planning

Tips and traps for your clients' estate planning

As more accountants begin their transition to diversified advice offerings, understanding the nuts and bolts of estate planning will become increasingly important

by Lindsay Stoddart

Lindsay Stoddart, lawyer, Owen Hodge Lawyers

What is estate planning?
Preparing this article, I looked at the websites of several leading law firms. Under the search 'estate planning', I was taken immediately to 'wills'. An estate plan is much more than a will.

TIP 1: Estate planning is also about preserving wealth for the next generations while giving your spouse and children a viable and enjoyable lifestyle after you have left them.

TIP 2: Estate planning is caring especially for vulnerable people for whom you have a special duty of care, such as an autistic child or a disabled brother. Good vehicles, often with tax advantages, can assist you.

Business and trusts
A number of minor but important matters need to be in place for effective estate management:

TIP 3: If your client is a sole director of a 'Pty Ltd' company, they must have a company power of attorney appointing an attorney for effective management.

TIP 4: If your client is operating a business, such as a legal office or newsagency, their will must provide adequate powers clauses for executors to operate that business from the date of their death. You may be advised to especially indemnify the executors against liability generally against other estate assets.

TIP 5: If your client has significant assets in a family discretionary trust or similar, the power of appointment is exercisable by will.

A lawyer will review any trust deed to ensure it is up-to-date for taxation and other matters such as an appropriate consent by the appointor to variation of that trust deed. There is a taxation decision of the High Court of Australia known as *Bamford* (2010) and the trust deed must provide for that decision.

TIP 6: For many people, superannuation is their second-largest or largest asset.

Where should the superannuation go on the death of the member? There are complex nominations that permit wide-ranging dispositions and great care is required to minimise superannuation death tax.

As for the more complex estate plan, there must be a full asset review and review of all constituting documents such as trust deeds, superannuation deeds etc. Problems must be rectified. The more complex the company or business structure, the greater the requirement for a mud map showing the inter-relationship between entities, names of directors, asset allocation etc.

Longevity: curse or blessing?
First world longevity is growing. Consider this – at the beginning of the last century in Australia, the average male lifespan was 48 years. Today, a 60-year-old man can expect to live until about 85 and a female to nearly 90. In 1996, there were some 1,600 people aged 100-plus in Australia. In 2050, it is anticipated there will be 58,000 people aged 100-plus.

Modern medicine keeps us alive even if we do not want to be alive. In many jurisdictions, the courts are providing legal remedies. In some jurisdictions, euthanasia is permissible but even in those states, such as NSW, where it is not, appropriate consents allow a person to die naturally. If that person loses cognition, they must have directions in writing.

Old age, and even dementia itself, is not necessarily the harbinger of doom. Adequately supported, many people with moderate dementia can live happily.

TRAP 1: This short introduction focuses on the importance of personal documents. We are talking about lifestyle, we are talking about the person. We're not talking about property or assets (except for the powers of attorney). These documents include:

- Adequate powers of attorney including alternative powers of attorney;
- Guardianship appointments to permit medical and end-of-life decisions when cognition has gone; and
- Advance health care directives which are stronger than the preceding document and provide for the patient's right to refuse treatment even when cognition has totally lapsed.

These documents are all part of the estate planning process. An experienced lawyer will have a good grasp of this area of law and will be able to help the client through these issues.

TRAP 2: Discretionary trusts can be especially problematic for the estate planning exercise. The key word is 'discretionary'. It is not possible for taxation reasons to absolve the trustee from its discretion. This is not so difficult if the will-maker has only one child or two children to which they wish to leave those trust assets. But what if there are three or more beneficiaries to receive the assets?

What if there are children of two families in the classic melded family and both parents on the death of the second require the trust assets to be divided according to agreed instructions. It isn't just a matter of putting a clause or two in the will. An appointors' agreement and definitely a shareholders' agreement is needed to ensure that two beneficiaries cannot gang up and take the other beneficiaries' interest.

