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Public accountant

THE OFFICIAL JOURNAL OF THE INSTITUTE OF PUBLIC ACCOUNTANTS

IPA INSTITUTE OF PUBLIC ACCOUNTANTS®

THE PRICE OF LOCKDOWN

The cost will be larger and the recovery longer

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The Australian government has quite literally locked us in

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Welcome to the October/November edition of the *Public Accountant* magazine. At the onset of the coronavirus crisis in Australia back in March, little did we know that our last issue of 2020 would be dedicated to the ongoing impact of the COVID crisis.

Before we begin, we would like to extend our best wishes to Victorians. Please stay safe!

In this edition, we explore the cost of the Melbourne lockdowns. While the financial effects are huge, the mental health impact will likely hit small business even harder.

We also bring you a story on Australia's border closures and the legal implications of the hard stance our government has taken on international travel.

We dive into the predicted tsunami of small business insolvencies and explore the future of cash and whether it is destined to go the way of cheques, money orders and good old-fashioned bartering of goods.

But we also look into other very important topics, such as our economic recovery and whether that will be driven by digital technology, and present you a whole heap of the usual goodies in our Business Building section.

Enjoy these articles and more in our new edition.

Happy reading!

maja@momentumconnect.com.au.

Maja Garaca Djurdjevic

Content manager

Visit publicaccountant.com.au and join the conversation.

Public Accountant magazine is now available to read online on the Public Accountant digital hub.

Mumbrella PUBLISH Awards 2019 FINALIST

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INSTITUTE OF PUBLIC ACCOUNTANTS

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Impact, quality, and growth – President's reflections

| Damien Moore FIPA FFA |

As I prepare to hand over the reins as president next month, I am very proud to reflect on everything the Institute has achieved during my tenure over the past four years

IT HAS been a rollercoaster ride but very much an enjoyable one. I have gained so much experience through working with my fellow board members, our CEO, Andrew Conway, and his team and through the many interactions I have had with our members and stakeholders.

I am pleased to share with our members some of the many milestones over the past four years.

Our member growth has been significant not just in Australia but globally. Membership in China continues to expand and our colleagues in the UK continue to post sound results annually. This is an incredible achievement, particularly this past 12 months as the world has grappled with the COVID-19 pandemic, not to mention the devastating bushfires that ravaged large areas of Australia during the preceding months.

While a membership association is about numbers; numbers are not necessarily the heart of the IPA. The IPA is about people and this is what I am most proud of.

The organisation has a true passion in caring for its members, advocating for members and in the best interests of the public and making a difference in local and global economies.

The IPA continues to strengthen its CPD offerings and while the pandemic has affected the delivery of these offerings, it is most pleasing that so many members have remained engaged online.

The IPA is an organisation that is always prepared to state its opinion. Literally hundreds of submissions to government and regulators are made each year, not just in members' interests but that of the profession. We are also well represented on many forums, which helps to amplify the credible voice for members and small business. The IPA's advocacy team has been critical to ensuring that members have been across the many government initiatives and stimulus packages implemented to combat the economic crisis that has arisen throughout the pandemic.

When the IPA declared its raison d'être as enhancing the life of small business, it was never going to be a throwaway line. It has become part of the fabric that makes up the organisation. To think that we have an SME research centre though Deakin University is quite incredible. That research continues to bring life to the IPA's Australian Small Business White Paper(s).

In closing, I wish to thank my fellow board members who have supported me for the past four years along with Andrew, his executive team, and all IPA staff. I also want to thank our loyal members who are the reason the IPA continues to strive for the best service possible, regardless of the significant periods of adversity in recent times. Together we have a lot to be proud of.

I look forward to a new period of growth and development under the IPA's new president and I wish them all the very best.

Follow Andrew Conway
twitter.com/andrewconwayceo

And the winner is... resilience and stability

| Andrew Conway FIPA FFA |

As we prepare for the IPA's Annual General Meeting next month, I am pleased to report numerous successes that the 2019-20 financial year produced

BEFORE DOING so, I reflect on what has been a traumatic year for Australia and the world. The COVID-19 pandemic is still holding our global economies to ransom and will for some considerable time.

In our homeland, the pandemic was preceded by widespread bushfires from the spring of 2019 through to early autumn 2020. By 9 March 2020, the fires had consumed an estimated 18.6 million hectares (46 million acres; 186,000 square kilometres), destroyed over 5,900 buildings (including 2,779 homes) and killed at least 34 people. As is often the case in Australia, some of these bushfire ravaged areas were then confronted with widespread floods.

Yet, as an organisation, we achieved many goals throughout the year, including a 9 per cent increase in member admissions. We see this as 'glass half-full' as it is remarkable and a record rate of recruitment considering the pandemic and natural disasters that have taken place.

However, the true celebration is not in the numbers; it is in the human factor that drives and continues to deliver regardless of the adversity we find ourselves facing.

The natural disasters we have experienced in Australia and the pandemic crisis that has impacted all of us, has seen the reservoir of resilience within our members, our organisation, and our profession. This demonstration of resilience in the most adverse times is the true highlight of the year and continues to be so.

Our members continued to support their clients and employers; particularly small businesses that have been impacted the most. Your passion and drive to meet client and employer demand is to be commended, especially when many of you own businesses, which may have also been under the duress of the pandemic; not to forget that approximately 1,100 members reside in the bushfire zones.

Similarly, our IPA team, who have had to work from home for a considerable amount of time due to COVID-19 imposed restrictions, have continued to deliver the services to support our members.

Despite many small businesses being scorched, flooded and sadly, many now closed; this is the time for the strength of the profession to shine.

There will be brighter days ahead and small business, and the accountants advising them and working for them, will be essential to the recovery phase. We must hold on to the optimism borne from the survival period and help drive change for both recovery and resurgence.

Yes, it has been a tough year, but we should all be proud of the contributions and the sacrifices we have made together.

Accountants tasked with issuing post-JobKeeper turnover certificates

ACCOUNTANTS WILL soon be tasked with providing certificates to businesses being weaned off JobKeeper, to allow them to retain the industrial relations flexibility measures beyond the wage subsidy.

Under the JobKeeper bill, businesses no longer receiving the JobKeeper wage subsidy would still retain the industrial relations flexibility measures, provided they have suffered a 10 per cent drop in revenue in relevant quarters this year compared with last year.

The tweak was revealed by Attorney-General Christian Porter, who explained that the adjustment will serve to aid "legacy employers" — those that have received JobKeeper but don't qualify for the second stage of the stimulus.

But to access this flexibility, businesses will need to hold a certificate, issued by an accountant, proving their 10 per cent decline in turnover each quarter. For small employers with fewer than 15 workers, a self-certificate will be accepted, but penalties are expected for those that lie.

"It is important that the flexibility, which has allowed many businesses to survive the crisis to date, continues to be provided to businesses which are on the road to recovery but which haven't made it out yet, to ensure they can continue to trade, keep people in jobs and continue to rebuild as we emerge from the pandemic," Mr Porter said.

800
THOUSAND
Aussies can now choose their super fund

2.2
MILLION
Aussies to remain on JobKeeper

31
DECEMBER
New deadline for insolvency relief measure

26
OCTOBER
Stage three restrictions to kick off in Melbourne

Extension of insolvency relief

The government has announced regulations to extend the temporary increase in the threshold at which creditors can issue a statutory demand on a company and the time companies have to respond to statutory demands they receive. The changes will also extend the temporary relief for directors from any personal liability for trading while insolvent. These measures were part of more than 80 temporary changes designed to provide greater flexibility for businesses and individuals.

JobKeeper 2.0 passed with minor adjustment

The Coronavirus Economic Response Package (Jobkeeper Payments) Amendment Bill 2020 was passed, extending the government's wage subsidy program to 28 March 2021. Under the program's extension, the current JobKeeper subsidy rate of $1,500 a fortnight will drop to $1,200 from 28 September 2020 and then to $1,000 a fortnight from January 2021, with a lower payment in place for those employees who worked on average less than 20 hours a week.

IPA signs mutual recognition arrangement with SCAAK

The SCAAK was established in 2001 and is recognised by the Kosovo Council for Financial Reporting as a licensed professional association, along with membership with the International Federation of Accountants. "The mutual recognition agreement with SCAAK goes beyond the agreement to recognise each other as professional bodies," said IPA chief executive Andrew Conway.

Melbourne-based accountants to keep their doors shut until end-October

Victorian Premier Daniel Andrews has set out his plan to reopen metropolitan Melbourne and regional Victoria, outlining a four-stage roadmap that is closely tied to the daily number of coronavirus cases in the state. Accounting practices will need to remain closed until at least 26 October, at which point the state government will begin reopening businesses if state-wide cases have fallen under five for the previous 14 days.

Victoria launches 'Click for Vic'

Premier Daniel Andrews has announced a new initiative to encourage Victorians to spend locally, announcing a "Click for Vic" website and a major media campaign to support small producers that have been hit hard by the coronavirus pandemic. "Without a vaccine, the coronavirus will mean we have to find new ways to innovate and adapt. But by Clicking for Vic, we can support these local businesses — all from the comfort of our own lounge rooms," Mr Andrews said.

Australians can now choose their super funds

The Treasury Laws Amendment (Your Superannuation, Your Choice) Bill 2019 will allow around 800,000 Australians to make choices about where their retirement savings are invested. According to a joint media release from federal Treasurer Josh Frydenberg and Jane Hume Assistant Minister for Superannuation, Financial Services and Financial Technology Jane Hume, this represents around 40 per cent of all employees covered by a current enterprise agreement.

IN THE MEDIA

The IPA has actively engaged with the media on a wide range of important and pressing issues.

Unemployment

"I think in many ways, what we've seen through our members and through the various interactions we've had with small businesses since the pandemic has unfolded and had its impact is that it has been a fundamental game-changer in terms of the economic landscape," Mr [Andrew] Conway said. "We've seen unemployment [figures] come out. It has spiked, likely to spike again even further. So, the challenge will be on the government to identify what does it do to try and arrest that, and will the current JobKeeper settings be enough."

MyBusiness

Early access tax avoidance

Institute of Public Accountants general manager of technical policy, Tony Greco, said many people could be caught up in the ATO's dragnet. "I'm staggered by the number of people applying to the scheme. That is seriously a lot of individuals supposedly in financial stress," he said.

Australian Financial Review

Unfair contract terms

"In the case of the Bendigo and Adelaide Bank, the Federal Court found that the unfair terms in the small business loan contract had caused a major imbalance in the parties' right and obligations under the contract, and further, the terms would cause detriment to the small businesses involved if the terms were utilised," IPA group executive policy and technical, Vicki Stylianou said. "It is also a telling factor that legislation around unfair contract terms is only as good as the enforcement that prevails as was this case with the bank. Small businesses should also be wary in entering contracts, ensuring they understand the terms and conditions and where necessary seek advice from their trusted adviser before signing."

Public Accountant Hub

Early access to super

"So long as the person did not early release with the express intention to game the system, then a personal concessional super contribution is a legitimate tax planning entitlement if the person can show a change in personal financial circumstances not to attract Part IVA anti-avoidance provisions," Mr [Tony] Greco told Accountants Daily.

Accountants Daily

JobKeeper extension

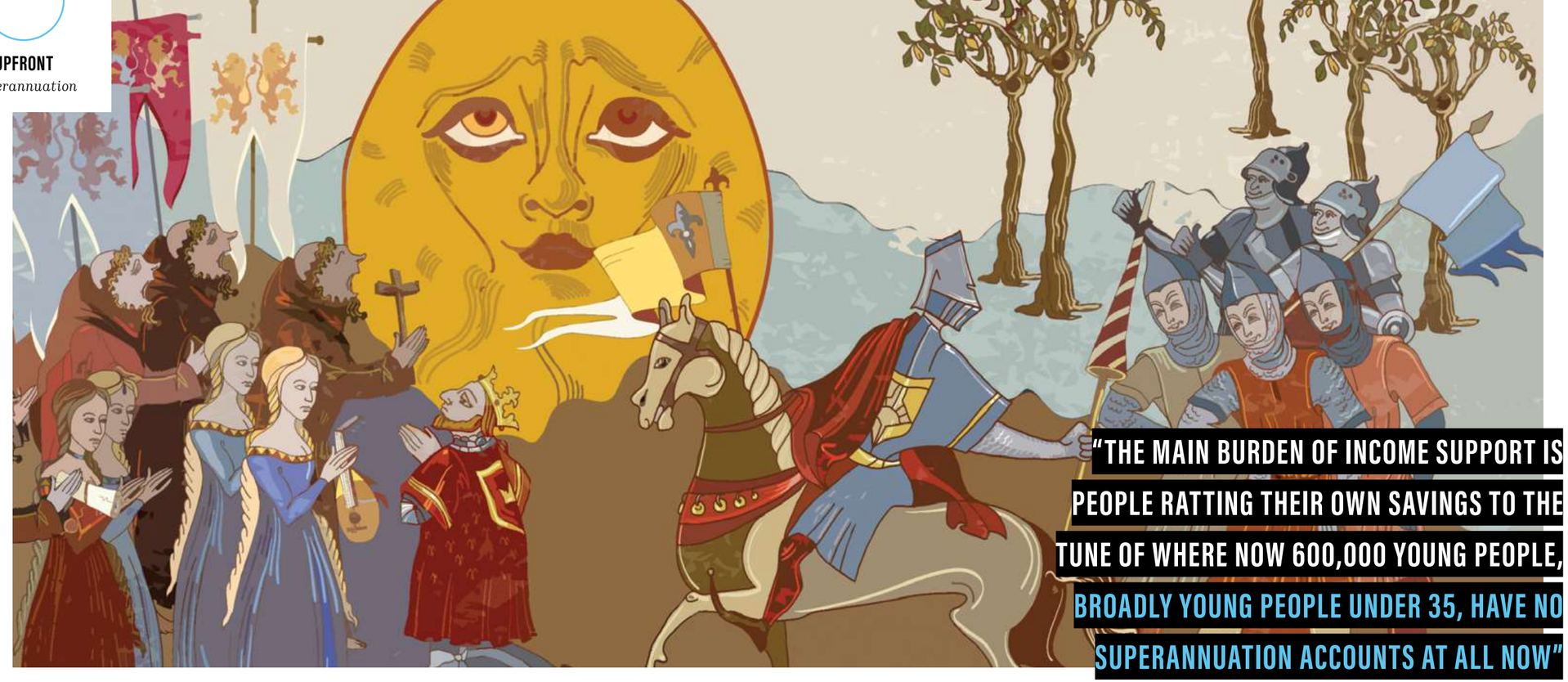
"I don't see JobKeeper being wiped out post-September. What I would like to see, this is aspiration in many ways noting the constraints on government spending, but I'd like to see a system where targeted assistance is provided and some greater clarity," said IPA chief executive Andrew Conway exclusively on the MyBusiness webcast.

MyBusiness

The great super fight

Many Australians have grabbed at the opportunity to withdraw from their superannuation early in an attempt to weather the COVID-19 recession. The scheme has reignited a philosophical debate about the purpose of super

| by Adrian Flores |



"THE MAIN BURDEN OF INCOME SUPPORT IS PEOPLE RATTING THEIR OWN SAVINGS TO THE TUNE OF WHERE NOW 600,000 YOUNG PEOPLE, BROADLY YOUNG PEOPLE UNDER 35, HAVE NO SUPERANNUATION ACCOUNTS AT ALL NOW"

JOBKEEPER AND JOBSEEKER aside, the early access to super scheme is the one government stimulus measure that has had the most rapid take-up. Under the scheme, subject to fulfilling certain hardship criteria as a result of the coronavirus, individuals could access up to $10,000 of their super in 2019-20 and a further $10,000 in 2020-21.

Since the inception of the scheme on 20 April through to 9 August, more than $31.1 billion has been paid out to individuals at an average of $7,689 for each individual. Around 3 million applications were received by the Australian Prudential Regulation Authority for the 2019-20 financial year, while 1.1 million have been received for 2020-21 so far.

Many desperate individuals have rightly raided their nest egg as a last resort when all other forms of access to financial support have been exhausted. That being said, the policy has put into question the primary objective of the superannuation system as stated in the federal government's Superannuation (Objective) Bill 2016, which is "to provide income in retirement to substitute or supplement the age pension".

The young worse off, says Keating

Arguably the biggest heavyweight in the fight over super has been Paul Keating, former prime minister and architect of the system as we now know it. Unsurprisingly, he criticised the Morrison government over the policy saying it was putting the onus on younger people to bail out the economy and has put them even more on the back foot in building an income they can rely on at retirement.

"$32 billion has been found and paid for by the most vulnerable, lowest-paid people in the country – that's the people who've taken the $20,000 out," Mr Keating said recently at an industry super event.

"The main burden of income support is people ratting their own savings to the tune of where now 600,000 young people, broadly young people under 35, have no superannuation accounts at all now.

"They lose all the compounding – the $20,000 would have multiplied itself by five and a half or six times over their lifetime, so it's been a very poor choice to them."

Financial comparison website Canstar released figures on the financial impact on an individual withdrawing $20,000 of their super at certain ages. While broadly hypothetical, an individual aged 25 withdrawing from a super balance of $20,000 would have over $100,000 less in their nest egg at age 67 than if they didn't withdraw early.

DIFFERENCE EARLY WITHDRAWAL OF $20,000 CAN HAVE ON RETIREMENT ACCOUNT BALANCE

STARTING AGE	STARTING BALANCE	DIFFERENCE
25	$20,000	-$102,824
30	$40,000	-$83,699
35	$60,000	-$68,245
40	$80,000	-$55,603
45	$95,000	-$45,347
50	$110,000	-$36,940

Source: Canstar. Based on a starting gross annual income of $86,237, growing 2.1% annually, per ABS Weekly Earnings and Wage Price Index, retiring at age 67

An additional risk with the scheme is individuals could potentially trigger an automatic cancellation of their default insurance should their accounts drop below the $6,000 mark.

Slater and Gordon senior associate (superannuation/TPD) James Hunter said that if this occurs, your total, permanent and disability (TPD), life insurance and income protection may be cancelled.

"You will need to contact your superannuation fund to opt in to continue being covered," Mr Hunter said.

"If you do not contact them to continue receiving this insurance, you may find yourself uninsured should the worst happen and you suffer a life-changing injury or illness."

'It's their money,' PM argues

Despite the risks, the federal government has defended the early access to super policy. Prime Minister Scott Morrison justified the scheme on the basis that superannuation is owned by the individual and that they should be allowed to use that money in whatever way they think is best for them.

"It's their money. The intent for which it is used is decided by the person whose money it is. The government doesn't give people lectures about how they should spend their money," he said.

"There are legitimate and appropriate rules to enable people in this time of hardship to access their own money to do with it what they believe is best for them."

$31.1 BILLION
The amount of super that has been paid out to individuals as at 9 August

Further, Assistant Minister for Superannuation, Financial Services and Financial Technology Jane Hume also said the scheme has helped many Australians during a very difficult period.

"The average home loan at CBA is $450,000, current variable rates are 2.29 per cent – that's interest of $10,000 so one withdrawal of early release is enough to keep an average family in their home for a year. The vast majority have withdrawn because they are in financial hardship or they have created a buffer in case they are in hardship," Ms Hume said.

"Along with the number of people that have withdrawn the money, there's an economic theory called revealed preference, so this revealed preference about 'when I'm in trouble, I need this money now rather than locking it up for 40 years', that's pretty powerful."

It will be a number of years before the full effects of the early access to super scheme can be determined. One thing is very clear. The policy has supercharged the ideological struggle around what the entire purpose of superannuation should be, and has brought in over 3 million Australians as pawns in the fight. Regardless of which ideology wins out, it is they who will really lose out in the end.

A quiet contemplation of succession

While it has been a hectic time for many in the profession as practitioners help clients navigate government stimulus programs, being restricted in one's movements also provides an opportunity for some quiet contemplation of where your firm may be heading - to think about the issues beyond the "day to day"

| by David Smith |

ONE SUCH issue is practice succession. All too often practitioners file the issue in the "too hard" basket. Many don't want to contemplate retirement or acknowledge that they may be approaching their "use by date". Young partners and managers can often be reluctant to raise the issue with the senior partners who have often been their guiding light as they have grown in the profession.

A few years ago, I assisted a firm address this issue. There was a senior partner and major equity owner who had reached his "use by date". The younger partners, who were brought into partnership by the senior partner knew the issue needed to be addressed but were reluctant to raise the issue and offend the senior partner. I was asked to help find a solution.

The key was to have individual discussions with all involved and to propose potential solutions - a mediation role. It was quite revealing. The senior partner didn't know how to approach the issue. As we moved towards a solution, he was in tears of relief that a solution was being found. He retired with no angst. A new managing partner was installed. New partners were brought in. The firm has gone from strength to strength. Putting succession on the table and dealing with it was transforming.

For multi-partner firms, succession should be on the partnership agenda at least annually. Each partner needs to give their partners an honest assessment of their position in the firm and their retirement plans so that there are no surprises.

Some firms insert mandatory retirement age clauses in their partnership agreement to force the issue to be addressed. Of course, partners can vote to not apply the clause in a particular situation but it does put the issue on the table. More recently, these mandatory retirement age clauses are being challenged in the courts as being age discriminatory. It will be interesting to see how the courts rule.

For many, particularly solo practitioners, there's the challenge of finding a likely successor. Fortunately, the market for practices remains buoyant aided by low interest rates. However, it's not quite that simple. Buyers will not buy just any firm. To maximise the price the firm needs to have a strong track record of profits and growth. It needs to be efficient and be getting the most from technology. It needs to have a strong team and be well managed. Unfortunately, there is no silver bullet to be fired that will transform the business. Generally, it's doing a whole lot of things better, which together will deliver significant performance improvement. Whether or not the buyer is internal or external they will be looking to buy into a strong business.

Changes take time to implement. It's no good thinking that you need to deal with succession and that a few quick tweaks to the business will achieve the desired outcome. Many changes require planning, pilot programs, new technologies and lots of training. It's not easy to do, particularly in an environment where the senior people in the firm are generally quite time poor.

A key issue to be addressed is the reliance on the present owners. What happens when the key owners are no longer in the business? So much knowledge has walked out the door. So, perhaps one of the most important issues is to focus on systems and processes. Firstly, are key systems and processes documented to ensure the business can continue to operate effectively. Not only does this enable smoother business transition it is also key to enabling delegation.

A buyer is looking for a firm with a future. They will not be attracted to a firm whose clients are approaching retirement age. They will be looking for a firm with an effective marketing/business development program to drive future growth and attract new young star performers.

Transitioning client relationships is also a critical component. There needs to be a transition plan to move the clients to younger partners or the new owner. Client disruption needs to be minimised. Older partners need to let go. A plan needs to be agreed and all involved need to be accountable to ensure it is followed.

If their firm has more than one equity owner or is introducing new equity owners it is critical that the right agreements are in place. Are partnership/shareholders agreements in place? Have they been regularly reviewed? Are the provisions still appropriate? Without a solid agreement it can become very difficult should relationships between the owners sour.

"SUCCESSION SHOULD BE ON THE PARTNERSHIP AGENDA AT LEAST ANNUALLY. EACH PARTNER NEEDS TO GIVE THEIR PARTNERS AN HONEST ASSESSMENT OF THEIR POSITION IN THE FIRM AND THEIR RETIREMENT PLANS SO THAT THERE ARE NO SURPRISES"

It is critical that there are mechanisms to enable the firm to terminate a non-performing owner and force a sale of their equity to the other owners.

Buy-sell arrangements also need to be established alongside appropriate insurances so that funding is available to buy out an owner should they die or become permanently disabled.

The thorny issue of valuation also needs to be addressed. For internal sales to the other owners or a rising star, valuation formulas are often specified in partnership/shareholders agreements. There is no standard approach. Some firms will use market valuations while others will discount the valuation to encourage team members to buy-in. The key here is consistency. There have been many cases of angst arising from partners trying to change the valuation model from that model they bought in on to the model they wish to sell for. Balance sheet management is also important as a high level of net assets might result in a purchase price beyond what a new owner may be able to afford or willing to pay.

For buyers, they need to do their own due diligence regarding financial performance, quality of clients, systems and processes, and technical competency just to name a few issues. No one wants unhappy surprises after they've bought into the business.

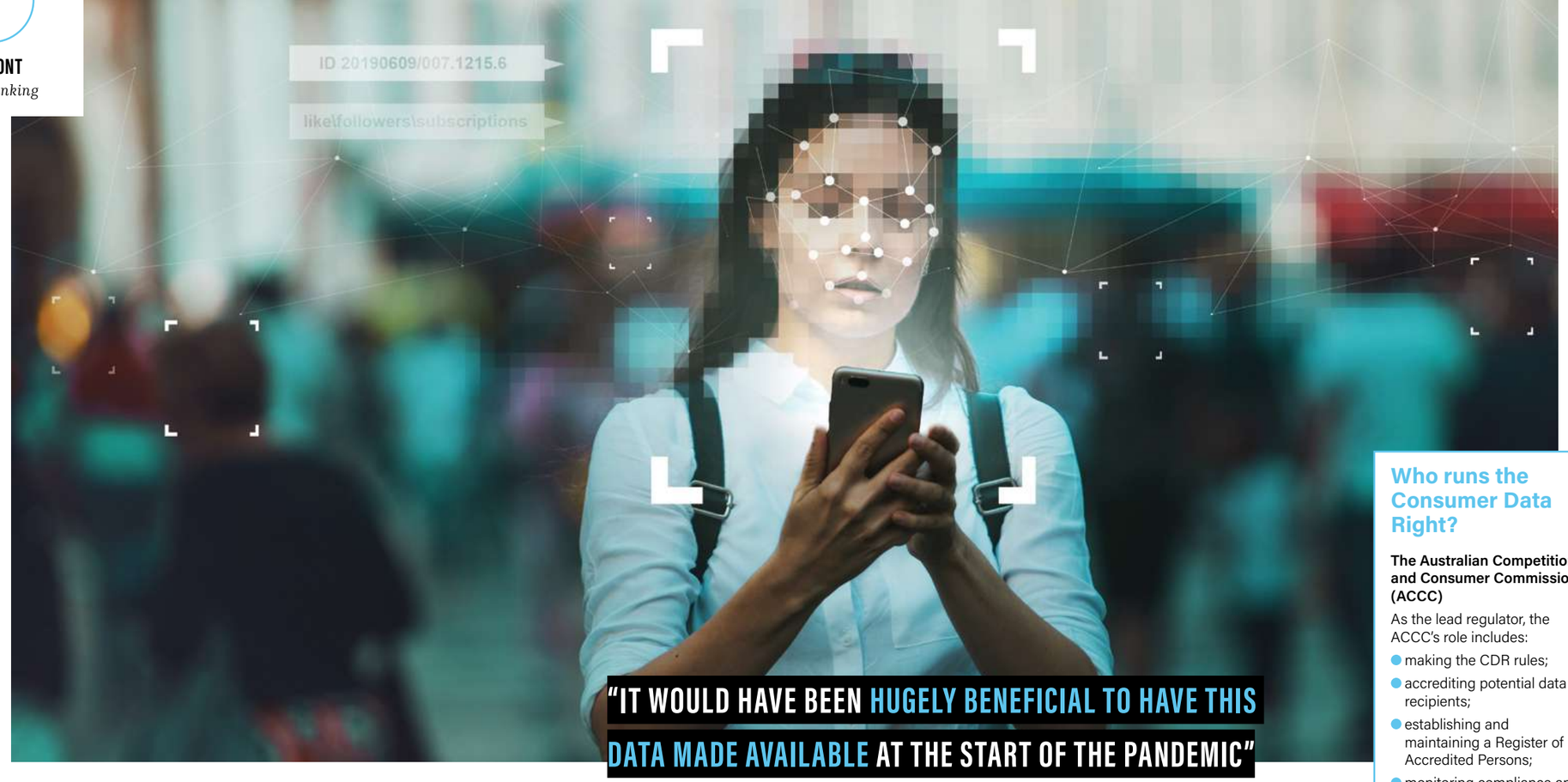
So, instead of your overseas trip, when you're sitting on the local beach perhaps you should be turning your mind to succession. It's never too early to start planning. I've heard so often from older practitioners who worked hard on improving their firm to deal with succession that they all wished they had done the work earlier and reaped the rewards.

David Smith
founder, Smithink

Why SMEs should care about the Consumer Data Right

Small businesses should feel empowered by the Consumer Data Right at a time when they really need it

| by Adrian Flores |



"IT WOULD HAVE BEEN HUGELY BENEFICIAL TO HAVE THIS DATA MADE AVAILABLE AT THE START OF THE PANDEMIC"

DATA SEEMS to hold more power and influence than ever. Much of that data is held by big institutions, whether that would be big tech, the big banks or the major utilities. Small businesses needing financing, a decent IT setup or an affordable electricity plan would be at the mercy of those institutions in order to keep operating, thus forcing them into inefficient price arrangements in order to keep operating.

In response, the federal government sought to make that data held by the big institutional gatekeepers more transparent to competitors under what is now known as the Consumer Data Right (CDR). Since 1 July 2020, consumer data relating to credit and debit cards, deposit accounts and transaction account was made available. This will be closely followed by mortgage and personal loan data being able to be shared from 1 November 2020. The government has also formally applied the CDR to the energy sector.

Small businesses will be set to benefit as competitors will be motivated to provide them better deals on their finances, thus creating savings on their operating costs and a positive benefit to their cash flow. Before the pandemic, businesses would've seen the CDR as a growth opportunity. Now it's a necessity to help them stay afloat.

The open banking era

On the finance front, the CDR has heralded in the era of open banking, where banks are required to be transparent with their data to all other competitors. For small businesses struggling with finance, they will be more empowered to find the best possible deals on credit cards, savings accounts and other deposit products.

Since 1 July, Australia's four major banks have opened up their data. Other banks will be expected to follow over the next 12 months. On top of that, fintechs are also seeking to become accredited data recipients, with many providers currently in the process of being accredited by the Australian Competition and Consumer Commission, who will be the main regulator overseeing the implementation of the CDR.

Australian Banking Association chief executive Anna Bligh says businesses will be able to give permission to accredited third parties to access their banking data while they search for a better deal on banking products.

"This sharing of data is a watershed moment for competition in the banking industry and, in time, will enable every Australian to use their data for their own benefit," Ms Bligh says.

"Customers can be assured that they will always be in control of how and when they share their data."

Founder and chief executive of small business lender Lumi, Yanir Yakutiel, says his firm is able to make better decisions on who to lend to as a result of open banking, leading to fewer bad loans.

While he says open banking couldn't have come soon enough for the lending industry, Mr Yakutiel adds the coronavirus pandemic has shown that the banks are too slow at distributing funds to small businesses in particular.

"It would have been hugely beneficial to have this data made available at the start of the pandemic," he says.

Unfortunately for businesses wanting to bank away from the big four, open banking doesn't necessarily mean new entrants can immediately compete with the likes of ANZ, CBA, NAB and Westpac – at least not yet. Mr Yakutiel says policy changes at the federal level are needed before a level playing field is truly established.

"First is franking credits. Open banking data being utilised will help somewhat, but the franking credit system heavily incentivises investment into equities," he says. "As a result, the Australian debt market is much weaker than it otherwise would be. This is now, regrettably, a heavily politicised policy, so change here will be slower than anyone in the industry would like."

The other issue, according to Mr Yakutiel, is the issue of data ownership. While the CDR will enable greater transparency of data, questions remain as to who actually owns it.

"While we can access more data now than ever, ultimately it still belongs to the bank. This is a curious state of affairs, as the business customers themselves are generating the data, the bank is merely collating and storing it," he explains.

"Creating a policy where businesses own their data, and can share it how and when they please, is the only real method of making sure bigger competitors don't leverage data-driven advantages against smaller rivals, killing innovators and challenges to their lucrative status quo before they get off the ground."

Power over your electricity

The federal government has also registered a legislative instrument to bring the energy sector into the CDR regime. On top of finance, businesses will be able to access details on their National Electricity Market electricity connections (including solar generation or battery storage), energy consumption, charging and billing history, and available products.

The initiative will be run by the Australian Energy Market Operator (AEMO) alongside the other regulatory bodies involved in the CDR – the Australian Competition and Consumer Commission, the Office of the Australian Information Commissioner and the Data Standards Body.

The AEMO is expecting the CDR to take effect in the energy sector in 2021. However, this will likely be dependent on how the CDR rules are developed for the sector, as well as how the Data Standards Body develops the data and technical standards.

Who runs the Consumer Data Right?

The Australian Competition and Consumer Commission (ACCC)

As the lead regulator, the ACCC's role includes:

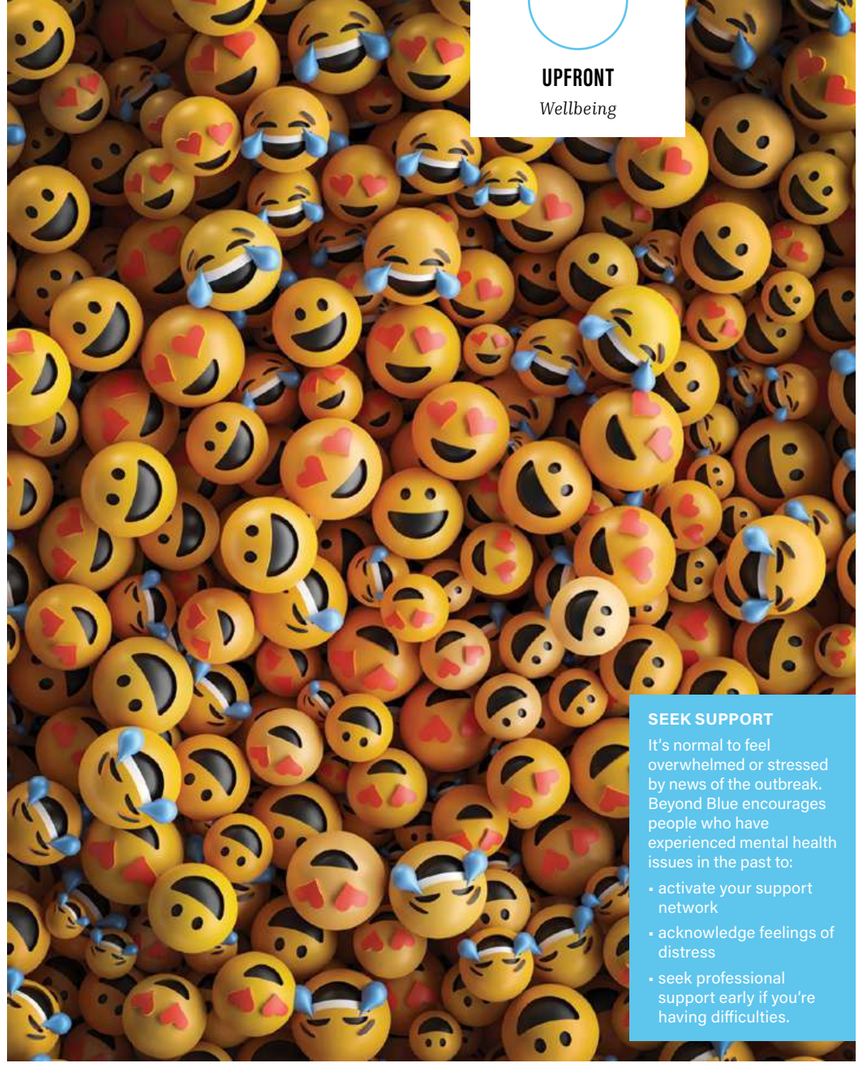
- making the CDR rules;
- accrediting potential data recipients;
- establishing and maintaining a Register of Accredited Persons;
- monitoring compliance and taking enforcement action where necessary;
- recommending future sectors to which the CDR should apply; and
- communicating with and educating consumers and other stakeholders about their rights and obligations under the CDR.

The Office of the Australian Information Commissioner (OAIC)

The OAIC serves as the main handler of complaints under the CDR scheme. It will have a range of investigative and enforcement powers to handle privacy complaints and carry out other regulatory activities with respect to privacy.

The Data Standards Body (DSB)

The DSB is responsible for the creation of the technical standards for the sharing of consumer data.



SEEK SUPPORT

It's normal to feel overwhelmed or stressed by news of the outbreak. Beyond Blue encourages people who have experienced mental health issues in the past to:

- activate your support network
- acknowledge feelings of distress
- seek professional support early if you're having difficulties.

Ways to reduce stress during the coronavirus

With COVID-19 bringing uncertainty and challenges we've never faced before, it's completely natural if your stress levels have gone up. Here are some ways to help reduce stress from Beyond Blue

STRESS IS a common response to tough events or situations, and the coronavirus pandemic is an unprecedented challenge that is placing many of us under a lot of strain.

Some stress is normal and stress itself is not anxiety or depression. However, severe and ongoing stress can be a risk factor for mental health conditions if it persists.

During this worrying and challenging time, managing your stress levels should be a priority.

Ways to reduce stress

1. Postpone major life change

Making major changes in your life can be stressful at any time, but this is especially relevant at the moment. If you're already feeling stressed or anxious, it's best to avoid or delay significant events if possible. If you've had to cancel or postpone important events due to the coronavirus pandemic, try to keep things in perspective and remember that this time will pass and normal life will resume.

2. Resolve personal conflicts

Stress in personal relationships can be a major contributor to anxiety and depression, and any issues may be under the magnifying glass while we're all being asked to stay at home. Learning how to communicate honestly with people and address problems or conflicts as they arise is important. A counsellor or psychologist can help you find ways to work through your problems. Relationships Australia is another great resource and they are continuing to deliver services through telephone, online and videoconferencing – not face-to-face – during the coronavirus pandemic. The relationships section of the Beyond Blue forums also contains a lot of valuable advice and personal stories from other people who are dealing with relationship issues.

TIPS FOR LOOKING AFTER YOUR MENTAL HEALTH IN ISOLATION

- Remind yourself that this is a temporary period of isolation to slow the spread of the virus.
- Remember that your effort is helping others in the community avoid contracting the virus.
- Stay connected with friends, family and colleagues via email, social media, video conferencing or telephone.
- Engage in healthy activities that you enjoy and find relaxing.
- Keep regular sleep routines and eat healthy foods.
- Try to maintain physical activity.
- Establish routines as best possible and try to view this period as a new experience that can bring health benefits.
- For those working from home, try to maintain a healthy balance by allocating specific work hours, taking regular breaks and, if possible, establishing a dedicated work space.
- Avoid news and social media if you find it distressing.

3. Control your workload

Work plays a big role in our lives, but it's important to have a sustainable work-life balance, particularly if you're working from home while trying to home school children due to the coronavirus. If work is increasing your stress levels, avoid long hours and additional responsibilities, and learn to say 'no' more often.

4. Do the things you enjoy

Take your mind off your worries by making sure you allow plenty of time for enjoyable activities. This could include listening to music, reading, gardening, spending time connecting with family and friends online, making your friends care packages and writing letters. Try doing something creative or learning a new craft. Starting a project, like making a gift for a friend, can provide a goal to work towards and give you a great sense of achievement when complete.

5. Exercise regularly

Physical exercise can help relieve tension and relax your mind. Try to do some physical exercise every day, even if it's just going for a (social distancing-appropriate) walk around the block or doing some star jumps in your backyard. There are plenty of great online workouts available which are great for both your physical and mental health.

6. Get support

Simply talking to someone such as a friend, doctor or counsellor can help relieve stress. Don't be afraid to ask for support.

7. Remember to relax

Incorporating breathing and muscle relaxation exercises into your daily routine may be helpful. They can also be used as short-term coping strategies. Some people find meditation or yoga a good way to unwind.

CALL TO ACTION: Call the Coronavirus Mental Wellbeing Service on **1800 512 348** for 24/7 support from mental health professionals. For practical information, tools and support options to help support your mental health and wellbeing during the coronavirus pandemic, visit **coronavirus.beyondblue.org.au.**

Stay well informed

Financial hardship and redundancy

Losing your job or getting into financial difficulty are common stress triggers, and amid the coronavirus outbreak, this is happening to a lot of people. If you're facing financial difficulties, it's important to find out what your options are by contacting your financial counsellor or Services Australia to find out more about government provided services.

Health concerns for yourself or a loved one

Right now, more than ever, it's completely natural to be worried about your health and the health of your family and friends. It is important that you stay well informed and only access information from reputable sources. This will help you maintain perspective and keep stress levels in check. Beyond Blue recommends:

- Australian government coronavirus (COVID-19) health alert;
- Health Direct – Coronavirus (COVID-19): Health Direct has also developed a COVID-19 Symptom Checker - an online, self-guided tool to help people find out if they need to seek medical help;
- smartraveller.gov.au – travel information for Australian citizens; and
- World Health Organisation – coronavirus disease (COVID-19) outbreak.

Try to stay calm

Do your best to stay calm and follow official advice, particularly around observing good hygiene habits and looking after your mental health.

COVID on your mind?

| by Wayne Debernardi |

WHEN OUR learned editor for *Public Accountant*, Maja Garaca Djurdjevic, asked me to consider writing about my experience with Stage 4 COVID-19 lockdown in Victoria, I took the task on with the knowledge I could only share my thoughts and feelings throughout the ordeal.

My experiences do not, and will not, reflect my fellow Victorians as every individual's take on the restrictions and the impact on them will no doubt differ.

At the time of commencing to write this piece it is mid-August 2020. To paint the picture, Australia is now into its fifth month with COVID-19 having the nation firmly within its grips. Victoria is bunkered down under Stage 4.

Many other countries are still grappling with the virus and have done so longer than us Aussies have. I state this as a reminder that while you may feel like you are over all the media, politics, restrictions and curfews that come with the infliction of this lethal virus; so is everyone else around the world.

I live in the eastern suburbs of Melbourne and have grown through the experiences of various stages of the regulated restrictions.

Stage 2 allowed my family to continue our Wednesday night family dinner tradition to a certain extent; our family extends to five adult children and their partners. The last gathering of all of us together was the Saturday before Christmas 2019.

Stage 3 restrictions were far more confining than the previous level.

Don't leave home unless shopping for essentials; work from home; residents cannot use holiday homes as a substitute (thankfully that one didn't apply to me but I can still dream); cafes and restaurants take away only; gyms closed. Strangely, in this phase I could get a haircut.

The night before Stage 3, restaurants were open with reduced seating and social distancing. That night we met with our son and his wife to celebrate his birthday at a local Thai restaurant. I have never seen so many local restaurant and cafe car parks that full in our suburb.

School holidays were extended by a week and on resumption years 11 and 12 were allowed back to the classroom. Parenthood became that much harder as families juggled work, child care and education.

Stage 4 was instilled a couple of weeks later as Melbourne COVID cases continued to grow; the worst day on 4 August recording 725 new cases and death tolls on the rise.

Given a few days' notice in some respects, and as I write, we are masked when we leave our homes; have one-hour exercise outside; stay within a five-kilometre radius and only for essential goods and services. My Saturday Bunnings-fix is out of the realm of options. Only one of myself or my wife can do the grocery shop

I feel lucky. I can go up the road and wait outside the local burger restaurant or cafe around the corner for a cup of coffee. We have a Nespresso machine but want to support our locals as much as we can.

My local post office is a skinny storefront for a newsagency. I queue outside to put on lotto with the delusional pretence that a win may override COVID-19. Only one customer can enter at a time. The wind and sometimes rain slashes against bodies, hoping to post a letter or parcel – hoping the item will be delivered by a time-restricted postie in your neighbourhood. I don't bother buying a newspaper as it only echoes what we already know.

That is a good segue to the point of this article; above is just a scene-setter.

In no way do I want to undermine the suffering of individuals, small businesses and other entities during this pandemic. I am also mindful many thousands of people were drastically affected by the wide spread 2019-20 bushfires, followed by floods before COVID-19 became a constant extension of our vocabulary. We should never forget that people have been hit by a triple whammy; fire, flood and virus.

What does Stage 4 mean to me?

Personally, on the outside, which means the physical and physiological aspects of my life, my life has changed very little. Psychological changes have occurred and I will cover this later in this blog.

I have been working from home since March 2020 under COVID-19 restrictions. My colleagues in other states have returned to the office but that is not the case here.

I am also one of the luckiest people alive. I have the most understanding and accommodating partner on this planet (and I don't just say so because she is sitting next to me on the couch as I tap away at the keyboard). Similar attributes are afforded to me by my workplace at the Institute of Public Accountants (IPA).

My wife, Lesley (Lee), is on the front line. Lee manages non-clinical services across two private hospitals. The Victorian government has again taken control of the private sector run operations and may deploy her and her staff at any time to a facility unknown. That causes stress within all of us. I also understand the isolation effect of working from home. In my earlier career when I was running my own small business, a corporate consulting company, it was isolation that finally made me decide to close business after eight years.

I would be a liar if I said that Stage 4 COVID-19 restrictions did not remind me of those days to a certain extent, even 15 years later.

The conditions of first-time restrictions, the isolation of not having that morning chat or a coffee with a colleague; the inability to spontaneously bounce off new ideas with a colleague that actually knows where you are coming from; all are small aspects that we have to learn to live with.