A lawyer slips up: estate planning traps
TRAP 3: The most important prerequisite for any lawyer is that they know your clients well
They must review your clients' assets, ensuring they have sufficient information about value and title. They will of course investigate adequately the assets of any trust and the provisions of any trust deed.

This is where most court-fought estate dilemmas start, when the lawyer lets you down. Here are some brief anecdotes:

TRAP 4: Avoiding the tentacles of family court
The son-in-law waits just a few years, leaves your client's daughter and tries to attack her inheritance. A special will trust, called a capital protected trust that optimises protection and limits that attack, creates a hurdle higher than a standard trust for the court to breach.

TRAP 5: Out of trouble and into the frying pan
My clients, children of the first marriage, expected a substantial benefit under their late father's will and from his $4 million estate. However, the second wife, as soon as hubby passed away, immediately changed her will in favour of her two daughters. A leading legal firm had not completed the estate planning processes for the couple who were then aged in their 90s. Did it presume they would complete complex transfer tasks? We were able to argue that there was a contract for mutual wills and our clients received most of what their father intended. If only that tier one firm had completed the legal services they had been entrusted with. The couple paid some $13,000 to it to little or no effect.

TRAP 6: The kids hated each other; they just wanted the $20 million
When I see clients in my office, they sometimes ask about the three or four A4 lever arch files that are jam-packed with court documents and correspondence. They are for a will contest. Sometimes this is on the basis of the parent's cognition. Did he understand he was making a will and did he have sufficient cognitive ability?

TRAP 7: 100 acres on the beach
A local town planner advised that this pretty acreage was the best on the south coast. My doctor client wanted his property to stay in the family for as long as practicable. A special trust with detailed provisions as to selling off a small part of the property if demanded by the son (married to a commercial litigation lawyer), a valuation method that would keep the payout to a reasonable figure and other provisions developed a high-quality trust. Other assets were left in separate trusts to all children. The client took steps to avoid a potential estate claim that would destroy what he wanted.

Parting thoughts

- Especially if your clients have a business, take care;
- Especially if your clients have complex investment vehicles, take care; and
- Especially if your clients have a disabled family member, ensure they are protected.

Good estate planning is a bonus for security and a good night's sleep, and its importance will only continue to mount.

Changes to the taxation of income streams: a comprehensive explanation

Legislation implementing the super reform package announced in the 2016 federal budget received royal assent on 29 November 2016 – but what on earth does it all mean?

by Craig Day

Craig Day, head of technical services, Colonial First State

The reform package will result in the largest change to the superannuation system since the Simpler Super changes in 2007, so it is imperative accountants and financial advisers understand how the changes might impact their client's tax position or retirement plan.

One area that has caused confusion, is the changes to the taxation of income streams at both super fund and member levels, specifically the $1.6 million transfer balance cap.

$1.6 million transfer balance cap

From 1 July 2017, a new transfer balance cap will apply to limit the amount of benefits a client can transfer from the accumulation phase to the tax-free retirement phase.

Income streams that will count against the transfer balance cap include all "retirement phase income streams" which include superannuation pensions and annuities. Not included, are transition to retirement income streams and non-commutable allocated pensions and annuities.

Broadly, the balance of existing retirement phase income streams at 30 June 2017 as well as the initial value of new income streams commenced on or after 1 July 2017, will be measured against an individual's personal transfer balance cap. Any amounts in excess of the cap will need to be rolled back to accumulation phase or withdrawn from the superannuation system.

General transfer balance cap

The general transfer balance cap for 2017-18 will be set at $1.6 million and will be indexed annually in line with increases in the Consumer Price Index in increments of $100,000.

Personal transfer balance cap

The personal transfer balance cap determines the amount that a client can transfer into retirement phase income streams. The personal transfer balance cap initially equals the general transfer balance cap in the year they first commence a retirement phase income stream. However, over time, the personal transfer balance cap may differ from the general transfer balance cap due to proportional indexation. Proportional indexation is based on the value of any increase in the general transfer balance cap and the unused proportion of their personal cap.