Again, I am very fortunate with the IPA and other organisations that have adopted a new way of working that has allowed me to adapt. My working day is filled with the normal demands and meeting commitments mainly via video conferencing in one format or another. Challenges in this current environment still exist. Work continues and for that I am truly grateful.

My mental wellbeing and coping strategies

I mentioned that there have been some psychological changes during this COVID misadventure; perhaps challenges would be a better word. Before COVID-19, I would often work from home one day a week. Instead of starting in an office 40 kilometres from home at 6:30am, I would afford myself a sleep-in and start at 7am. There is always plenty to do, so I would find myself still in my home office at 5pm or beyond. Don't get me wrong; I am no martyr. The truth is; I was just plain stupid. I never acknowledged the need for life-work balance (note, I didn't phrase it as work-life balance).

The first couple of weeks of working from home five days a week was tough. Anxiety levels rose challenging my mind as to whether I was up to the task; regardless of the task. Many others also suffered, especially those that were normalised to a daily work-office routine. This was a new world of working; a new world of thinking. Something had to give and I was forced to make changes that challenged my work ethics but most likely saved my sanity and my life. So, here are a few tips:

- Your home office is not a prison; it's a place where you get some work done, meet reasonable commitments;
- You MUST work to live, not live to work;

- Schedule 'me' time every day. It doesn't have to be rigid and in fact fluency is preferable (for my persona, structure works best; I sit down every morning and plan the day);
- Break up your day with a range of activities that you enjoy and gain a sense of purpose from; and
- Have a start time and a finish time for your working day – anything that happens outside of these hours will wait – if they can't, the desperate person needing your services will call you and not just melt your email.

So, after the best part of five months working from home, do I practice what I preach? Not always but I keep refining the skills. I love my work so I am tempted to continue but I also have gained a greater appreciation of living.

As much as possible, I walk our nine-month-old labradoodle, Charlie, each day. Under Stage 4 we are allowed out for an hour.

I am trying to learn how to play a guitar online and for someone who is probably tone-deaf and has never played a musical instrument, I have taken a decent go at it.

My veggie garden has been overworked.

In my mini breaks, I returned to completing the writing of my first novel and on weekends when it was raining, I continued this with a passion and recently launched my website, heralding the fact that my first novel has been published. This novel is several years in the making, so I feel a sense of accomplishment.

One thing I will say is we may not have been quite in this position if people did the right thing from the start. Sure, Victoria has had issues, particularly over hotel quarantine scandals, just as Sydney had the Ruby Princess. It's a shame that it becomes a political football match instead of focusing on the here and now. Yet, I am still vexed by protesters and people refusing to comply to rules such as wearing a mask.

While the aged and vulnerable and, in particular, aged care facilities have been most affected, the percentage of front-line health workers giving it all and succumbing to the virus is dreadful.

My advice is to make sure you are looking after yourself and your loved ones, and if that means pursuit of the things you 'always wanted to do but never got around to'; make it happen.

Share, whatever it is, with your loved ones and make sure they are also active in personal goals and pursuits. I promise you; it will give you a different lens on COVID-19.

Wayne Debernardi
General Manager Public Affairs, IPA

How can accountants achieve world peace?

| by Vicki Stylianou |

THE IPA is a member of the International Federation of Accountants (IFAC), which essentially is the United Nations of the accounting profession. IFAC has more than 175 member and associate organisations in 130 countries and jurisdictions, representing nearly 3 million accountants. IFAC recently undertook consultation on its new strategic plan.

The IPA commented on a range of issues contained in the strategic plan, which is anchored around the United Nations (UN) Sustainable Development Goals (SDGs). The IPA has been undertaking its own work around the SDGs over the last few years, so we welcomed this approach.

By way of background, according to the UN, *The 2030 Agenda for Sustainable Development*, adopted by all United Nations member states in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. The 17 SDGs are an urgent call for action by all countries - developed and developing - in a global partnership.

View full submission at:
www.publicaccountants.org.au/news-advocacy/submissions/submission-to-ifac-on-strategic-plan-2021-and-beyond

Aligning strategic objectives with SDGs

The IPA agreed with the comments that the work of IFAC, member bodies and the accountancy profession impacts, at least indirectly, on all of the SDGs. However, we also contend that the work directly impacts some of the SDGs, particularly numbers 4 (quality education), 8 (decent work and economic growth), 10 (reduced inequalities), 16 (peace, justice and strong institutions) and 17 (partnerships for the goals). In particular, SDG 8 is critical to lifting living standards, which, in turn, would assist in achieving other SDGs such as SDG 1 (no poverty), SDG 2 (zero hunger), and SDG 3 (good health and wellbeing) and, arguably, underpins most if not all of the SDGs.

Also, SDG 16 supports the other SDGs in that strong institutions including a legal system, stable financial system and well-functioning markets are all integral to economic growth. Further, as noted by IFAC, without partnerships, nothing can be achieved. IFAC is essentially a 'partnership' of accounting bodies, which could take centre stage in achieving SDGs 8, 16 and 17.

It may be a matter of definition or degree whether there is an indirect or direct impact. The main objective is to advance achievement of the goals through a collective impact.

The IPA believes that developing specific projects and initiatives based on, and directly linked to, certain SDGs, targets and indicators may be a more fruitful approach. This would certainly make the linkages direct and more obvious.

For instance, an alliance between IFAC, the profession and other stakeholders, would be well placed to consider initiatives focused on:

Indicator 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small and medium-sized enterprises (MSMEs), including through access to financial services. Formalisation and growth of MSMEs, including through access to finance, should be 'bread and butter work' for many in the profession. Developing policies to support this should be an integral part of the advocacy effort of IFAC and its member bodies, so that we are all largely consistent, linked and vocal in our efforts.

Indicator 10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality. IFAC and member bodies are well placed to be directly involved in initiatives to achieve this SDG, at a global and domestic level.

Indicator 10.5: Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations. This can be supported by 10.5.1: Financial Soundness Indicators.

Indicator 10.6: Ensure enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions. IFAC can and does implement this within its own model and can become a role model for other organisations.

Indicator 15.5: Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species. Activities such as illegal logging, illegal fishing, trafficking in wildlife and endangered species (and progressively non-endangered species) are facilitated by money laundering across many jurisdictions. By strengthening and promoting the implementation of anti-money laundering laws and actions, IFAC and the profession can do more to prevent 'green crime' and indirectly achieve SDG 15 (life on land).

Indicator 16.5: Substantially reduce corruption and bribery in all their forms. NOCLAR is an example of the accountancy profession taking a lead in achieving SDG 16.

Indicator 16.6: Develop effective, accountable and transparent institutions at all levels. We note that IFAC contributes to the agenda and discussion on issues before the G20 and B20. IFAC could also contribute to the reform of global bodies such as the UN, World Trade Organisation, International Labour Organisation and so on. It could also become involved in issues of financial accountability and transparency.

Indicator 17.1: Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

Areas of co-operation and collaboration for IFAC and the profession include those listed in the Goals and Targets — finance, technology, capacity-building, trade, and systemic issues (policy and institutional coherence; multi-stakeholder partnerships; data, monitoring and accountability). All of these are a natural fit for the accountancy profession.

In summary, IPA is pleased that IFAC has decided to anchor its strategy to the SDGs. We believe there are numerous opportunities to make a significant contribution toward the 2030 achievement of the SDGs.

The IPA has promoted the SDGs for a number of years, through collaboration with other organisations including the International Council for Small Business (ICSB), UN (especially UN Conference on Trade and Development (UNCTAD) and UN Department of Economic and Social Affairs (DESA)); has undertaken thought leadership and research with the IPA Deakin SME Research Centre; and has released ongoing media and communications. More recently, SDG 13 (climate action) and SDG 15 (life on land) have weighed heavily in our work due to the catastrophic bushfires experienced in Australia during late 2019 to early 2020.

Our work will continue through the newly established IPA-ICSB Knowledge Hub, which provides a structured platform for collaboration between researchers, educators, policy-makers and practitioners. ICSB has a significant focus on, and involvement with, the achievement of the SDGs and has worked closely with UNCTAD, DESA, OECD and other global organisations to bring about positive change for small businesses and SMEs around the world. For more information on Knowledge Hubs, refer to ***https://icsb.org/khubs/***.

We hope that our IPA members will join us on the journey to achieving the SDGs.

Vicki Stylianou
executive general manager, advocacy and technical, IPA

Advocacy update from the IPA

The IPA's advocacy effort has continued to focus on the many challenges presented by the COVID-19 pandemic. The team has worked with the key and relevant areas of government and the regulators. Importantly, the IPA has continued to collaborate with the other professional bodies to provide a unified and effective voice for members and the community at large

IPA COVID-19 related submissions

Request to extend SG Amnesty deadline and discretion to waive Part 7 penalty

The Joint Bodies asked for a six-month extension of the Superannuation Guarantee (SG) Amnesty deadline to 7 March 2021. Due to the significant business disruption caused by COVID-19 and the severe impact on the cash flow of most businesses, the Joint Bodies are concerned about the difficulties confronting many employers in making an application for the SG Amnesty by 7 September 2020. The Joint Bodies are also seeking an open extension beyond the close of the SG Amnesty, during which the Insurance and Superannuation Commissioner will retain his discretion to waive the entire 200 per cent penalty under Part 7 of the *Superannuation Guarantee (Administration) Act 1992*.

Caution against JobKeeper scattergun changes

The Joint Bodies strongly cautioned against making any piecemeal approaches to changes to the current JobKeeper program before the scheduled September 2020 end date. The Joint Bodies put forward to the Treasury Review of the JobKeeper program that any proposed extensions or changes to the program past 30 September should be announced as part of a broader package of changes/enhancements of the program. Concern was expressed about the burden being placed on accounting professionals in assisting their clients.

Pandemic prompts push for further tax lodgement deferrals

The IPA, in conjunction with CA ANZ and CPA Australia, requested a further extension of the lodgement date for income tax returns due for lodgement during the pandemic. While grateful for an initial extension to 5 June 2020, the group asked that the lodgement date be further extended to 30 June 2020 for the 2018-19 income tax returns for individuals, companies, partnerships, and trusts. If this is not possible, the group asked for consideration of targeted deferrals to help those most impacted by the COVID-19 Stimulus Package measures. There have been significant achievements in this area mainly because of the effort of the NTLG.

Request for tax practitioners to operate during Stage 4 lockdown in Victoria

The IPA and other professional association members of the Tax Practitioners Stewardship Group (TPSG) recommended to the Office of the Premier of Victoria that tax practitioners continue operating as a "necessary service"' in the event of a Stage 4 lockdown in Victoria. Accountants, tax practitioners, professional advisers and bookkeepers are critical to maintaining and supporting businesses and individuals through tax time and in accessing the stimulus measures. Despite being unsuccessful, these efforts are continuing.

ASIC's cost recovery model is flawed

The IPA is critical in its submission of ASIC's Cost Recovery Implementation Statement (CRIS) 2019-20. The IPA believes that the CRIS does not make the case for the indicative amounts that have been costed, which in some cases are excessive and disproportionate; reduce competition; lack transparency; and have not taken the economic and financial impact of the current pandemic into account. IPA notes that the CRIS does not reflect ASIC's adjusted work program to respond to the pandemic. IPA believes this is unrealistic as all regulated entities have had to adjust to deal with the impacts of COVID-19. Responding to an event of this significance cannot be delayed and should have been reflected in the CRIS and been subject to stakeholder consultation.

For a complete rundown of what the IPA has been doing during this pandemic, visit the **IPA COVID-19 News Hub**

Other IPA submissions

Payment Times Reporting Bill – will help small businesses to improve cash flow

The IPA welcomes the introduction of the Payment Times Reporting Bill 2020, saying that it will greatly help small businesses that are struggling with cash flow issues. The legislation will bring greater transparency, requiring businesses with over $100 million turnover to publish their policies, including payment times. Payment times and practices are critical for small businesses to stay afloat. The bill proposes the establishment of a Payment Times Reporting Scheme, which will be reviewed after three years. It also creates a Payment Times Regulator, who can publish information about a reporting entity that fails to comply with the act, thus providing transparency to small businesses (turnover of less than $10 million) using the register, providing them with the capacity to make an informed choice as to what companies they engage with. However, we need to ensure that the legislation will actually have the desired effect of improving payment times and practices, so enforcing accountability will be critical.

Allocation of profits guidelines consultation stalled

The IPA and other professional bodies are concerned that consultation has stalled on the revision of the ATO's guidelines on allocation of profits in professional firms, despite a draft document being ready for public consultation. There has been minimal consultation in the two and a half years since the ATO established the Professional Firms Working Group to provide targeted consultation on the revised guidelines before releasing them for public consultation. IPA and other professional associations have written to the ATO urging consultation on the draft guidelines to ensure technical issues are considered before releasing the draft guidelines for public consultation.

International Ethics Code needs to be simpler and reflect the public interest

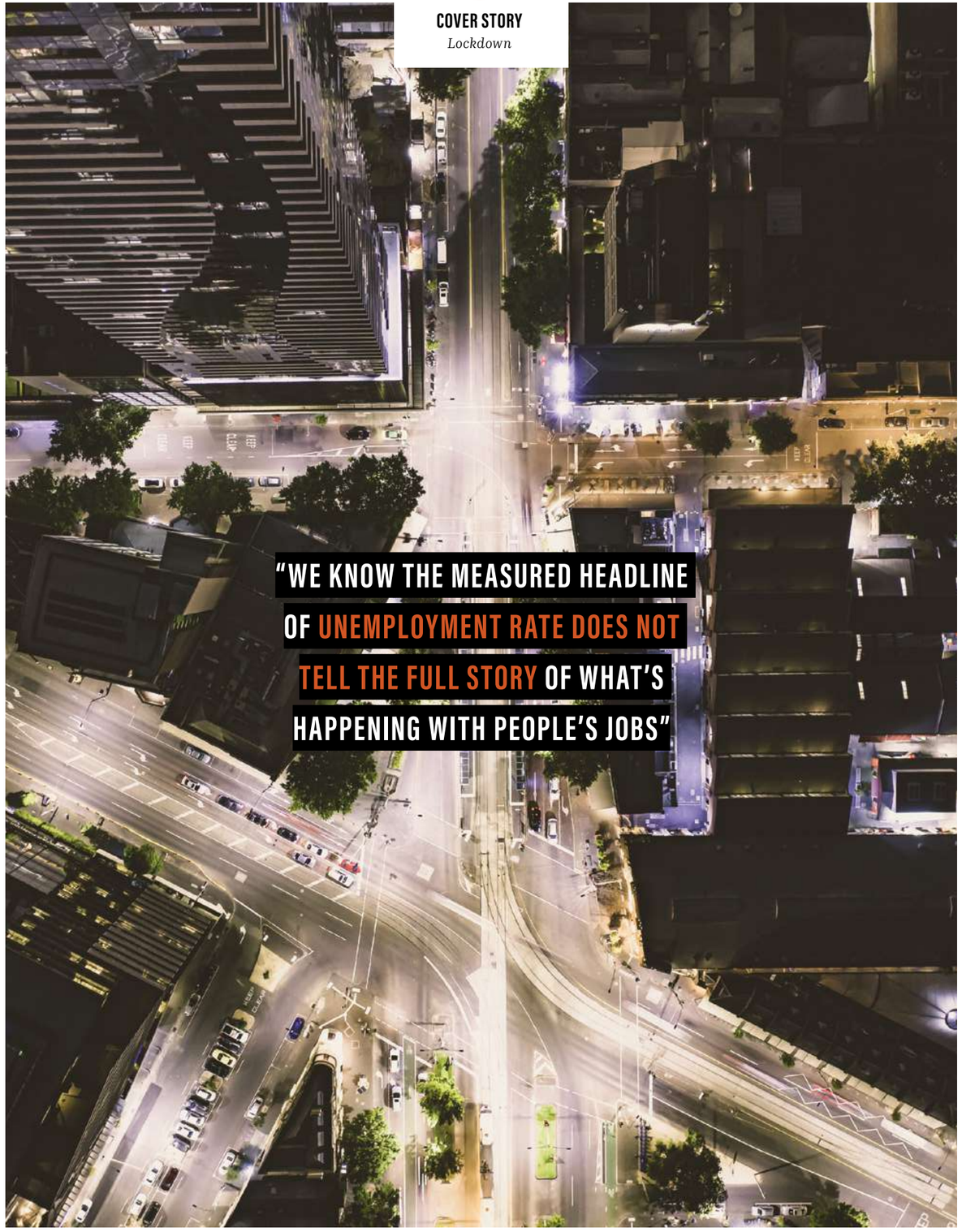
Two IPA submissions to the International Ethics Standards Board for Accountants (IESBA) have expressed dissatisfaction with proposed revisions to the code.

The first submission does not support the direction of the proposed revisions to the fee-related provisions of the code, except for the disclosure of audit fees, and believes that proposals should be principles-based and not rules-based. Also, 64 pages of rules, recommendations, and application guidelines adds to the complexity of the proposals. IPA recommends that the proposals be replaced with simpler principles-based proposals with the emphasis on the public interest for an independent audit to be performed.

The IPA's second IESBA submission expresses deep concern at the excessive rules and complexity of the non-assurance services (NAS) provisions of the code, and that the existing and proposed provisions do not reflect public interest, but the interests of audit firms and their clients. IPA maintains that the existing rules are complex, lengthy, arbitrary, and inconsistent, and that the rules for NAS must be principles-based.

Certainty needed for R&D tax incentive

The IPA and other professional bodies have again written to the Federal Treasurer regarding concerns over uncertainty surrounding the measures in Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019. The bill, which proposes to reform the R&D Tax Incentive to better target the program and improve its effectiveness and integrity, has been before the Senate since 10 February 2020. The measures are proposed to commence on 1 July 2019 rather than 1 July 2018 as the original bill lapsed, given the delay since the original announcement. At the time of writing, the Economics Legislation Committee had not provided its report on the bill. For many start-up businesses the refundable R&D tax offset is the only source of substantial financial support payments available as they do not qualify for the JobKeeper scheme as there is no turnover.



"WE KNOW THE MEASURED HEADLINE OF UNEMPLOYMENT RATE DOES NOT TELL THE FULL STORY OF WHAT'S HAPPENING WITH PEOPLE'S JOBS"

THE PRICE OF LOCKDOWN

Amid another wave of COVID-19 in the state, Victoria has had to shut down its economy once again. The cost will be larger and the recovery longer

| by Adrian Flores |

On 6 August, Prime Minister Scott Morrison did not mince his words when he shared Treasury estimates of the economic effects of additional restrictions in Victoria for six weeks in August and September.

"This is a heavy blow," he said.

Heavy indeed. Just when the state was showing signs of finding a pathway to economic recovery, it has been dealt a second blow, much harder than the first. Treasury estimated the size of the real economy in the September quarter would be reduced by between $7 billion and $9 billion. Eighty per cent of that cost would come from within the state boundaries.

Instead of the previously forecast peak of 9.25 per cent, unemployment is predicted to top out at around 10 per cent. The real worry, according to the Prime Minister, was the level of effective unemployment, which he said would increase by 250,000 and 400,000 to rate "in the high 13s".

"We know the measured headline of unemployment rate does not tell the full story of what's happening with people's

jobs, and I have been very candid with people about that," Mr Morrison said.

"Now, that isn't necessarily people who have lost their employment, but it also includes those whose employment has been reduced to zero hours.

"But as I said, the effective unemployment rate is the one we're watching."

AMP Capital chief economist Shane Oliver estimates the economic cost to be even higher by attempting to factor in the three-and-a-half weeks Melbourne was in a stage 3 lockdown preceding the city's escalation to stage 4.

"Based on New Zealand's experience with a stage 4 lockdown and allowing for the fact that Victoria had never fully recovered from the initial lockdown, we estimate that this will cost the Victorian economy around $12 billion to $14 billion," explains Mr Oliver. "This is up from an initial estimate of the cost of the stage 3 lockdown of Melbourne of $5 billion."

Before the lockdown, the federal government's economic and fiscal update in July projected a deficit of $184.5 billion for 2020-21. Even then, Mr Oliver thought the projection was too optimistic, saying softer revenue and more stimulus than the government was allowing for meant the projected deficit is closer to $220 billion. With the lockdown measures, he sees the deficit this financial year being closer to $235 billion. Even then, he qualifies that prediction by saying to treat it "with greater than normal caution given the uncertain economic outlook".

But despite the dizzying levels of stimulus leading the largest deficit and debt blowout since the Second World War, Mr Oliver says the economic outlook would be much worse.

"[The stimulus] is made viable by ultra-low interest rates, Australia's low starting point deficit and debt levels compared to other advanced countries and Australia's lack of reliance on foreign capital," he says.

Staying financially afloat

The flow-on effects to the COVID response of the federal and Victorian governments has been swift and immense, the lockdown piling on more pressure to provide additional fiscal stimulus. Until the second wave hit, much of the stimulus had built-in assumptions around COVID outbreaks being under control and Victoria emerging from lockdown in the middle of August.

Given how the pandemic has played out not just in Australia but globally, it is safe to say those assumptions were premature.

On the federal government front, it has had to tinker with the second iteration of its JobKeeper program by adding an extra $15 billion to the scheme. Further, it announced an easing of the eligibility requirements, whereby businesses will only need to show that their GST turnover had fallen in the quarter ending in September to qualify for the scheme's extension.

Treasurer Josh Frydenberg said while the changes will apply across the country, the Treasurer has said he expected $13 billion of the $15 billion allocated to go to Victoria.

"We believe that about 530,000 extra Victorian employees will now join the JobKeeper program over the September quarter; that means 1.5 million Victorian employees will be using JobKeeper," Mr Frydenberg said. "That's nearly half of the private sector workforce across the whole state."

One of the major factors behind the exponential spread in Victoria has been individuals who have been COVID-positive but still went to work while infectious due to a lack of sick leave.

In response, the federal government announced a paid pandemic leave disaster payment that would apply to states that declare a state of emergency, such as Victoria.

Under the policy, workers with no sick leave available to them would be eligible for a $1,500 payment for the fortnight they would be required to be in isolation.

Prime Minister Scott Morrison said the payment would be modelled on the exact same set of criteria that the Victorian government has put in place for its paid pandemic leave scheme.

"Those payments are principally made to those who are on short-term visas who otherwise wouldn't have accessed Commonwealth payments," Mr Morrison said.

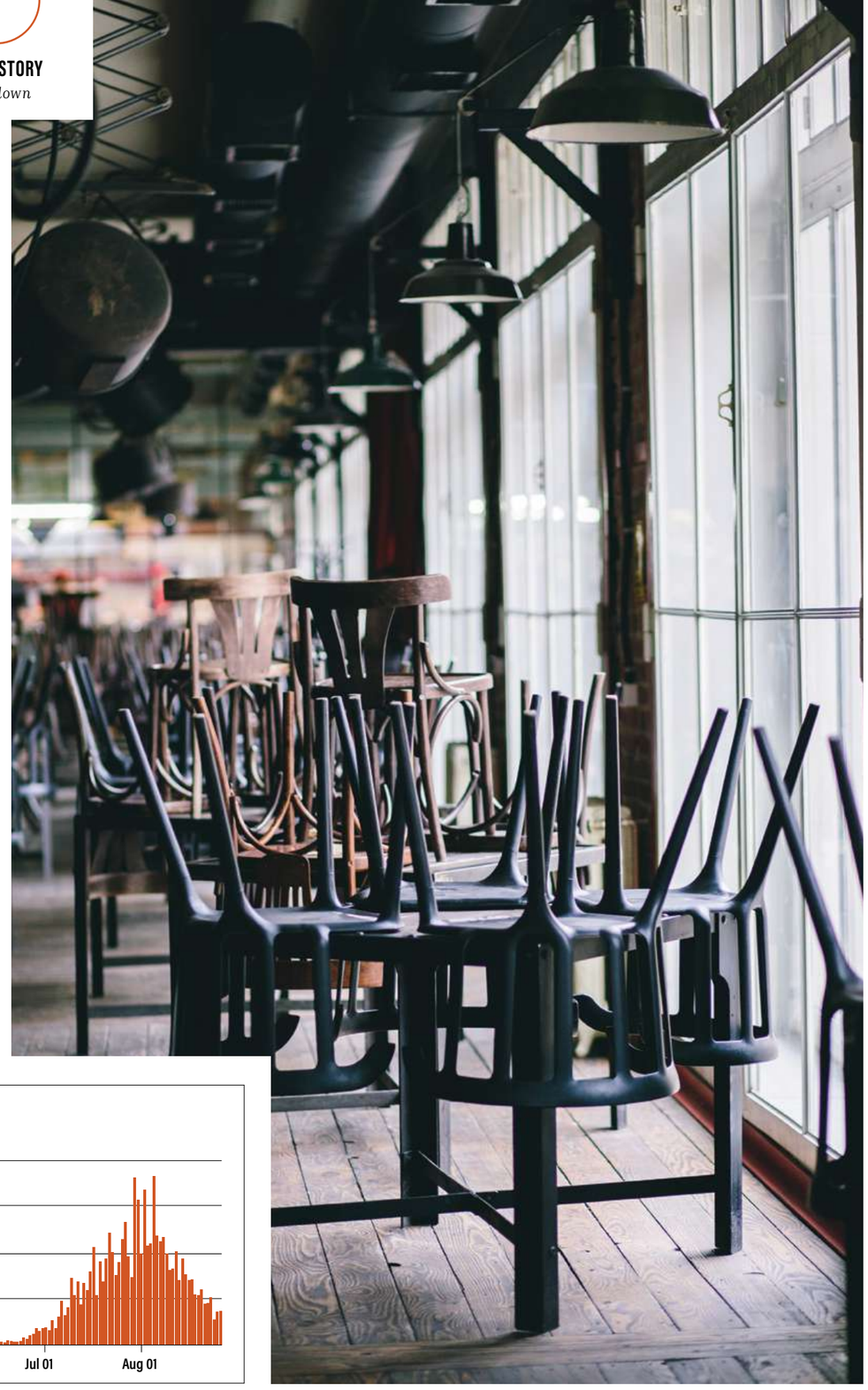
"We will make sure that everyone else who finds themselves in this situation, and they don't have that leave available through their sick leave because it's been exhausted, will get a $1,500 payment for that fortnight."

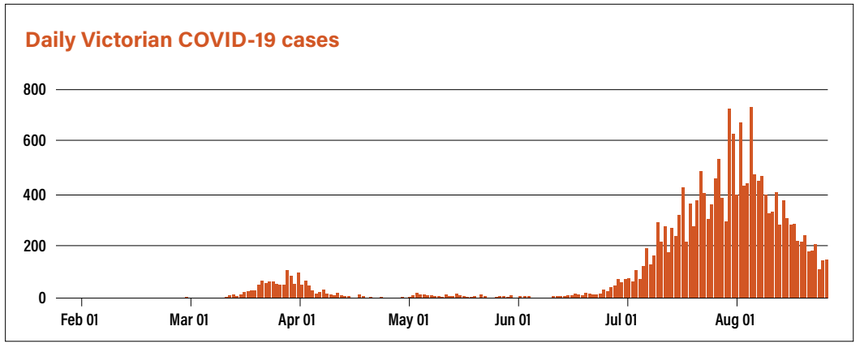
As for Victoria, its government put out a business support package of over $534 million to cushion the blow of the second lockdown on top of the $6 billion it has already provided in economic relief since the start of the pandemic in March.

In addition, the state has extended the ban on rental evictions and rent rises until the end of the year. Victorian Treasurer Tim Pallas says the measure will provide certainty to thousands of struggling businesses, and has been viewed as a life raft for thousands of Victorian small businesses.

"Nobody should be worried about losing a roof over their head right now, particularly given the circumstances around social distancing," Mr Pallas says.

"But also, the associated economic consequences of the pandemic event that the entire world is confronting.





Victoria's second lockdown business support measures

- Cash grants of $5,000 for more than 80,000 eligible businesses as part of the government's expanded Business Support Fund.
- A $20 million CBD Business Support Fund for small businesses in Melbourne's Central Business District.
- A $26 million investment in mental health support aimed at business owners.
- A $10 million business mentoring program, pairing small business owners with experienced professionals who can help them navigate their way through the crisis.
- A $40 million capped fund for regional tourism operators to cover the costs of refunds as well as marketing campaigns to boost region-to-region visitation while Melbourne is in lockdown. Eligible operators will also be able to claim up to $225 per night for up to five nights for each and every room cancelled due to the restrictions, provided they refund the booking in full.
- A dedicated fund of $30 million for the worst-hit businesses in hospitality and the state's night-time economy.
- Affected businesses with payrolls up to $10 million can defer their tax liabilities for the first half of the 2020-21 financial year.

UPDATE

On 6 September, the Victorian government announced its proposed roadmap out of Stage 4 restrictions following the end of the initial six-week lockdown at 11:59pm on 13 September. The roadmap has been laid out in four steps:

- Step One expands social interaction in metro Melbourne from 11:59pm on 13 September.
- Step Two implements social bubbles, visitors and a staged return of education in regional Victoria from 11:59pm on 13 September, while social bubbles and a phased return of some workforces and education will be put in place in metro Melbourne from 28 September subject to trigger points and public health advice.
- Step Three puts in place the return of major industries, increased reopening for education, sport, recreation, ceremonies and special occasions for metro Melbourne from 26 October, while regional Victoria will see an increased reopening for sport, recreation, ceremonies and special occasions. This step is subject to trigger points and public health advice for both regions.
- Step Four increases numbers for gatherings and hospitality across the entire state from 23 November. This step is subject to trigger points and public health advice.

Trigger points are where the Victorian government's public health team consider any potential changes to the restrictions, based on case numbers, testing numbers and other factors.

In response, the federal government has said the proposed roadmap "will come at a further economic cost".

"We need to provide certainty to people who lose their homes or their businesses, and we need to help tenants and landlords find some common ground."

The mental health battle

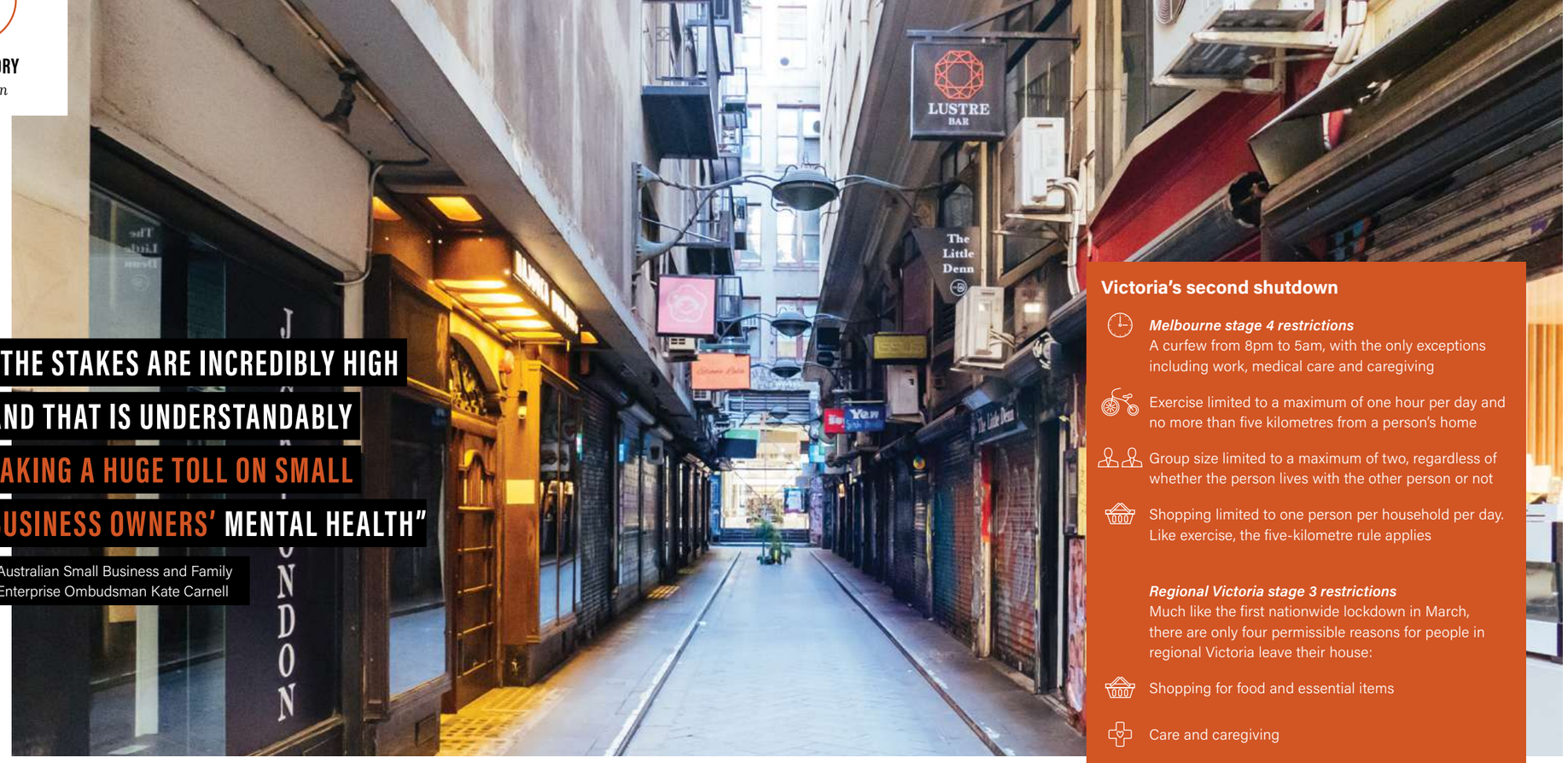
The economic costs of lockdown will be immense for small businesses right across Victoria, especially for those that were just beginning to find their feet again.

But while the financial effects are huge, it is the mental health impact that will most likely hit small businesses even harder. Even worse, unlike economic costs, which can be estimated with a quantifiable figure, the mental health effects will be much harder to measure.

In recognition of the immense impact, the Victorian government allocated an additional $60 million to the state's mental health system. The investment would be aimed at strengthening the surge capacity of clinical and community mental health services across the state to cope with additional presentations and reduce pressure on hospital emergency departments.

For small business owners, the Victorian government also partnered with the Victorian Chamber of Commerce and Industry to launch a $10 million business mentoring program, matching small business owners and sole traders with experienced professionals to help them to adapt their businesses and strategies.

That is on top the $26 million wellbeing program in collaboration with St John Ambulance.



"THE STAKES ARE INCREDIBLY HIGH AND THAT IS UNDERSTANDABLY TAKING A HUGE TOLL ON SMALL BUSINESS OWNERS' MENTAL HEALTH"

Australian Small Business and Family Enterprise Ombudsman Kate Carnell

Under the program, the first aid provider would give accredited mental health support training to chambers of commerce right across the state.

According to the Australian Small Business and Family Enterprise Ombudsman Kate Carnell, the enormity of the second wave of lockdown and the psychological distress it is causing for small-business owners cannot be underestimated.

"Given small business loans are often secured against the family home, the stakes are incredibly high and that is understandably taking a huge toll on small business owners' mental health," Ms Carnell says.

"The Victorian government is responding to the needs of the small business community, including sole traders, who will require ongoing mental health support for the duration of this crisis. This will save lives."

Finding a path to recovery

However, many businesses have been unable to keep operating and have closed permanently despite the range support measures introduced and implement by governments at all levels. According to the Institute of Public Accountants (IPA), support for many small businesses will still be required leading up to and throughout the recovery phase.

"This support must also test the viability of a business to determine whether it can be resurrected or alternatively assist it to exit the market in advance of insolvency and bankruptcy which can have a detrimental impact on the business owner's mental health and wellbeing," the professional accounting body said.

"To assist in recovery measures or closures, access to professional advice is essential."

The IPA said government support in the form of a grant or other mechanism to enable businesses impacted by the pandemic to access professional advice is urgently required, putting it in line with the COVID-19 Recovery Plan put forward by the ASBFEO Kate Carnell.

"The ASBFEO recommendation has two components: the first allows for an amount of up to $3,000 for advice from a professional (accountant) to assess the current financial position and viability; the second, includes $2,000 for insolvency advice if the business needs to be wound up based on its non-viability."

Another example of support suggested by the IPA to help access professional advice is Tasmania's Business Continuity Grant designed to help a business fund accounting, legal or business planning advice.

"Accountants as trusted advisers have been key to the successful implementation of the federal government's major stimulus packages including JobKeeper and JobSeeker," it said.

"They have assisted clients to navigate and access the funding support to sustain operations during the peak of the crisis. With the government's initiatives flowing via the tax system, accountants have been the first port of call for thousands of businesses.

"Even though this has been a huge increase in their workload, many IPA members have advised they are under constant pressure from clients to either waive or reduce their fees, with some work being simply unbillable. This in turn has placed significant pressure on their own survival."

The IPA said it is likely that accountants will be required again to support clients through the recovery period and beyond, and that not all small businesses will survive the impact of the pandemic on top of the extensive bushfire season in large areas of the country that preceded the pandemic.

However, it advised that to provide businesses with the best opportunity to recover or to make the assessment to exit, many will require advice and guidance from their professional and trusted adviser.

Tegardless of how Victorian small businesses forge their path to recovery, much like the rest of the country (and the world), the road was always going to be a long one with or without a second wave. Fingers crossed the second lockdown will be the state's last big hurdle in this crisis that has devastated so many.

Victoria's second shutdown

Melbourne stage 4 restrictions
A curfew from 8pm to 5am, with the only exceptions including work, medical care and caregiving

Exercise limited to a maximum of one hour per day and no more than five kilometres from a person's home

Group size limited to a maximum of two, regardless of whether the person lives with the other person or not

Shopping limited to one person per household per day. Like exercise, the five-kilometre rule applies

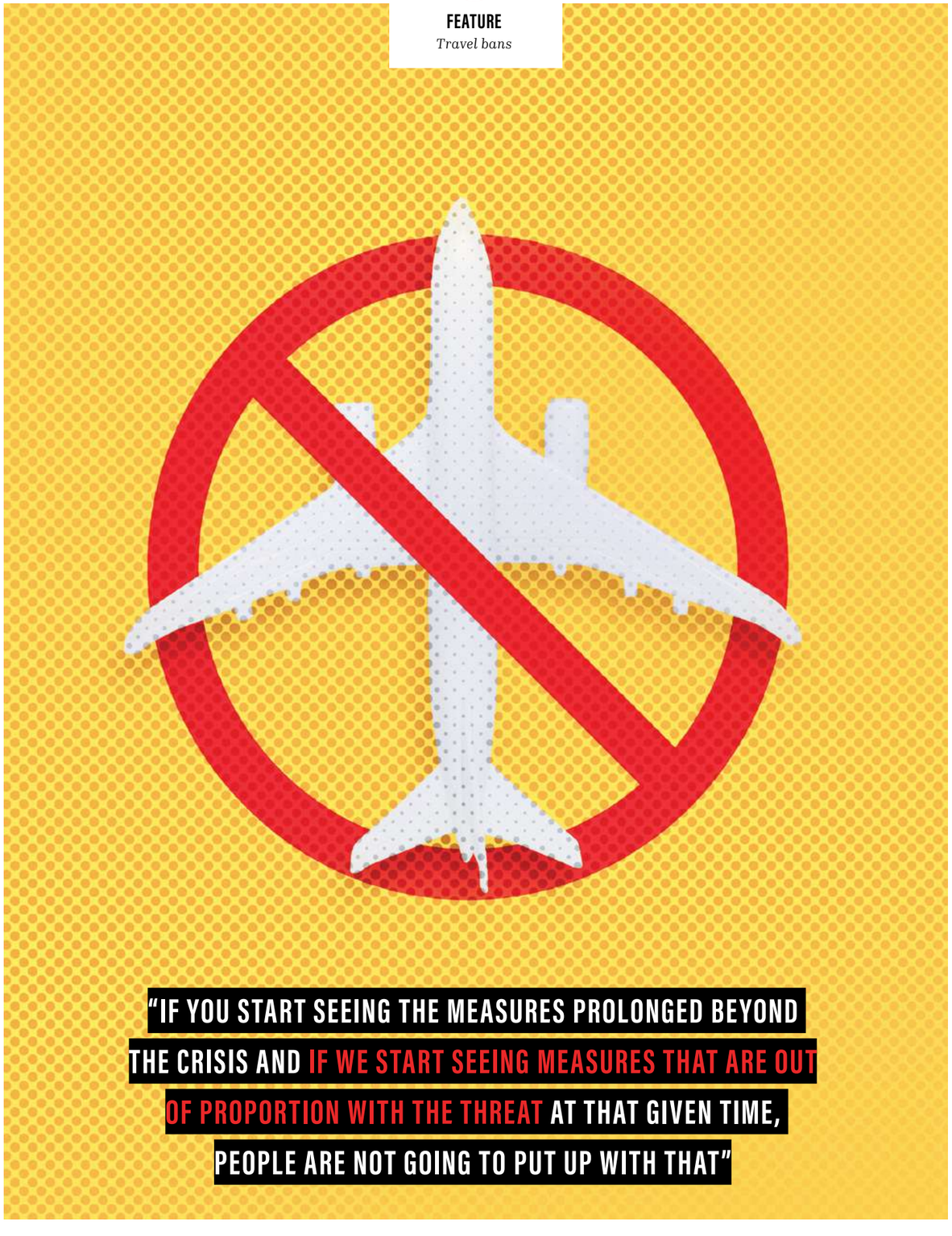
Regional Victoria stage 3 restrictions
Much like the first nationwide lockdown in March, there are only four permissible reasons for people in regional Victoria leave their house:

Shopping for food and essential items

Care and caregiving

Daily exercise

Work and study if it can't be done from home



FENCED IN

The story of Australia's travel ban

In its fight to curb the spread of the coronavirus and to protect its citizens and permanent residents from the pandemic threat, the Australian government has quite literally locked us in. But is this right? Is it even legal?

| by Maja Garaca Djurdjevic |

As the coronavirus hit Australia's shores in March, PM Scott Morrison called upon the *Biosecurity Act* and declared the country closed to all non-citizens and non-residents. Vowing to act "on the best available information to keep Australians safe", the PM essentially banned all travel in and out of Australia, bar for a handful of special circumstances.

While the *Biosecurity Act* requires that the human biosecurity emergency period last no longer than the health minister considers necessary to prevent or control the entry, emergence, establishment or spread of COVID-19, or in any case, not longer than three months, this period has now been extended twice, making the likelihood high that Australia will remain shut to the rest of the world well into 2021.

So, while people across the world are allowed to depart their countries at will, Australian citizens and permanent residents need to ask permission from government and must have "a compelling reason for needing to leave Australian territory".

But international travel is not the only thing off the cards for Aussies.

As the coronavirus situation evolved and infections continued to rise, interstate travel too almost completely vanished.

Putting a pin in the hopes of a trans-Tasman travel bubble between Australia and New Zealand opening by year's end and the dampeners on hopes of visiting family abroad until a vaccine is found, the PM also recently declared interstate family gatherings over Christmas highly unlikely.

So, while Aussies face the prospect of living in their own local bubble for an indefinite period of time, the World Health Organisation (WHO) has not been alone in cautioning governments on the impact of fierce restrictions, noting that they could "have negative social and economic effects on the affected countries."

Pauline Wright, the president of the Law Council of Australia tells *Public Accountant* that while the peak legal body saw merit in the government's initial response, it has now been superseded by some seriously intrusive measures into people's rights and liberties.

"The powers of our governments are pretty broad under that legislation. Once there has been a determination that there is a biosecurity hazard in place, like there has been, they can invoke those powers under those pieces of legislation to pretty much do whatever they want," Ms Wright explains.

This, she clarified, is something available to both the federal and state governments under the *Biosecurity Act* and an array of emergency health laws.

Government's extraordinary reach

"It's pretty extraordinary," says Ms Wright.

"They can require restrictions of behaviour, you can be required to give information, your personal particulars, undergo risk minimisation interventions like decontamination or medical treatment if required, accept isolation from the community or quarantine, which we've seen happening already, and of course they can decide, state to state, and territory to territory, to close their borders for however long they see fit."

Essentially, both the federal and state governments can invoke these powers for as long as they deem an emergency situation present.

This could mean that while there is no real indication that a vaccine or an effective medical treatment will be available in the near future, the current state of lockdown could continue for an extended period of time.

The Law Council deems this a major concern.

"From the start, we said that we absolutely supported the government and the governments across Australia, their right to and indeed obligation to keep Australians safe and to stop the spread of this pandemic," Ms Wright says.

"But what we did say was that any measures that they introduced that would affect people's day-to-day rights and liberties should be curtailed and limited only to the time of the crisis and that they should be proportionate to the threat of the crisis."

She explains that there is a real social compact between the government and the people in these circumstances.

"When the executive government makes a declaration like this and makes directives to implement it, it's really there only because the people are going to put up with it," Ms Wright says.