Example

Glenda retires on 1 July 2017 and immediately commences a $1.2 million account based pension. As Glenda commenced her first retirement phase income stream in 2017-18, her personal transfer balance cap is equal to the general transfer balance cap of $1.6 million. In this case, Glenda will have used 75 per cent of her personal transfer balance cap and will have an unused cap proportion of 25 per cent.

On 1 July 2019, the general transfer balance cap is increased by $100,000 to $1.7 million due to indexation. Assuming Glenda has not commenced any other retirement phase income streams in the interim, her personal transfer balance cap will then be increased by $25,000 ($100,000 × 25 per cent) to $1.625 million. In this case, Glenda will then have $425,000 of her personal cap remaining

Transfer balance accounts

To determine when a client has exceeded their personal transfer balance cap, a transfer balance account system will be implemented that will work like a general ledger, with amounts credited and debited depending on a client's circumstances.

Amounts credited to transfer balance accounts

The following amounts are required to be credited to a client's transfer balance account:

- The value of all of a member's existing retirement phase income streams as at 30 June 2017.
- The commencement value of new superannuation retirement phase income streams commenced on or after 1 July 2017.
- The value of reversionary superannuation income streams as at the time the individual becomes entitled to them (note – a modification applies to defer the time at which a credit arises, see below for more information).
- Where a member has exceeded their transfer balance cap at a time, an amount of notional earnings on the excess amount.

The value of a retirement phase income stream that will be credited to a member's transfer balance account will depend on the type of income stream paid.

For account-based income streams (other than market linked income streams):

- Where the income stream commenced prior to 1 July 2017 – the value of the income stream account balance on 30 June 2017, or
- Where the income stream commenced on or after 1 July 2017 – the commencement value on the start day.

For certain non-commutable defined benefit income streams (known as capped defined benefit income streams), the value of the income stream is determined by multiplying the member's annual income entitlement by a pension valuation factor.

- For lifetime pensions or annuities – the client's annual income entitlement × 16.
- For term and market linked income streams – the client's annual income entitlement × number of years (rounded up to the nearest whole number) in the remaining term.

Timing of credit for reversionary pensions

Where an income stream automatically reverts to a nominated beneficiary on the death of the original recipient, the value of the pension, as at the time of death, will count as a credit to the beneficiary's transfer balance account.

However, to give the beneficiary time to arrange their affairs, the credit will be deferred and will not arise in the beneficiary's transfer balance account until 12 months from the date of death.

This rule applies where a pension reverted to a member's beneficiary on or after 1 July 2016. For example, where a pension reverted to a member's beneficiary on 1 January 2017, a credit will not arise in the beneficiary's transfer balance account until 1 January 2018.

Where a beneficiary receives a reversionary pension that reverted prior to 1 July 2016, the balance of the reversionary pension at 30 June 2017 will count as a credit to the beneficiary's transfer balance account.

Amounts debited from transfer balance accounts

The following amounts will act as debits from a client's transfer balance account:

- The value of any lump sums commuted from a retirement phase income stream (including where the commutation results in a negative transfer balance account value).
- The value of any structured settlement contributions.
- The value of any replenishment debits approved by the ATO.

It is important to note that pension payments and negative investment returns do not count as debits. Therefore, the value of a client's retirement phase pension, such as an account-based pension, could be quite different from the value of their transfer balance account where a client's account balance has been eroded by negative investment and/or pension payments.

Impact of a rollover on a client's transfer balance account

Where a client fully or partially commutes a retirement phase income stream, the value of the commutation will be debited from their transfer balance account and can result in a negative transfer balance account value.

This ensures that a client is able to roll over the full value of any retirement phase income stream to another provider even where their pension balance has grown due to investment returns and now exceeds their personal transfer balance cap.