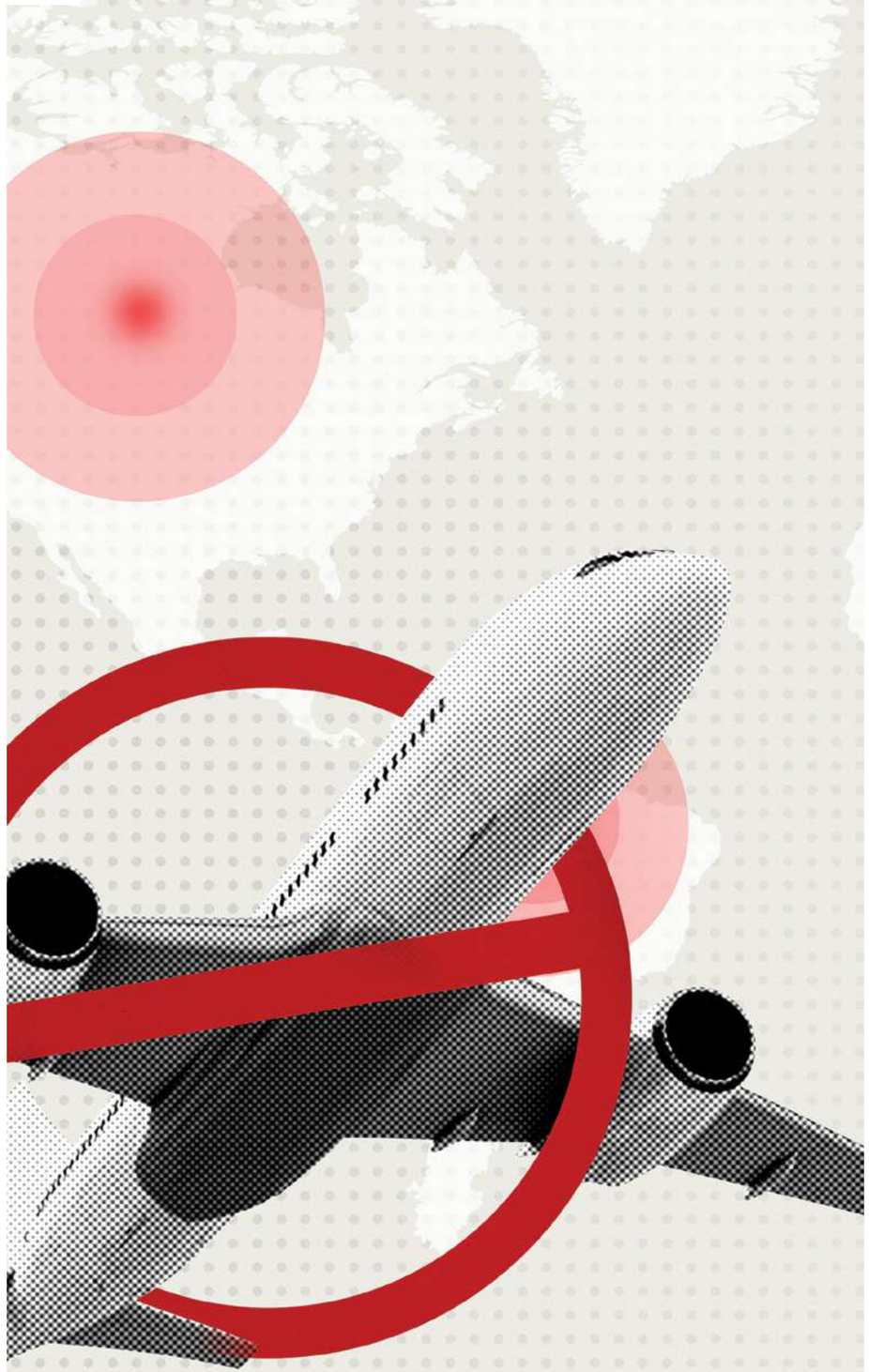
"If you start seeing the measures prolonged beyond the crisis and if we start seeing measures that are out of proportion with the threat at that given time, people are not going to put up with that."

Freedom of movement – A human right

But while the Australian government doesn't want Aussies travelling abroad and returning home infected, does that justify the restrictions on the freedom of movement?

Dr Kate Ogg, senior lecturer at the ANU College of Law, Australian National University, explains that according to the International Covenant on Civil and Political Rights (ICCPR), ratified by Australia, it is the right of a person to leave any country, including their own.

And, while the *Biosecurity Act* does give the federal government the right to close the country's borders to protect public health, the measures put in place must be the least intrusive possible.



Despite signing the ICCPR in 1972 and ratifying it in 1980, Australia has never adopted it into domestic law.

"There is a strong argument that Australia's ban on citizens and permanent residents leaving the country is a breach of human rights. Australia has ratified the International Covenant on Civil and Political Rights. Article 12(2) provides that everyone shall be free to leave any country, including their own," Dr Ogg explains.

Pursuant to article 12(3) of the ICCPR, Australia can place restrictions on this right if they are necessary to protect a number of important objectives including public health.

However, the UN Human Rights Committee (the body charged with overseeing states' implementation of the ICCPR) has said that "it is not sufficient that the restrictions serve the permissible purposes; they must also be necessary [and] they must be the least intrusive instrument among those which might achieve the desired result".

"This means that for Australia to be compliant with the right to leave in the ICCPR, these restrictions must be necessary to prevent or reduce the spread of COVID-19 and the least intrusive method of achieving this goal," Dr Ogg says.

"Banning Australian citizens from leaving the country, subject to a few exceptions, is not the least intrusive method of preventing or reducing the spread of COVID-19."

But Australia's non-compliance with the ICCPR extends beyond its perceived failure to prove its actions are the "least intrusive".

As confirmed to *Public Accountant* by the UN Human Rights Committee, Australia has failed to give notice of derogations under Article 4 of the ICCPR.

Namely, in April this year, the UN Human Rights Committee issued a statement in response to the firm action taken by countries, including Australia, to curtail the impact of the coronavirus pandemic.

The UN said that while countries may deviate from some of the obligations set out by the Covenant to "protect the right to life and health of all individuals within their territory and all those subject to their jurisdiction", they must, first and foremost, give notice of their derogations.

And according to the data available in the United

States have an obligation under Article 4 of the ICCPR to notify the UN Secretary General of the "provisions derogated from and the reasons for the derogation", including the text of the legislation adopted, and must again notify the UN Secretary General when the derogation period ends.

The Human Rights Committee reiterates six specific requirements that states must comply with if they want to derogate from their human rights obligations: States must 1) proclaim a state of emergency, 2) formally notify the UN Secretary General of their intent to derogate, 3) ensure that derogation measures meet strict tests of necessity and proportionality, 4) ensure that derogation measures don't interfere with other international human rights obligations, 5) guarantee that derogation measures are applied in a manner that is not discriminatory, and 6) uphold non-derogable rights.

Source: International Justice Resource Center

Derogations, or suspensions of rights, are permissible under Article 4 of the ICCPR when there is a "public emergency" that "threatens the life of the nation". However, there are certain ICCPR provisions that states can never derogate from. These are: the right to life (Article 6); the prohibition of torture or cruel, inhuman or degrading treatment (Article 7); the prohibition of slavery, slave trade and servitude (Article 8); the right to not be imprisoned merely on the ground of inability to fulfil a contractual obligation (Article 11); the right to not be found guilty of a criminal offence that did not constitute a criminal offence when it was committed (Article 15); the right to recognition as a person before the law (Article 16); and the right to freedom of thought, conscience and religion.

"THERE IS A STRONG ARGUMENT THAT AUSTRALIA'S BAN ON CITIZENS AND PERMANENT RESIDENTS LEAVING THE COUNTRY IS A BREACH OF HUMAN RIGHTS"

Nations Treaty Collection (UNTC), it appears that only 13 states have notified the Human Rights Committee of derogations to the ICCPR. Australia is not on this list.

This would suggest that Australia has breached the notice requirements, and has in substance derogated from its obligations.

According to the UN notices of derogation must do more than simply notify the fact of derogation. They must explain and justify the derogation.

And for a derogation to article 12 (freedom of movement) to be justified it must be "limited in duration, geographical coverage and material scope".

The UN explains that: "Derogating measures may deviate from the obligations set out by the Covenant only to the extent strictly required by the exigencies of the public health situation. Their predominant objective must be the restoration of a state of normalcy, where full respect for the Covenant can again be secured.

"Where possible, and in view of the need to protect the life and health of others, states parties should replace COVID-19-related measures that prohibit activities relevant to the enjoyment of rights under the Covenant with less restrictive measures that allow such activities to be conducted, while subjecting them as necessary to public health requirements, such as physical distancing."

In particular, the Human Rights Committee makes clear that "states parties should not derogate from Covenant rights ... when they can attain their public health or other public policy objectives through invoking the possibility to restrict certain rights".

For example, restrictions on the rights to freedom of movement (Article 12), freedom of expression (Article 19), and peaceful assembly (Article 21) should comply with the limitation clauses set out in those ICCPR articles, without relying on a derogation from those articles.

Alternative paths

While Dr Ogg understands that the government is legitimately concerned about Australians leaving, catching COVID-19 while overseas and then returning to Australia while infectious, she believes there are other ways to address these concerns.

"This can be addressed by requiring all people entering the country to quarantine (a policy already in place). Another legitimate concern is that a person infected with COVID-19 may, if allowed to leave Australia, spread the disease to others on the same flight and on arrival in the country. This can be remedied by less intrusive measures such as requiring all travellers to be tested before departure," Dr Ogg says.

And while Australia's ban on leaving the country does allow for exceptions for 'compelling reasons', it does not provide any guidance on what is considered a compelling reason.

"The UN Human Rights Committee states that 'laws authorising the application of restrictions should use precise criteria and may not confer unfettered discretion on those charged with their execution'," Dr Ogg notes.

"This is another reason why Australia's travel ban is most probably in breach of the right to leave in the ICCPR. The law does not provide precise criteria and it appears that those applying the exemptions do have unfettered discretion as to when and whom this exemption applies."

She explains that the reason why the UN Human Rights Committee takes a strict approach to the freedom of movement is because it's often the foundation for the realisation of other rights.

"Without the ability to move freely, people are, for example, restricted in their ability to reunite with their family, pursue education and exercise aspects of their religious beliefs," Dr Ogg states.

Dangers of complacency

So, what can Australians do?

Ms Wright explains that Australians need to be alert to what is happening to their rights, and not be complacent.

"In these times, it is really important for us to be protecting our right to protest, our right to free speech and all of those important things that Australians have been historically a little bit blasé and complacent about" Ms Wright says.

Ultimately, she notes that the government needs to explore bringing in more nuanced regulations that keep us safe, but allow reasonable travel.

"That's really what people are going to be asking for as time goes on, both within Australia and travel overseas," says Ms Wright.

"At the moment, imposing blanket bans is a sledgehammer approach."

"THE SCALE OF THE CRISIS NEEDS TO BE MATCHED BY BOLDNESS IN RESPONSES"

DIGITAL ROADMAP TO RECOVERY

While we're still in the midst of the coronavirus crisis, patiently awaiting a vaccine and the return to normal, albeit a new kind of normal, business leaders are thinking about the future, exploring and drafting their recovery plans. Digital technology is something they all have in common. From big corporates to the local corner store, everyone has a new found appreciation for digital

| by Sandy Milne |

A positive outcome of COVID – and yes, we have to remember to look for those positives – has most definitely been the rapid migration to digital technology. While digital tech has always been there, it has often occupied a bit of a peripheral role.

Despite its many advantages, many parked it on the "I'll eventually get to it" shelf, instead choosing to manually perform countless tedious tasks.

But then the pandemic hit, turning our worlds upside down. And here we are seven months down the track, witnessing the extraordinary wins achieved by business owners across the country.

Almost all business leaders have led their companies to digitise at least some part of their business to protect their employees, allow them greater flexibility and increase their overall chances of business survival.

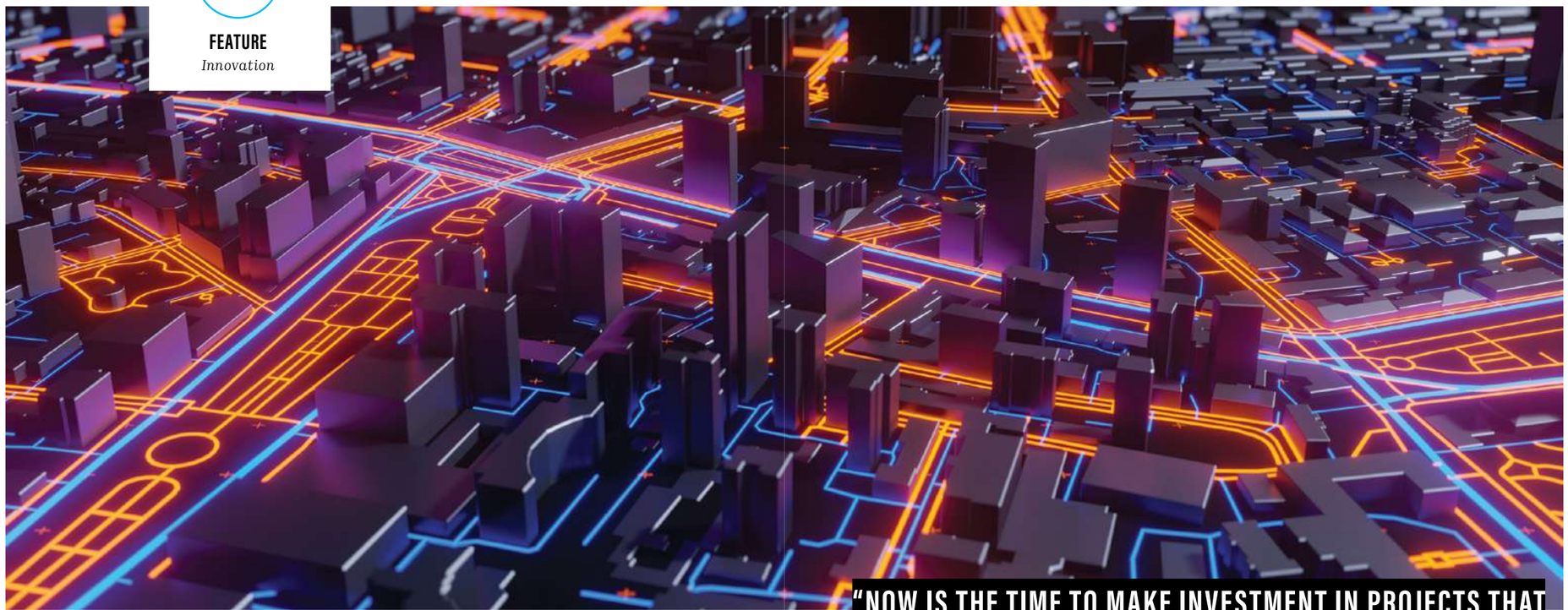
Indeed, McKinsey's global survey of consumer sentiment during the coronavirus crisis revealed that within eight weeks, we vaulted five years forward in consumer and business digital adoption.

Think about it.

Banks transitioned to remote sales and service teams, schools to online learning, doctors to telemedicine, and you're very likely running your company from the comforts of your home, be it from the kitchen table, ironing board (aka standing desk) or a designated home office.

We've all utilised tech to our advantage. But despite colossal efforts and significant accomplishments at many businesses, the pandemic has unearthed the sheer vulnerability of companies, cementing the importance of continued digital transformation.

And as parts of our country reopen and others explore ways to ensure their businesses not only survive, but thrive, McKinsey shares three core principles that need to become part of a business owner's mindset moving forward.



Flexibility and speed
The speed at which the change hit caught everyone off guard, making us quickly realise entrenched systems that have supported businesses for years — tech stacks, reporting lines, processes — have been no match for the dynamic fluidity of the current crisis.

According to McKinsey, building in redundancies, modularised systems for quick switch-outs, and devolved decision making (based on clear guidelines) will need to be the norm.

Old actions backed by a solid understanding of risk
"The scale of the crisis needs to be matched by boldness in responses," McKinsey says.

According to the US-based management consulting firm, incremental change and half measures are unlikely to provide businesses with the economic horsepower needed to ride out the storm and come out of the crisis in a strong position.

Instead, they suggest, boldness of action should be tempered with a full appreciation of risk, from the impact of cyber attacks to the loss of crucial talent.

Commitment to a holistic approach
The crisis has highlighted systemic and organisational weaknesses. These flaws, McKinsey believes, highlight the need to ensure that digital initiatives take into account the complete range of dependencies and build in cross functional mechanisms that integrate systems, people, and processes across the business.

Next steps
While the above can seem wonderfully simplistic, these steps are achievable and some have already become the norm. But, moving forward, productivity is vital, says BDO.

The accountancy and business advisory organisation says that businesses need to define exactly how they have adapted their organisation's digital transformation for the new normal.

This is best done with the help of a recovery roadmap.

According to BDO, defining "what's next" for digital decision making is about realising the value of changes enacted, returning to work and succeeding in the new normal.

In the short term, BDO suggests businesses conduct an initial COVID-19 lessons learnt exercise looking at what worked and what didn't when they transitioned to things like digital interactions with employees and customers. Business owners are also advised to analyse the feedback they received and how they can keep and maximise the value delivered through the technology change period.

In the medium term, BDO suggests conducting a final COVID-19 lessons learnt exercise, documenting results and comparing them to those of the short-term action plan.

The long term includes building a technology focused rapid response plan to ensure all learnings have been implemented, while continuing to assess, rehearse and modify technology continuity and recovery planning capability to handle future disruptions.

Kane Stavens, digital and technology advisory leader at BDO, tells *Public Accountant* that more than ever, businesses need to be adaptive, flexible and responsive to customer needs.

"As we've seen, COVID continues to shape the way we work. Organisations both large and small have had to react and respond to not only the changing ways of working for employees, but a changing customer dynamic. If we weren't already on a digital journey, we surely are now," Mr Stavens says.

He points out that with face-to-face contact restricted, focusing on maximising customer interactions is key, and a major part of this is ensuring business leaders learn from what worked and what did not over the last few months.

"Digital is about the right technology to support business priorities, rather than driving to implement the latest technology because that's what others are doing," Mr Stavens notes.

"This is why it's important to start with the customer in mind, and focus attention on where your customers are spending most of their time."

"NOW IS THE TIME TO MAKE INVESTMENT IN PROJECTS THAT WILL RESHAPE WHAT WE DO, WHERE AND HOW WE DO IT"

Supporting digital transformation
But while all of the above depends on a business owner's initiative and drive to push forward, meeting and greeting new challenges head on, the federal and state governments have an important role to play in Australia's digital transformation.

Corinne Baxter, director of public sector consulting innovation and operations at Accenture UKI, wrote in a CBI blog post: "For businesses to thrive we need to be making investments that place innovation at the heart of a culture designed to compete in a global digital economy.

"Investment is needed in creative, design and technical skills through schools' programs and apprenticeships at all levels of the education system."

And, while she may have been talking about the UK, the Australian situation is no different.

A new white paper, published by the Australian Information Industry Association (AIIA), makes a great argument for the necessity of government investment in technology.

Recognising the innovation and overnight change driven by COVID-19, especially in regard to how businesses operate, the AIIA says that the new normal will see digital transformation accelerate, making it imperative for governments to jump on board.

According to the industry organisation, for Australia to take a step forward and develop its digital footprint, the federal and state governments need to lead the way with new regulation, policy and legislation.

The group's recommendations to government fall broadly into four key areas, including building a national digital backbone; building a digital Australia that is secure and resilient; building digital skills for the future; and tax, incentive and government procurement reform.

But, a major part of the AIIA's strategy is the establishment of a digital apprenticeships program, arranged by the government, industry and academia, which would ensure Australia has the skills and innovation ecosystem to support a globally competitive economy as the step change into digital transformation occurs.

Other recommendations include building a stronger technology supply chain, as well as tax incentive programs to assist small businesses to become better technology enabled.

"The opportunities the COVID-19 pandemic has presented for fast action and leadership are significant but the challenge has never been greater to get it right," AIIA CEO Ron Gauci said on occasion of the white paper's release.

He emphasised the remarkable resistance of businesses that have found new technologies to make them more productive, efficient, reduce costs, find new markets and compete more aggressively on the global stage.

"This is why there is a real need for governments to look to and invest in technology-driven solutions to grow our economy and support job creation," Mr Gauci said.

"Now is the time to make investment in projects that will reshape what we do, where and how we do it."

But, while the government focuses on launching businesses into space (the Morrison government is providing $25.7 million to rocket Aussie businesses into the space supply chain), it's up to individual business owners to plan their next move.

And according to Mr Stavens, staying relevant is key.

"To stay relevant, businesses now more than ever need to be adaptive, flexible and responsive to customer needs," he advises.

"We've had enough time now since the start of this pandemic to review how our engagement models have changed, and this should give a great insight on where to spend and enhance, and where to stop spending effort."

49
DAYS
The average time payments in June were overdue by

THE INSOLVENCY TSUNAMI

Held up by JobKeeper, deferrals and a range of other temporary financial assistance measures, the time will come where all of that winds down and a tsunami of small business insolvencies will likely follow. Can it be stopped?

| by Adrian Flores |

UPDATE:
The federal government announced an extension of temporary insolvency and bankruptcy protections until 31 December 2020. Due to the extension, the number of 'zombie' companies can be expected to rise.

Small business owners all over the country breathed a collective sigh of relief when Prime Minister Scott Morrison announced a wage subsidy program (originally estimated at $130 billion before future miscalculations emerged) to keep their business afloat during widespread shutdowns to save as much of the population as possible from the spread of COVID-19. Creating what would eventually be known as JobKeeper, the program was designed with the assumption that six months would be more than enough time for businesses to work out how to adjust and survive through the uncertain times of a pandemic.

But almost six months later, many small businesses are still struggling for survival even with JobKeeper, rent deferrals, government grants and a range of other measures. From the end of September onwards, with JobKeeper being phased down, rent relief agreements to an end and government grants being exhausted, the threat of insolvency looms for many business owners.

After everything they have already gone through this year, what can they do to survive the impending tsunami of insolvencies that is likely to follow?

Delaying the inevitable?

According to credit reporting agency CreditorWatch, the potential insolvency wave was something it could see even from the moment JobKeeper was announced. Its data revealed a 20 per cent decrease in the number of SMEs entering into administration from May to June, which is also 50 per cent fewer than in June 2019. It also showed a 17 per cent decrease in court actions and a 25 per cent decrease in payment defaults.

While these insights would traditionally indicate a healthy economy, CreditorWatch said policymakers should be concerned that a large number of businesses are simply delaying entering into administration.

Another telling sign SMEs are struggling to make ends meet

"WE KNOW THE SOONER A SMALL BUSINESS SEEKS HELP, THE MORE LIKELY IT IS THEY CAN ACHIEVE A RESTRUCTURE OR TURNAROUND. BUT CASH-FLOW ISSUES, COMPOUNDED BY FALLING REVENUE, MAY MEAN THOSE SMALL BUSINESS CAN'T AFFORD THE PROFESSIONAL FINANCIAL ADVICE THEY NEED"

is data that is showing significant payment delays. According to CreditorWatch, payments in June were overdue by an average of 49 days across all industries, 342 per cent higher than the June 2019 figure.

While at first glance a decrease in business administrations, court actions and defaults seems to indicate a rebounding economy, according to CreditorWatch chief executive Patrick Coghlan, when we take a deeper look, it's clear that trouble is brewing and that businesses are struggling with significant cash flow issues.

"As a result, we're likely to see a significant jump in the number of businesses coming out of hibernation and entering into administration in the coming months," Mr Coghlan says.

He says the priority for the initial months of the pandemic has been to keep as many businesses as possible above water. But come September, support packages will be lifted and we'll find that a substantial number of "zombie businesses" have been kept artificially afloat.

"Banks will not be prepared to prop unviable companies and nor should taxpayers," Mr Coghlan adds. "However, the government can ease the impending insolvency curve by lifting safe harbour measures gradually and forming an administration service to support the industry."

Financial advice to the rescue

Ahead of the predicted uptick of insolvencies, the Australian Small Business and Family Enterprise Ombudsman, Kate Carnell, recommends a voucher program of up to $5,000 to enable small businesses to access financial advice.

A FINANCIAL ADVISER CHECKLIST

Warning signs of an untrustworthy financial adviser:

- Contacting you 'out of the blue' and making promises that sound too good to be true
- Suggesting you transfer assets owned by your company into another company without paying for them
- Reluctance to provide their advice in writing
- Advising you to destroy books and records, or withhold or delay providing them to the company's liquidator
- Being unregistered or unlicensed by a recognised professional body or government agency
- Suggesting you use a 'friendly' liquidator to wind up your company which, if they are registered, can't act personally for you by law

PROTECTING YOURSELF AS A BUSINESS OWNER

- Ask for any advice you receive to be provided in writing so you have a record of it
- Check the professional credentials of any adviser

Source: Australian Taxation Office

INDUSTRIES FEELING THE SME PAYMENT STRUGGLE

- **Arts and recreation services** 60 days overdue in June 2020 – up 900 per cent compared with June 2019
- **Retail** 42 days overdue in June 2020 – up 367 per cent compared with June 2019
- **Construction** 53 days overdue in June 2020 – up by 253 per cent compared with June 2019
- **Rental, hiring and real estate services** 70 days in June 2020 – up by 678 per cent compared with June 2019
- **Electricity, gas, water and waste services** 37 days overdue in June 2020 – up by 311 per cent compared with June 2019
- **Healthcare and social assistance** 52 days overdue in June 2020 – up by 643 per cent compared with June 2019

Source: CreditorWatch

Remarking on the final report from the Insolvency Practices Inquiry, she says the system needs to change dramatically so that small business owners are given the chance to make important decisions about the future of their business.

One recommendation was to establish a Small Business Viability Review program where small business owners experiencing significant financial stress can receive a voucher valued up to $5,000 to access financial advice.

"We know the sooner a small business seeks help, the more likely it is they can achieve a restructure or turnaround. But cash flow issues, compounded by falling revenue, may mean those small businesses can't afford the professional financial advice they need," Ms Carnell explains.

"The ramifications of this could be devastating, both for the business and its owner and family, down the line."

Ms Carnell also says the cost of insolvency should be capped for small businesses, adding that the majority of small businesses entering liquidation have assets of less than $10,000.

"We have spoken with a range of registered liquidators who have indicated the minimum cost of a straightforward voluntary administration is about $12,000, while the average is closer to $50,000. For businesses that need to wind up, it is critical that the process be cost-effective, quick and dignified," she says.

The report also recommended a small business debt hibernation instrument when a state, territory or federal government declares a systemic shock such as a pandemic or significant economic downturn, such as the second lockdown in Victoria. According to Ms Carnell, COVID-19 has shown that businesses need a mechanism where they can take stock of their situation and prepare for the reopening of trade. Under such a mechanism, the minimum hibernation period would be 90 days, during which payments on loans, rent, tax and other outgoings could be deferred.

Further, the report also explores the idea of a potential directors' insolvency agreement where a small-business owner can provide a registered liquidator with a proposal on the best way to manage the business.

7
PER CENT
The amount the Australian economy contracted in the June quarter

Ms Carnell says external administrations are focused on maximising the benefit to creditors, while the small business owner's expertise and knowledge is often brushed aside.

"Small businesses have spoken of stock being sold at a low point in the market, assets being put up for sale in publications that aren't relevant to their industry and thousands being spent by registered liquidators to chase down payments worth far less than the amount spent," she says.

"If the small business owner, with the approval of a registered liquidator, could restructure their affairs, it would likely lead to more positive outcomes, including a greater return to creditors."

Planning ahead

Given the Australian economy contracted 7 per cent in the June quarter, a new national record since the Australian Bureau of Statistics began documenting national accounts figures in 1959, it would be foolish for the federal government to discontinue providing support for small businesses any time soon, given how many are still struggling to stay afloat.

For the time being, with or without government support, small businesses can best prepare for the insolvency wave by adding up the total value of expenses they have deferred in the last six months and factor in what cash businesses will need between now and Christmas.

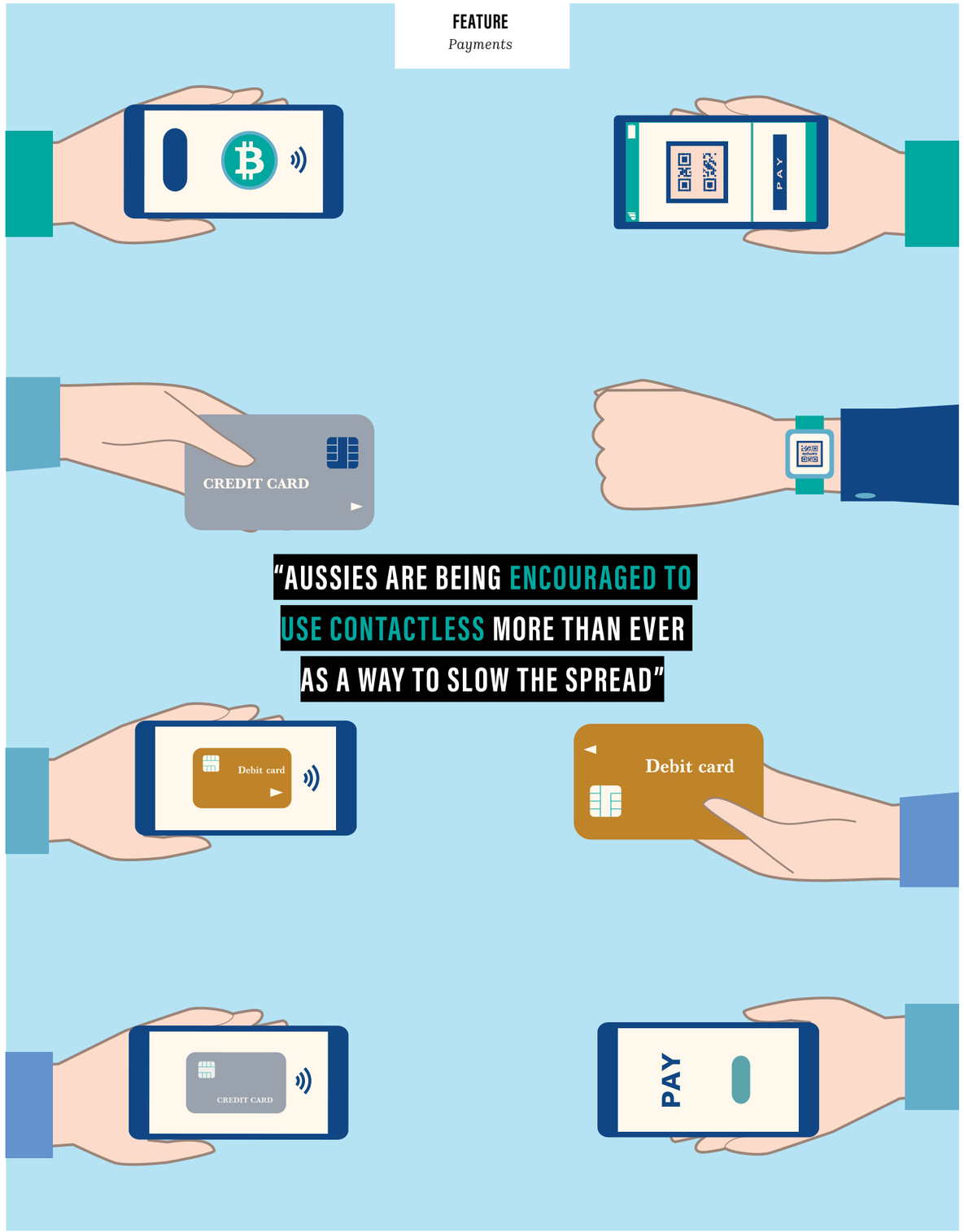
SME lender Scottish Pacific's general manager for Victoria, Jane Starkins, says advisers can help business owners address the problem in small chunks so it's not one overwhelming debt.

"They don't need complicated analysis models, it's about sitting down and helping them work out what they've deferred that they'll need to catch up on," she says.

Ms Starkins notes that while many businesses may be reluctant to take on traditional bank debt in uncertain times, there are other options available to help them get back on track. With business owners reluctant to extend their borrowings, she says accountants and brokers have a crucial role to play in making them aware of other funding that harnesses the value of assets already in their business, such as their sales invoices or plant and equipment.

Perhaps most importantly for many small businesses out there with family ties, Ms Starkins says it's also the time to protect the family home by unlinking it from a business' debt.

"More than ever before, business owners have to think on their feet and act quickly."



CASH TO THE FUTURE

What's next for paper money?

How many times in the past week have you actually had to pull out your wallet to pay for something? And out of those times, did you actually go to use cash?

| by Grace Ormsby |

It seems not that long ago the question of "how would you like to pay for that?" had, at most, three possible answers. Now there's a plethora of ways for people to pay that don't involve counting out and unfolding notes or scrambling around for coins.

Futurists and tech providers have long predicted the demise of physical tender, driven in part by technological advances, legislative reform and transparency requirements, smart business strategies and the rise of online shopping.

But it's safe to say that none of them predicted COVID-19 – a pandemic that would sweep the world at such a pace and provide an overwhelming reason to limit physical interactions and the handing over of physical money.

So, what is the future of cash? Will it survive a global pandemic? Or is it destined to go the way of cheques, money orders and good old-fashioned bartering of goods, just with a much quicker demise?

2020 to date

Within the first month of the pandemic hitting Australian shores, there was a "definite shift" in the way Australians were using money.

In April, creditcard.com.au's founder Roland Bleyer said Australia isn't new to the idea of choosing cards over cash, but as coronavirus continued to assert an influence over what consumers could and couldn't do, he observed how "Aussies are being encouraged to use contactless more than ever as a way to slow the spread".

"Merchants [are] moving away from cash – and the germs it may carry – declaring their preference for card payments instead," he had outlined at the time.

And he's not the only one to comment on just how quickly

the adoption of digital has taken place.

Despite the global health crisis beginning mere months ago, "Australians are increasingly receptive to mobile and online banking compared with at the start of the pandemic", according to J.D. Power Australia's head of banking and payments intelligence Bronwyn Gill.

As social distancing has become the norm, she has observed "an increase in first time mobile and online users, and greater frequency of use" of digital services.

A new survey from J.D. Power has revealed debit cards are now the most favoured payment method for in-store purchases, used by 58 per cent of Australians in the week of the survey. Credit cards were close behind, with 40 per cent usage.

Newer payment types are also gaining traction, with 21 per cent of Australians using a mobile phone or smartwatch for in-store purchases and 16 per cent choosing to pay using a buy now, pay later instalment service, such as Humm, Zip Pay or Afterpay.

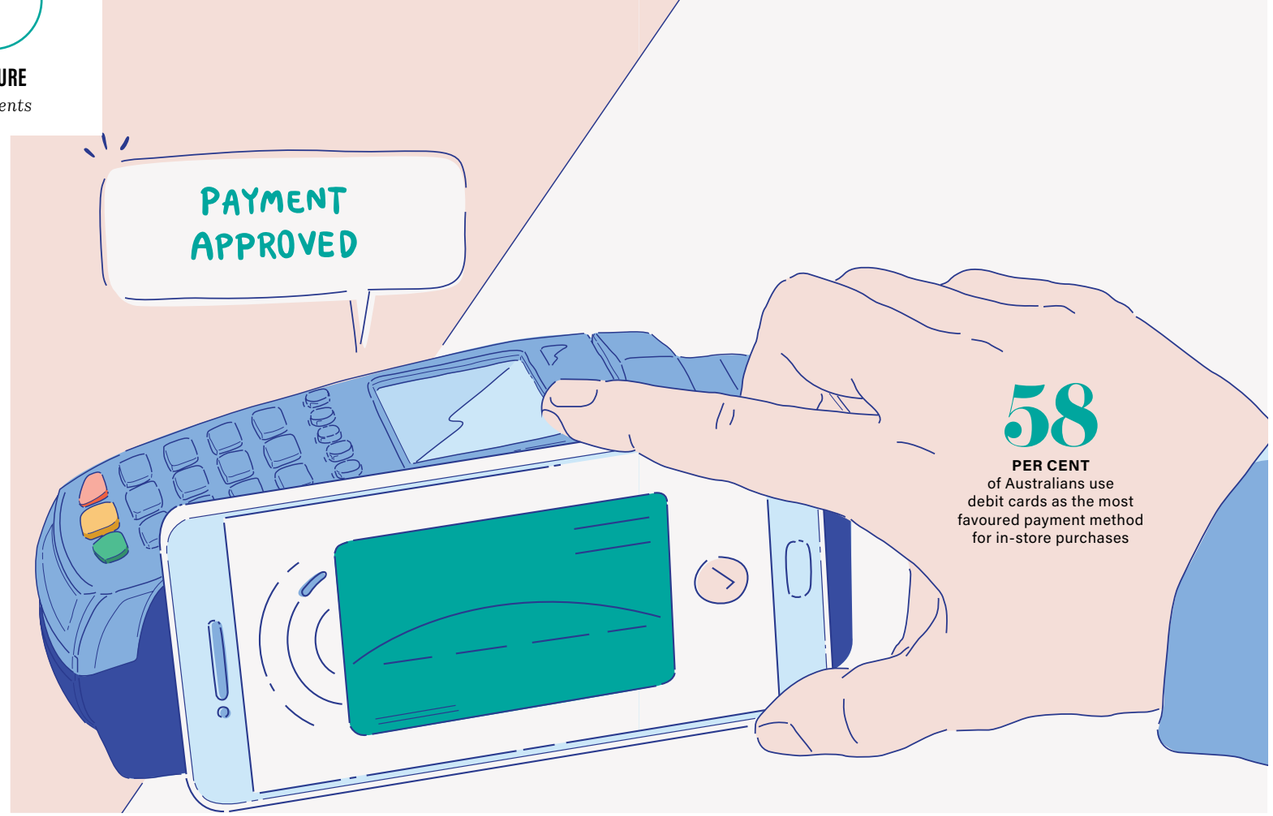
But social distancing isn't the only reason consumer attitudes to digital payment methods – and by extension, digital services – are evolving.

Lengthy call centre wait times are another key reason for the shift, with straight-forward tools providing customers an ability to move money at the press of a button, without the need for a third-party actor.

The shift is even observable in banking, with Ms Gill stating it is "not surprising that bank customers are increasingly turning to digital channels to undertake their banking".

She's putting the onus of this on the banks, who she believes "need to empower customers through communication and support that boosts customer knowledge of digital tools available".

"It's an important time for banks to check in on the relative merits of their digital capabilities, with customers placing more importance on this when choosing a bank," Ms Gill adds.



58
PER CENT
of Australians use debit cards as the most favoured payment method for in-store purchases

A decade in the making

Banks are aware of this need to adapt - non-major institution Bankwest reported an observable drop in overall cash withdrawals occurred overnight as the pandemic began to wreak havoc on the day-to-day activity of Australians.

Figures from the end of March to the end of April saw activity levels down around 35 per cent compared with pre-pandemic behaviour, with the bank predicting that coronavirus "could accelerate the decline in the use of physical money".

But according to Bankwest chief customer officer Paul Vivian, the "rapid decline" and consumer responses merely "reinforce trends we've seen for more than a decade".

Australians were already altering their attitude to cash pre-2020, the bank has expressed, with Mr Vivian even conceding "cash might become a niche payment method".

A new survey from Capterra has taken a closer look at the impact of changing habits around cash, and whether or not COVID-19 has increased Australia's readiness towards a hypothetical cashless society. The results reveal 55 per cent of Australians are comfortable with such a concept.

Not only that, but an overwhelming majority (97 per cent of respondents) plan to use a mobile wallet in the future.

2020 and beyond

For Capterra content analyst Anna Hammond, the results from the survey are telling.

"Social distancing measures have certainly driven consumers and businesses closer towards a more cashless future in Australia," she says.

She attributes the drastic shift to health reasons, noting that "as stores, restaurants, bars and cafes began to reopen their doors, we saw them take steps towards creating safer environments for their customers".

Aside from the obvious health reasons, many Australian businesses already had a penchant for digital payment methods prior to the pandemic.

It's a view held by both Mr Bleyer and Mr Vivian.

"The decline in cash use could potentially accelerate because of this pandemic, not just due to consumers' preferences, but as merchants continue to make it easier to pay without cash," Mr Vivian says.

Not only does it reduce the risk of petty theft at the cash register, as Mr Bleyer flags, oftentimes digital payments are easier, faster and can also be done remotely, enabling transactions that otherwise would not have been possible.

It also helps businesses satisfy more stringent standards of record-keeping as required by the Australian Taxation Office.

A $10,000 question

It would be amiss to not point out that at the time of writing, the Currency (Restrictions on the Use of Cash) Bill 2019 is before the Senate, which will see the outlawing of large cash payments between ABN entities if passed into law.

While initially anticipated for approval late last year, it has been blasted by plenty of objections from MPs and the community at large, severely impinging on its journey through Parliament.

In essence, the effect of the legislation will put in place an economy-wide cash payment limit of $10,000.

According to federal Assistant Treasurer Michael Sukkar, the purpose of the new legislation is to target businesses that are under-reporting their income through "anonymous and untraceable large cash payments as well as aid in fighting organised crime syndicates".

The legislation has been a long time in the works, so the ramifications of what is effectively a "cap" on cash-driven business transactions shouldn't come as any surprise to companies who have, for a while now, been advised to keep accurate and transparent records of their dealings.

"The government is sending a strong message to the community, and to criminal syndicates, more importantly, that [use] cash to avoid obligations and potentially engage in criminal activity that requires a sufficient level of deterrence," Mr Sukkar says.

Despite the apprehensions around the new laws, which would see cash payments capped at $10,000, it shouldn't be a serious problem for everyday Australians, nor is it supposed to impinge on the ability of businesses to carry out their day-to-day operations, either.

In a bid to quell such concerns, shadow assistant treasurer Stephen Jones even moved an amendment to the bill so that it would include the stipulation that it "recognises the importance of cash for conducting transactions around Australia".

For consumers, their decisions around the use of cash are more likely to be impacted by their day-to-day activities and ease of use rather than legalities.

But still, the Treasury has been at pains to point out that the new laws won't place restrictions on the giving or receiving of cash gifts between family members, nor will it require people to store money over the threshold in a bank if they do not wish to do so.

The digital divide

That same J.D. Power survey cited earlier that revealed Australians were rapidly increasing their use of digital payment methods also highlighted the emergence of a strange dichotomy.

Despite many stores discouraging or refusing cash payment to protect staff from the spread of COVID-19, 36 per cent of Australians who were surveyed had still used cash in a store at least once in the week prior.

While there's an abundance of benefits cited by fans of digital payment methods as to why cash should go the way of dinosaurs, many commentators have expressed concern around the accessibility of digital payment methods for less privileged sectors of the population.

Capterra's cashless society survey also discovered that lower-income Australians are less likely to use mobile payment methods, despite an overwhelming trend towards digital payments that suggested otherwise.

"Many demographics – particularly older generations and lower earners – require more time to adapt to the concept of a completely cashless society," Capterra's Ms Hammond is quick to acknowledge.

It's why, she argues, businesses that are considering switching to digital payment processing "should ensure they're choosing software that offers in-store cash payments, too".

That stance is also shared by Bankwest and, by extension, Mr Vivian.

According to the chief customer officer, cash is "an incredibly stable and an important system for those members of society who are less tech-savvy or more vulnerable".

As well as being a common option for low-value transactions, he emphasises one feature of physical tender that digital payments cannot yet emulate: cash does not rely on the internet or power to be transacted.

It's just one of the reasons he believes "it's hard to see physical money disappearing from Australia any time soon".

"While cash's heyday is certainly a thing of the past and COVID-19 has rapidly moved us further from those times, many people will likely carry it in their wallets for some time yet," Mr Vivian concludes.

From accounting to saving lives

THE STORY OF JOHN LYNCH

John Lynch didn't always know he would become an accountant, let alone someone who would leave a lasting impression on the RFDS. At a young age he saw himself as a teacher, but a chance cadetship thrust him on a path of numbers

| by Maja Garaca Djurdjevic |

His first job on leaving school was an accounting cadetship with the Zinc Corporation in Broken Hill. But an employment condition also required him to spend his nights studying accountancy at the local TAFE college, cementing his future career path.

"The course was over four years, but with marriage, children, coaching football and other interests, it took me five years to complete," John Lynch recalls.

After seven years at the Zinc Corporation, he decided it was time to move on and explore other options within accounting and business generally.

"I was lucky enough to get a job at a family company as an in-store accountant, but I also become very involved in the general management of the store," Mr Lynch says.

"It was wonderful, because as a local Broken Hill store we had a large turnover, plenty of variety and volume and employed several staff."

His next career move was into the Mines Dental Clinic, which would eventually lead to an exciting pivot into the Royal Flying Doctor Service, where he remained for 32 years, until retirement.

Mr Lynch joined the RFDS at its Broken Hill Base as an accountant in 1986.

"My roles following the Zinc Corporation probably prepared me for the ultimate role with the RFDS. First was with a family company in retail, and then the Mines Dental Clinic," Mr Lynch tells *Public Accountant*.