Example

Diego commenced an account-based pension with $1.6 million on 1 July 2017, fully using up his personal transfer balance cap. In 2020, his account-based pension balance has grown to $1,750,000 due to strong investment returns. He then commutes his pension and rolls over the lump sum to another provider and commences a new account-based pension.

In this situation, Diego's transfer balance account would have the following entries:

Year	Credit/Debit	TBA Balance
2017-18	Credit $1.60m	$1.60m
2020-21	Debit $1.75m	-$150,000
2020-21	Credit $1.75m	$1.60m

Consequences of exceeding the transfer balance cap

Where a client exceeds their personal transfer balance cap, the amount of the excess plus a notional earnings amount will be required to be commuted and removed from the retirement phase. In addition, the client will also be required to pay excess transfer balance tax on the amount of notional earnings.

Notional earnings on an excess transfer balance amount will be calculated at the General Interest Charge rate for the period starting when the client commenced to have an excess amount and ending when the amount is removed from retirement phase. Excess transfer balance tax will apply

to notional earnings at the following rates:

- For assessments during the 2017–18 financial year – 15 per cent.
- For assessments from 1 July 2018 – 15 per cent for the first assessment and then 30 per cent for subsequent assessments.

Where a client breaches their transfer balance cap on 30 June 2017 by less than $100,000, the excess amount will be disregarded for a period of six months. However, this transitional rule will only apply where the excess amount is removed from the retirement phase by the end of the six-month period.

Excess transfer balances

Clients who are members of large funds with retirement income stream balances over $1.7 million will therefore need to take action in the lead up to the end of the financial year to reduce the combined value of their income streams to no more than $1.6 million by 30 June 2017.

However, where a client is a member of a SMSF, they may not know the value of their retirement phase income streams until several months after the end of the financial year when the fund's annual return is completed. In this case, members will need to estimate the amount that needs to be commuted by 30 June 2017 and once the actual balances are known make further commutations if necessary. Under the transitional rules, as long as they do not exceed the transfer balance cap by more than $100,000 and they commute the excess within six months, the excess amount will be disregarded.

Disciplinary Tribunal findings

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

IPA Disciplinary Tribunal findings
7 October 2016

Arun Kumar Kalwadia AIPA

The IPA Disciplinary Tribunal of 7 October 2016 determined that the following case presented against the member was proven:

a. Breached clause 98(1) of the IPA Constitution as the member was convicted by a court of law of an offence which is inconsistent with being a member of the Institute. The member was convicted on charges of obtaining property by deception under the *Criminal Code Act 1995* and sentenced to three years' imprisonment with a release after five months;

b. Breached clause 98(2)(a) of the IPA Constitution as the member breached the IPA by-laws clauses 2.1.2 and 2.1.3 and in particular APES 110 - Code of Ethics for Professional Accountants. The member failed to comply with the fundamental principles of professional ethics, in particular integrity and professional behavior due to the conduct above;

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

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

The tribunal further resolved that Mr Kalwadia's membership of the IPA is forfeited.

Peter Kee-Yoon Seow FIPA

The IPA Disciplinary Tribunal of 7 October 2016 determined that the following case presented against the member was proven:

a. Breached clause 98(2)(a) of the IPA Constitution as the member breached the IPA by-laws clauses 2.1.2 and 2.1.3 and in particular APES 110 - Code of Ethics for Professional Accountants. The member failed to comply with the *Property Agents and Motor Dealers Act 2000* in that he:

- Failed to conduct two unannounced examinations for the licensee's trust account during the respective audit period; and
- Made a false entry in the audit report stating he in fact conducted the said examinations for which an infringement notice was issued.

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

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

The tribunal further resolved that the member is censured and required to pay costs of $550.

Details of one other case presented at the tribunal of 7 October 2016 can be found in the complete listing of tribunal findings on the IPA website (http://www.publicaccountants.org.au/about-us/complaint-investigation-member-disciplinary-action/disciplinary-tribunal-decisions).

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