"All three roles ensured there was an understanding and a strong foundation that accountability, transparency and appropriate stewardship was essential as they related to a family, a fund for the benefit of workers, and finally with the RFDS - for the community, government funders and donors, both private and corporate, with equal recognition for all without regard to quantum."

His move to the RFDS opened new doors, prompting him to pick up studies in health administration, which earned him a Bachelor of Health Science Management.

"That added to my accounting, enhancing my general management skills," Mr Lynch says.

It wasn't long until he become an integral part of the RFDS and, in 1991, his hard work and loyalty was rewarded with a transfer to chief financial officer of RFDS Central Operations, a role that required him to leave Broken Hill for Adelaide.

"I was never really that standard accountant and never wanted to be necessarily in that domain of formal accounting. I always wanted to be more in general management and that's exactly what I was offered in my roles," Mr Lynch says.

He explains that working for the RFDS was a real privilege.

"You interact with so many people. The staff are likeminded in wanting to make things better and to provide services to people who may not have access to what we take for granted," Mr Lynch adds.

"I wasn't a nurse or a doctor or a pilot, but that didn't make any difference. It was always regarded as a strong team and I like to think of it as a family as the team included many volunteers and people who were strong advocates for our organisation."

For Mr Lynch, the most important element of his job was to ensure that those that needed help, received it.

"I always maintain that every day you got out of bed you knew someone in the organisation would make a difference to somebody, somewhere, sometime during that day. That's a very powerful way to get out of bed and a wonderful reason to head to work," he says.

It was this love for his work and his admirable talent for numbers that earned Mr Lynch the appointment of CEO in 2000. And, just like his previous roles, this one too saw Mr Lynch perform miracles with numbers.

In fact, at one point the RFDS owed the bank $24 million, before Mr Lynch led his team out of the debt.

"It was the year I became CEO and we had three aircraft that were having maintenance issues which led to an unavailability together with added costs. However, to replace them we needed funds and unfortunately, we didn't have them and we could not obtain government funding," he says.

"Our management team put together a proposal that we should consider going to tender for finance from the banks and our board to their credit endorsed this proposal.

"This allowed us to purchase new aircraft, which brought lower direct variable costs for each hour flown and a determination to reduce debt, which led to strict expenditure guidelines and pleasingly we cleared the debt within six years."

But he refuses to take much credit.

"Credit should go to our management team, the board, ANZ and Pilatus, the aircraft manufacturer who built the PC12," Mr Lynch says.

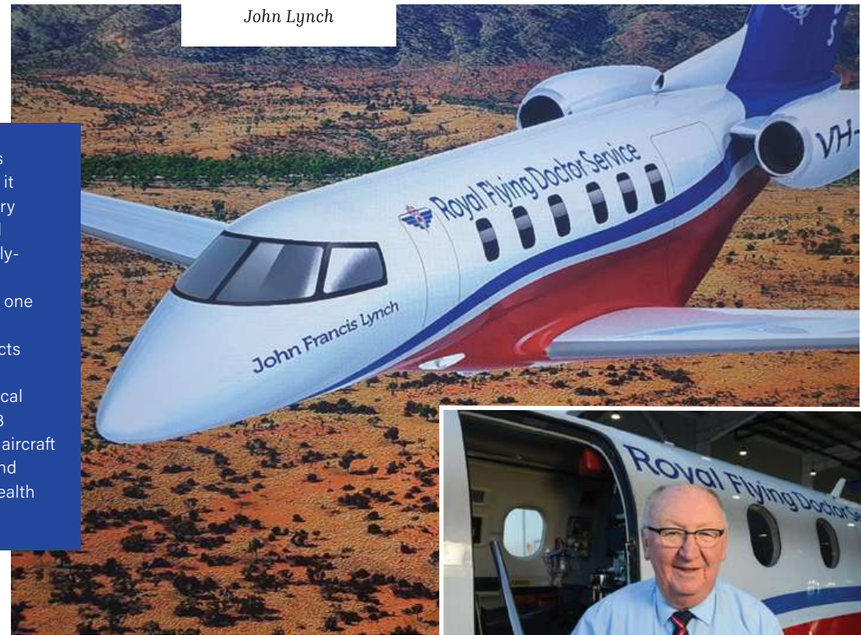
However, credit is always given where credit is due, and upon his retirement Mr Lynch received the ultimate reward - a purpose-built aeromedical jet now carries his name.

"This was indeed the greatest honour of my working life. You don't expect nor seek such reward or recognition. In fact, I presented the board with several names for our first twin engine Pilatus PC24 jet and the board advised me they would decide later," he adds.

"You don't achieve anything in life on your own and I have been wonderfully supported throughout by my wife Anita and our two sons and their wives, Daniel and Jess and Jake and Bridgette and later the grandchildren, Eliza, Scarlett, Ruby, Jaxon, Benji and Ted.

"We as a family were very proud, excited and humbled by the whole occasion."

However, the honours did not stop there. Earlier this year, Mr Lynch was awarded a Medal of the Order of Australia for his service to the community through emergency response organisations.



When John Lynch commenced as CEO of RFDS Central Operations it assisted over 38,000 patients every year, including 6,000 aeromedical evacuations, operated 10 medically-equipped aircraft across three aeromedical bases and managed one remote primary health facility.

Today, the organisation conducts over 50,000 patient contacts per annum, including 9,000 aeromedical evacuations, operates a fleet of 18 medically-equipped Pilatus PC12 aircraft across four aeromedical bases, and manages three remote primary health facilities in outback SA.

Now technically retired, Mr Lynch still holds many critical, humanitarian roles.

He is on the board of Foundation Broken Hill, the chairman of the Country Fire Service Foundation, a board member of the Flinders and Upper North Local Health Network, and chairman of the Finance and Performance Committee Flinders and Upper North LHN.

"There are days when I think I have bitten off more than I can chew. But I enjoy it. I enjoy the challenge and I enjoy the opportunity to give back." Mr Lynch says.

"I look back at my working life and I consider that I was privileged to have the opportunities I had. Anita and I also strongly believe that Broken Hill gave us both our individual and collective starts."

And to this day, Broken Hill remains special to Mr Lynch and his family.

"Broken Hill is special to us. Whatever start we got, Broken Hill provided. Being on the Foundation Broken Hill gives me a chance to give back. We go back regularly, because we want to be involved for as long as we can," he says.

As for his love of numbers, Mr Lynch shares an interesting insight.

"I do love numbers and interpreting what they may say and what they might forecast if you build in some what ifs. I remember one-night waking and the clock read 2:04am and I thought how good is that. The minutes are the hour squared. This led me to ponder on how it continues to 3:09, 4:16, 5:25, 6:36 and 7:49, but nothing after that," Mr Lynch says with a laugh.

"I love playing with numbers."

But, setting aside his career successes and brilliant mind, Mr Lynch tells us there is nothing average about his downtime. He has six grandchildren and a traditional Sunday golfing date with his wife.

"We do pick-ups and drop-offs two days a week, and that's lovely. Spending a bit of Nan and Pop time," says Mr Lynch. "We also grab a game of golf. I play with mates during the week, Anita has her ladies day and we play golf together most Sundays.

"I am also fortunate to maintain contact with some younger people developing their careers with some mentoring or just lending an ear from time to time."

Business building

A wrap of the latest strategies, insights and trends affecting your business, as well as your clients' or employer's businesses

10 steps to big, fast growth

If you want to grow your company, you need to identify what customers want, then figure out how to make and sell it directly, or indirectly, through channels, writes Dr Jana Matthews

| by Dr Jana Matthews |

HERE ARE Dr Matthews' 10 steps to help you develop a winning channel marketing strategy that will set you up for big, fast growth.

Step 1: Choose a great idea

Not all ideas are equal. Some have more growth potential than others, and the ones that succeed are products or services that (a) a lot of customers will value, (b) can be developed and delivered better, faster or cheaper than competitors, (c) can make customers — and their customers — successful, and (d) can scale quickly.

Step 2: Identify a competitive advantage

Your great idea needs to be assessed against all the other great — and not so great — ideas being presented to the market. Identify and map ideas that are similar, then determine if yours is better, faster or cheaper, or what else is needed to create a competitive advantage. An advantage can disappear quickly when other competitors mimic features and benefits, so figure out how to create a defensible position, e.g. patents, know-how, personal relationships, ease of doing business, revenue sharing.

Step 3: Decide on the customers before choosing the channels

A business trying to scale up cannot afford to launch into several channels. Rather than developing a multi-channel strategy, choose one channel, then do everything required to make the companies in that channel successful:

- Investigate one or two possible channels;
- Identify the key players, understand their history and interaction with each other;
- Identify alignments or breakdowns in the various nodes of the channel value chain;
- Get in front of customers, ask questions and listen to what they say; and
- Choose the channel that will provide the most potential value for everyone.

Step 4: Dominate the channel

Once you've chosen a channel, your goal needs to be domination. Map out how the whole channel works, then develop a strategy to lead and dominate it. Understand that the greater the distance to the end customer, the more complex your channel strategy needs to be. Multiple levels of customers in the channel require an understanding of the unique needs of each set of customers in the channel value chain. Aligning interests and creating interdependencies can be more complicated, but it will provide more leverage and more protection in the long run.

Step 5: Leave your ego at the door

A channel marketing strategy isn't about you, your company or the brand. It's all about customers and the channel, what they need and want, and what will provide value and enable more success for them — and eventually for you. Talk to customers at every node in the channel value chain, on a continual basis, to discover their changing needs. Encourage your team to test new ideas, develop innovations, respond immediately to complaints, and provide unparalleled customer service.

Step 6: Structure your company around the needs of the channel and its customers

You'll need to organise your company around the channel and do everything required to support it. Make partnerships a company value. Select employees who are customer-focused and understand how to help channel partners succeed. Develop the internal support systems required to make the channel and your channel strategy successful. Track new developments in your channel and its ecosystem, have a clear vision of where you want the company to be in 12, 36, even 60 months, create a plan to dominate the channel, and develop your team's capability to execute faster.

Step 7: Know your channel partner's customers better than they do

You need to be able to imagine you are standing in the shoes of each customer, looking upstream and downstream, and seeing their world through their eyes. Empathise, become a trusted resource and help them figure out how to create a competitive advantage with their customers.

Step 8: Change the value proposition for each customer in the channel

Know what each customer needs and wants, then deliver value that exceeds expectations. Change the way value is perceived and experienced. Continue to add value to products and services through incremental innovations, and make sure they work before releasing so you don't violate your customers' trust. Change the way customers at each node of the channel value chain are typically "sold to", receive customer service, pay for products or services, receive payment, get help with designing new products, fix problems, innovate and succeed.

Step 9: Become a master of influence

No one person can control the channel, the customers or how they behave, but you can influence them by:

- Developing trust, building rapport and sharing the rewards;
- Tracking trends and competitive influences on the channel and broader ecosystem and giving customers a "heads up" about these trends; and
- Providing customers with quick and easy solutions and great service.

Step 10: Be willing to change the industry

If you really want big, fast growth, you must be willing to change the status quo. And if you are successful at executing the prior nine steps, you will change how your industry works, behaves, functions and performs. Adopt a systems perspective when you think through your channel marketing strategy, because, if successful, you will change the interrelationship of every company in the value chain and deliver more value to more companies and more customers.

Dr Jana Matthews
professor and director of the Australian Centre for Business Growth, University of South Australia Business School

Pivoting your business strategy due to COVID? Make sure you have the culture to execute it

We've all experienced more change in the last few months than many of us have experienced in a lifetime. Our strategies and cultures are changing too, writes Fiona Robertson

| by Fiona Robertson |

WE ALL know that culture matters. According to McKinsey's research of over 1,000 organisations employing more than 3 million people, those with strong cultures (top quartile according to their Organisational Health Inventory) post a return to shareholders that is 60 per cent higher than those who are at the median and 200 per cent more than those in the bottom quartile.

It's time to pivot

We didn't ask for COVID-19, but there's no denying it offers us a significant moment of reflection.

Most organisations are already in the process of rethinking their strategy. Whether it's who they target, what they offer or how they get it to market, they're checking to make sure their unique combination of "who, what, how" still makes sense as we work towards establishing a COVID-safe world. And, more than ever, they're also asking why. What is the meaning behind our work? What contribution do we make to the world beyond making money? All of that reflection is as essential for organisational performance as it is for our collective sanity.

What some of them have forgotten is that a new strategy without the culture to execute it successfully is just a piece of paper. One that will be paid lip service, but almost certainly ignored when the really hard decisions come along. Strategy and culture are two parts of one thing. They are always changing and must constantly reinforce each other in an endless infinity loop.

Your culture is changing right now

The reality is that your culture is changing anyway. Right now. Whether you're actively managing it or not. It will happen by accident or it will happen deliberately.

Culture is probably the most widely discussed and widely misunderstood concept in business today. Most people have no idea what it really is or how it works. It is still very commonly confused with employee engagement. They are not the same thing. Culture is the system; engagement is an individual's experience of that system. So, if culture isn't engagement, then what is it?

Culture is the rules of belonging

Your team and your organisation already have a set of rules that dictate what earns or loses belonging in the group — those are the rules of belonging.

The rules of belonging are based on the behaviours that increase a person's status and acceptance in a particular group at a particular time. These rules hide in the interpretation of behaviour, not in the behaviour itself. Looking for them is a bit like living in *The Matrix*, if you don't know there's something to see, you won't see anything — but as soon as you know, you see these rules everywhere. You may have seen that cartoon with the two fish in a bowl; one asks the other, "How's the water?" and the other says, "What's water?" Culture is like that. When you're in it, it's hard to see, but it fundamentally impacts everything we do.

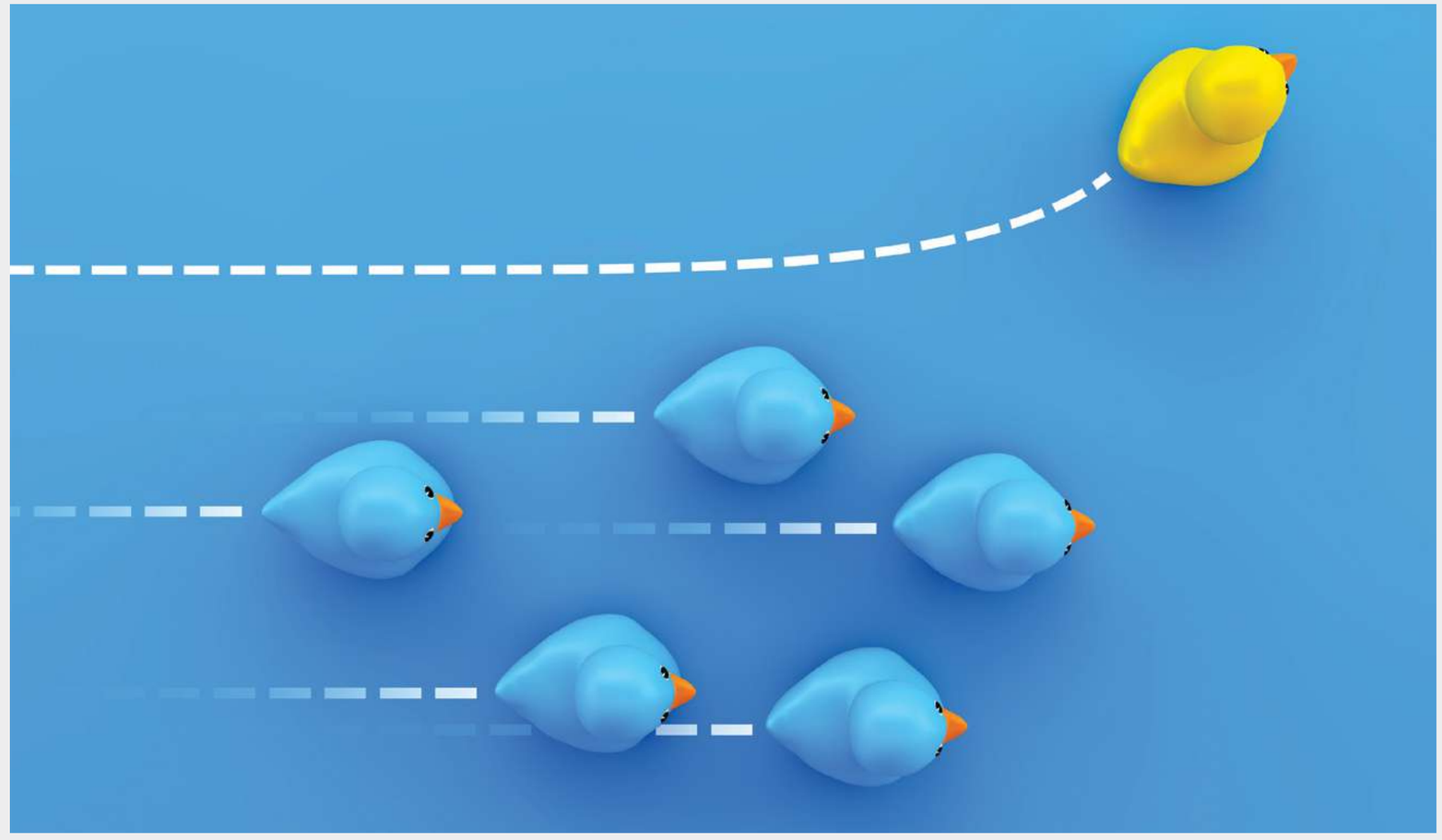
Humans are the ultimate social species

It's easy to underestimate how tribal humans are. As the ultimate social species, we're hardwired to keep ourselves safe through belonging and connection, so the recent cognitive dissonance of staying apart to stay safe is intensely unsettling. Our tribes are dispersing and reforming far faster than we're used to.

Our sense of belonging has been fundamentally disrupted and it's less clear right now what the rules of belonging are. They're changing. They're unfrozen. The only thing we can be certain of is that they will refreeze again, and it may be sooner than we think.

The new rules of belonging may support and accelerate our new strategies or may hinder and delay them. The only way to know is to be deliberate about it. We must identify the behaviours we need more of and less of in order to execute our new strategy successfully and put in place clear actions to ensure the rules of belonging shift those behaviours in the right direction. This happens most effectively through explicit, specific conversations with our people about what worked in the old world that will and won't work in the new. Then putting in place new rituals and building new tribes who embrace and reinforce what the new good looks like around here, our new rules of belonging.

As we rethink our strategies, we must simultaneously rethink our cultures. A new strategy without the culture to execute it is just a piece of paper.



"CULTURE IS PROBABLY THE MOST WIDELY DISCUSSED AND WIDELY MISUNDERSTOOD CONCEPT IN BUSINESS TODAY. MOST PEOPLE HAVE NO IDEA WHAT IT REALLY IS OR HOW IT WORKS"

Fiona Robertson
culture change and leadership speaker and author

Creating a fully collaborative office in the cloud

Since the COVID-19 pandemic, 'going to work' has a very different meaning. Instead of commuting to a physical infrastructure, we switch on our computer and enter a virtual workplace in the cloud, writes Poly's MD Andy Hurt

| by Andy Hurt |

"IT'S UP TO BUSINESS LEADERS TO ARCHITECT THEIR DIGITAL SPACES WITH THE SAME SOPHISTICATION THAT GOES INTO WORKPLACE DESIGN"

THE DEFINITION of a place of work has radically shifted. But the importance of the "office" is more than just a space to do work. It's a space to collaborate, to build a community and to exchange knowledge.

Before the pandemic struck, many freelancers and flexible workers gravitated towards co-working spaces rather than working from home, to provide a separation of personal and professional space and get a sense of community and "water cooler" back.

While cloud-based digital office spaces have enabled work to continue under lockdown, businesses must remember the value in face-to-face interaction and find ways to replicate or replace that when it comes to remote working.

While there may be merits to the traditional office structure, changing demands from employees, lifestyle shifts and external factors like pandemics and natural disasters mean the physical office of the past can no longer be the office of the future. Instead, businesses must look to their new digital architecture to understand how this virtual infrastructure can support employee needs.

But much like physical office design, this must be done with care and consideration to cultivate a space that fosters the same level of collaboration and productivity — using cloud as the architecture.

Head (phone) in the clouds

The appetite for cloud services was growing at a staggering rate even before COVID-19. As the world emerges, the increase is only set to continue as more businesses move to decentralise their workforce. Before the pandemic, 42 per cent of Australian businesses reported using cloud -computing, compared with 31 per cent in 2015-16, according to the ABS. Unsurprisingly, larger firms of 200 or more employees have been the keenest adopters, using cloud to manage their large and often distributed workforces.

Australia's cloud infrastructure-as-a-service (IaaS) market has been booming in recent years.

Telsyte research predicts it to reach around $1.2 billion by 2022. Almost half (49 per cent) of Australian businesses use more than four cloud platforms, cultivating digital workspaces that enable employees to work from anywhere. But up to now, cloud has typically been used to supplement existing physical infrastructure rather than shape a new workspace that manages the unique challenges of a decentralised workforce.

COVID-19 has changed this. Businesses that previously dragged their feet on digital workspaces are now seeing significant benefits. These include higher productivity and lower turnover, robustness in times of crisis and increased appeal to younger generations who now view flexible work arrangements as essential.

The expanding industry now means that there are cloud-based services to meet every workplace need, from video-conferencing to collaborative editing tools.

Collaboration... underload?

While remote working has many benefits, including productivity, employee work/life balance and business flexibility, the one area that organisations struggle with is collaboration. A *Harvard Business Review* study of a major technology company found that remote workers communicated nearly 80 per cent less about their assignments than co-located team members did, and in 17 per cent of projects they didn't communicate at all.

Australian employers have held a generally more positive view. Even before the pandemic, an Indeed survey found that only 22 per cent believed remote working had a detrimental effect on collaboration, and only 18 per cent thought it contributed to less effective meetings.

This gap may indicate a difference between perception and reality, but also that some of these businesses may not have been able to observe reduced collaboration or measure effectiveness.

Some collaboration may be smarter and reduce the impacts of collaboration overload, leaving employees with more time to get their work done. Attitudes for many are divided as to the benefits of remote work; however, necessity means that employers no longer have the option to debate the merits in a time when the digital office can ensure business continuity.

One of the most important aspects to successfully offering remote work is having the right technology. Most agree, with 92 per cent of employers surveyed in January 2019 reporting that their company had invested in technology to enable remote work. That figure is likely to be 100 per cent now.

While businesses have rushed out remote working solutions practically overnight to cope with the lockdown, many haven't invested in the full digital infrastructure and culture to replicate the collaborative nature of a physical office.

This might range from digital team drinks over Zoom or Microsoft Teams to establishing video-first best practice that maintains connectivity.

Technology is just a tool that shapes the experience in a slightly different way to what we are used to. It's up to business leaders to architect their digital spaces with the same sophistication that goes into workplace design.

Under construction

As more offices move permanently to the cloud and the digital space is increasingly critical, there will be major impacts on architects, businesses and wider society. Many analysts already predict a sustained downturn in commercial office space long after the COVID-19 crisis ends.

But there is no doubt that being together in a shared space is beneficial for collaboration, for business and for morale. But as the wider world develops, businesses must, too, adapt to what their employees and outside conditions mandate for business continuity.

The office space is no longer defined by four walls and a desk that you travel to each day, but instead digital spaces and how these are cultivated along with physical ones.

Andy Hurt
managing director
ANZ, Poly

Teenage entrepreneurs make the most of COVID-19

As the COVID-19 pandemic shuts out a large proportion of Generation Z from the workforce, two young entrepreneurs decided to undertake their own ventures and haven't looked back since

| by Adrian Flores |

BRISBANE TEENAGERS
Taylor Reilly and Lachlan Delchau-Jones — 19 and 18, respectively — decided during the initial COVID-19 lockdown in March to launch an e-commerce store that sold craft products for families to do at home.

That venture netted them over $70,000 in sales over four weeks.

Lessons learnt from entrepreneurship

Mr Reilly says the biggest thing holding most people back from pursuing their own business ideas is the fear of making mistakes along the way.

"Get your hands in the mud. Most people don't even do that — to just go, 'OK, let me sit down and let's do 1 per cent of what is needed to be done to get this site up. Let's do 1 per cent today'," Mr Reilly says.

"Most people panic about all the risks and will never pull the trigger on it. That's the most important thing, I think, which from what I've seen and what Lachie's seen, is that most people are really too afraid of the risks."

Mr Delchau-Jones adds that he also realised why he started so young, at 14. Even then, he still said he could've started even younger.

"I say, even to this day, that I kick myself that I didn't start younger, because the biggest asset, the biggest reason why I started young was because of expenses," he says.

"The $2,000 that I spent [on my first venture] then was pretty much nothing in the grand scheme of things. I had nothing to buy. I had a roof over my head. I live with my family. Life was good.

"So, starting young, when you've got no expenses and nothing to lose, that's the key. The younger you are, the better."

Gen Z misunderstood by the workforce

Being both part of Generation Z (people born between 1995 and 2010), Mr Reilly and Mr Delchau-Jones also recall experiences of being misunderstood as younger people in the workforce, not just from older colleagues but even among their peers.

Mr Reilly says that when he was 17 and graduated high school, he went and got a bunch of marketing jobs.

"I knew what I was talking about. I spent the last few years doing it myself. So, if I needed to build websites for people, I remember being 17 in those situations made it very hard to do a good job because you get shunned and looked down on and all these things. No one takes you seriously in a corporate environment," he says.

"That's why, I guess, being an entrepreneur at this age is good because you work for yourself."

When Mr Delchau-Jones began going down the entrepreneurial path at 14, he says he couldn't resonate with any of his friends his age, let alone people older than him.

"People just had disbelief that, at 14, it was possible," Mr Delchau-Jones says.

Hailing from Ipswich in Queensland, Mr Delchau-Jones would trek into the city every weekend where he would try to meet with somebody new.

"I would just go to a café. I wouldn't drink coffee because I didn't want to have a coffee at 14, but I would try to meet somebody new," he says.

"It was always one of the things that would rock up and the person at the other end of the table opposite to me would be the man in the situation. He'd be there and think he's in control. But it would always turn towards the end in disbelief."

"I SAY, EVEN TO THIS DAY, THAT I KICK MYSELF THAT I DIDN'T START YOUNGER, BECAUSE THE BIGGEST ASSET, THE BIGGEST REASON WHY I STARTED YOUNG WAS BECAUSE OF EXPENSES"

The future requires strong work ethic and embracing digital

As for what they believe the future of work will be like, Mr Reilly says a strong work ethic is an attitude he's always applied and will continue to draw from.

"The background that I came from was that I didn't work for my $13 [an hour]. I was there to work for the person when I was working part-time in the workforce," he says.

"I'm not doing $13 per hour worth of work. I'm doing all the work I possibly can. Work ethic is a massive thing, that's first and foremost. It doesn't matter if I'm working for somebody else or if I'm working for myself — work ethic is essential."

Mr Delchau-Jones says that the COVID-19 pandemic has accelerated the rate at which everything is being digitised.

"COVID has pushed everything digital. It now plays into Millennial/Gen Z hands, where businesses are sort of forced to adapt and evolve to a digital sort of environment," he says.

"I think it's going to be very interesting especially for Australia, because a lot of businesses in Australia aren't as up-to-date as they are in the US. I think the next three to five years is going to really show which businesses are going to die or thrive."

Mr Reilly adds that COVID-19 has also proved to the employer and the company that people can work from home and still meet their KPIs and still meet their requirements.

"Businesses are minimising a great expense there by bringing people into the office. People are showing they are still able to do their job at home," Mr Reilly says.

"I think it's one of those things that a lot of businesses will be re-evaluating whether people need to be coming in to the office as much or as frequently."

How to increase profit margins

Increasing profit margins and generating good cash flow is always going to be the primary aim of any reasonable business. The ability to increase margins is essential to growing your business and there are always tweaks and measures you can explore to swell your bottom line without a huge amount of effort

| by Alex Neighbour |

WITHOUT RE-ENGINEERING your whole business, there are some relatively straightforward steps you can take to increase your profits, from improving efficiency to taking a fresh look at your offerings and business model.

Let's explore some simple ways to increase the net profit of your products and services.

Increase prices

Shocking, we know, but selective and careful price raising is your go-to measure. When increasing prices, and thus profit margins, don't go and add a percentage to all your offerings. Instead, run some reports from your accounting software on your most popular items and then selectively nudge them up. Popular will remain popular, so don't be afraid of a small price increase.

Get focused

Many businesses try and become everything to everyone, this creates confusion and will have you spending time, resources and headspace on minor stock.

If things aren't moving, they represent a cluttered stock list, risk being out of stock, or otherwise detract from your core offerings, eliminate them.

Concentrate on items with high turnover and high profit margins, even if this means jettisoning other offerings.

Elevate perceived value

Value is not always a measure of benefit over price (as it normally would be). Oftentimes, you can influence the perceived value of your product or service through pursuits like branding.

Sharpen your brand, professionalise your website and present your offerings as 'premium'. The psychology of perception is a powerful ally when it comes to increasing profits.

Work on increasing total sales per order

What can you do to increase the shopping basket of your customers? If you already have a client or customer, concentrate on methods to achieve upselling and the purchase of multiple items.

To boost your profit per customer, offer discounts and suggest 'like' offerings. You already have a customer over the line, which is the hard part, adding one more sale to an existing customer is always easier (and cheaper) than gaining a new customer.

Stop checkout cold feet

If you're running an e-commerce store, you need to counter the massive drop off you'll receive at the checkout. Consumer hesitance is a major barrier to increasing sales, but you can certainly employ tactics to combat this.

For starters, make sure you have a guest checkout option with minimal fields, clear security credentials, professional layout and visible customer reviews. Inspiring confidence at the checkout is key, alongside a clear and easy process with the least number of steps to a sale as possible.

Streamline your processes

Are your business processes really streamlined? Really? Technology moves at an incredible pace and staying abreast of modern solutions to old problems is key. There is undoubtedly a new and low-cost app or solution to further eliminate wasted time and inefficient work flows.

Think about more efficient ways of processing sales, communicating with customers, doing your admin and working with employees. There is undoubtedly a better, more automated and less cluttered way of working out there. See if you can find it.

Business advisers are essential

If you want increased cash flow, find out how to lower your overheads and ways to negotiate compliance, get thee to an adviser.

Business advisers and bookkeepers exist for a reason, they'll squeeze the most out of your taxes, look at ways to rejig your business model and take a critical eye to your business' profit and loss.

Supplier renegotiation

Are you getting the best deal here? Likely not. No matter how comfortable you are with your current suppliers, tactfully interrogate whether you can get a better deal to increase your bottom line.

You'll also need to search far and wide for competitors looking to score new business.

Don't be afraid to turn the screws and see what kind of savings you can really extract from every supplier you have to increase cash flow and direct profits. Make this a regular part of your annual business review.

Eliminate waste

Waste is an easily avoidable phenomenon and it comes in many forms, from time and talent to production and stock.

Here are some easy ways to identify and eliminate waste from your business model:

- Having too many defective products due to issues like quality control, poor handling or in-house creation;
- Over producing, over ordering or making more merchandise than necessary;
- Too much waiting or unplanned downtime, such as absences, inefficient staff time or unbalanced workloads;
- Not using your employees or their talent to the fullest by not harnessing their skills or potential, and having employees doing unproductive work;
- Poor transportation methods like unnecessary or inefficient movements of products; and
- Too much inventory on hand such as surplus stock in storage that isn't moving.

Get your staff onboard

Never underestimate the importance of your staff in getting your margins up.

According to the *Harvard Business Review*, companies lose over 20 per cent of their productive capacity to organisational drag: "The structures and processes that consume valuable time and prevent people from getting things done."

Think about how you can get more from your staff through motivation, reward, recognition and, of course, solid structures and work flows to keep things lean and efficient by eliminating dead space in their day.

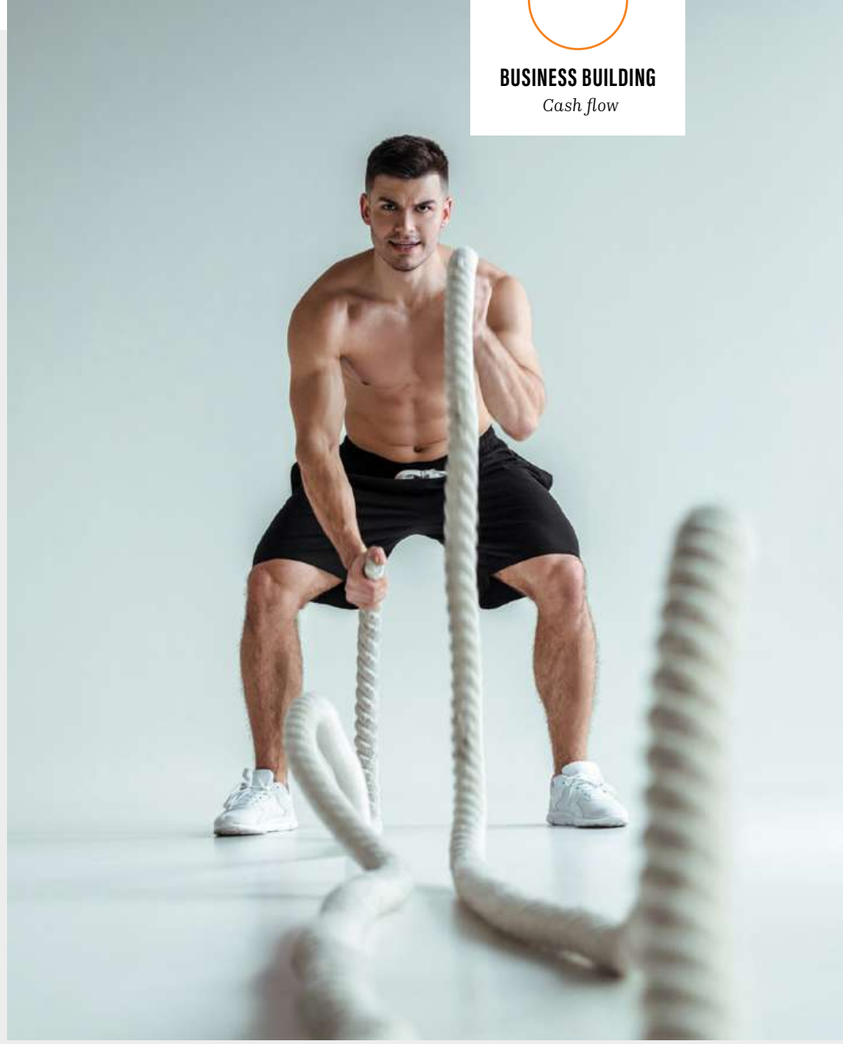
Look at adding new lines

Without disrupting your entire business model, look around at the current market and identify products or services that have high desire, are low cost, have potential for great turnaround, and will increase your offerings. COVID-19 has presented many such fresh opportunities.

If you choose products or services that complement your range and don't require extra marketing or brand work, even better.

As always, be sure you aren't swelling your business' offerings for the sake of it. Staying focused on smaller and more profitable products and services will always remain key, but an intelligent addition to your range, without unreasonable overheads, is always a viable option to increasing your profit margins.

Alex Neighbour
Reckon



How to keep your cash flow strong during changing market conditions

Sleeping soundly one day, nightmares the next. That is what it seems like as this pandemic has made its mark with significant permanent changes to our lives and our businesses

| by Paul Roach |

NOT IN our working lifetimes has there been such dramatic and unprecedented events that have ravaged the very existence of our economy. Shutdowns that have obliterated our traditional landscapes, lockdowns that have tried to keep us safer than our businesses, and then, as luck would have it, some unique opportunities created.

What is within our control and what is not? Is it our time to act, not react? While revenue is vanity, profit is sanity, cash is king. If we have the opportunity to change our command over cash for the better, now is the time! Let us see how we can go about this in changing and challenging market conditions.

1. Calm, focused and agile

It is a bit like running a marathon with a headwind and heavy rain. Trying to change direction to put the wind at your back to propel you forward. It is tough mentally, more so if your business is in hard times. Getting your headspace in an agile frame of mind is super important at this time. Acting, not reacting! Calmness allows us to more readily assess where we are at, think and explore opportunities and find a way forward. We may not have all the answers and the path not entirely clear. Change your environment to help change your thinking.

Calmness helps us to avoid the tendency to react or doing silly things when we are stressed. Cutting the fat from our businesses starts with calm, clear thinking. And yes, the unprecedented pressures of a pandemic call for extra effort in meditating, relaxing, resting and exercising. Toning down the "noise" of the pandemic will help ensure our businesses remain the focal point of our thinking.

2. The art of war

Finding a pathway forward and making sure you thrive during or after these events is paramount. Our economy has changed forever. Supply chains and our associated relationships are under immense pressure. Sales and margins are under constant scrutiny. Employees impacted differently and unprecedented government stimulus. What is your way forward to ensure your business is cash flow positive? Am I able to achieve this on my own or do I need assistance?

It is a battle to get cash flow in, warfare to keep it in the business. In dramatically changed circumstances, from the activities we are undertaking in our business, what can we obliterate firstly, or secondly, automate? If not, are we able to de-skill, outsource or delegate, delay and defer debt if needed and if you have the option to access additional funding — take it! We need our businesses lean and agile, tight but with some capacity to grow. Eliminate costs where you can, automate if possible, de-skill tasks if it creates opportunities for you. Outsourcing is also an option. Commit to learn, keep your energy level up and make things happen.

3. Smarter, faster business for stronger cash flow

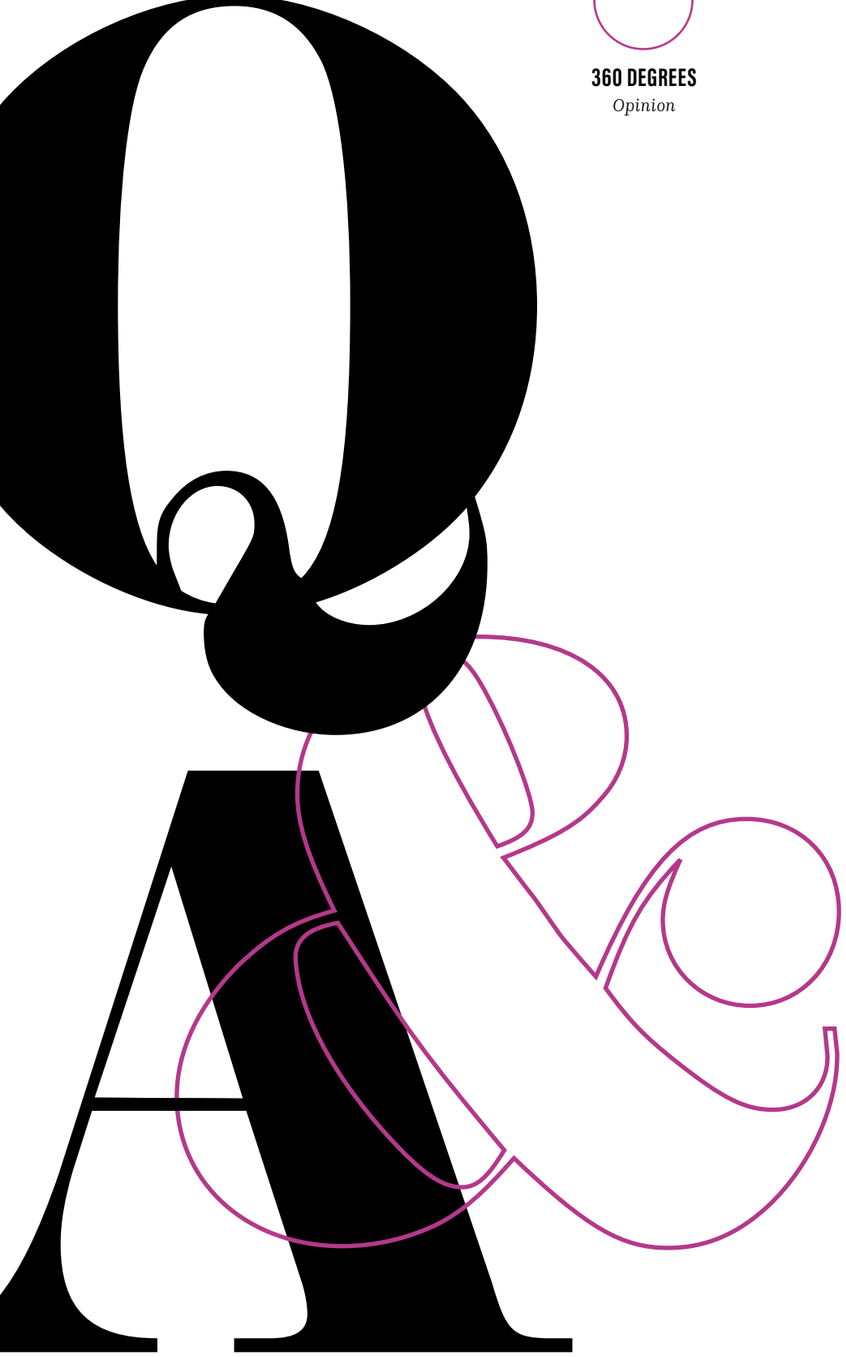
Cash flow can be negative in your business even if you make profit. Your business can also be cash flow positive even if you are making a loss. What is your cash flow break-even? A great starting point! If we are not at this point, how do we get there — and fast?

Cash flow hides in many places in our businesses. We may not recognise it as cash flow — things such as debtors, stock on the shelf or money spent on surplus plant and equipment. Apart from what shows in your profit and loss, cash flow goes out of our businesses through loan principal repayments, equipment finance loans, credit cards and other asset purchases.

Do you have enough cash flow to see you through? Never run out of cash is the fundamental rule of business. Now is the time to be working smarter. Our supply chains are under pressure along with our margins. Getting a handle on where we are at with this requires effort and focus. This is your role as a business owner; it is not an optional extra to be done "if you have time".

This is not over by a long shot. It is our ability to remain calm, assess our business and reassess our strategy constantly that will give us a greater chance of surviving and thriving through these times. Speed is important to maximise opportunity. Relentlessly keep cost structures tight, but not stupidly so. Making sure you take control, cash is king!

Paul Roach
business strategist and coach



Q. What has been the toughest thing for you since the beginning of COVID and the enactment of the first lockdown measures?

Kevin San
director,
Kevin San and Associates

Client distress

The three months following March and the initial restrictions were extremely challenging for a great many reasons. Perhaps the toughest thing was dealing with clients that really were in a genuine state of distress.

Even the strongest businesses had a terrible April, and that uncertainty translated into a zillion conversations that all came at once. From JobKeeper to Cash Flow Boost, employee issues and supplier management, or even something as simple as helping clients get organised to make the critical monthly revenue declarations on time; most clients had several burning issues that needed to be discussed. Not an easy task when all the legislation is new and had gaps, and you had new processes to be put in place, especially when your own workplace is transitioning to WFH and delegation and training becomes more difficult.

We can all take a bit of comfort that we played a part in helping our clients survive, but staying cool and organised during the avalanche of urgent work was a huge challenge, and we're all glad it's over.

Edward Chan
CEO and co-founder,
Wize Mentoring

Traffic

With any accountancy practice the hardest thing to deal with is managing the "traffic" that comes from your clients. Traffic is made up of "communication traffic" and "production traffic"

If you are not coping with the traffic that is generated under normal circumstances, then an event such as a pandemic will push your practice over the edge.

The damage is twofold:

1. **The first is the inability to have the time to service your client and not being available to them in their time of need.**

2. **The second is working enormous hours and not getting remunerated for it.**

The solution is to run your practice like a business and managing the traffic flow needs to be broken into two teams/ sections, namely:

1. **Production team managing all production traffic in relation to completion of work.**

2. **Communication and sales team managing all communication traffic with clients going from "discovery session" (identify need) to a "proposal" (includes a price) in as short a time as possible and then only going to "production" once proposal has been accepted by the client. This avoids spending time on the client and not getting paid for it.**

These teams need to be set up where the right people are handling the "production and completing the work" and other people handle the "communication and the sales process". They are not the same people.

For many firms, the pandemic has simply highlighted weaknesses in the business that needed fixing.

> "IF YOU ARE NOT COPING WITH THE TRAFFIC THAT IS GENERATED UNDER NORMAL CIRCUMSTANCES, THEN AN EVENT SUCH AS A PANDEMIC WILL PUSH YOUR PRACTICE OVER THE EDGE"

Andrew Azzopardi
AzzCan Financial

Stimulus packages

All of the stimulus measures have had an impact for our small business clients and have been gratefully appreciated. I can hand on heart say that these measures have tremendously helped the mental health and wellbeing of business owners and employees across Australia during one of the most challenging times we have ever faced.

The financial impact has depended on the industry and the size of the business. JobKeeper, cash flow boost and instant asset write-off have had a widespread impact in the immediate term. Because of JobKeeper, a lot of businesses felt more secure in buying assets before the end of financial year. JobKeeper has certainly been most relevant for sole traders who didn't qualify for any of the other stimulus packages and has saved a lot of jobs from being lost.

Businesses have also greatly appreciated the additional $10,000 state grants offered by most of the states. They have used this extra money to help stimulate local businesses.

The apprentice subsidies and homebuilder grants will also hopefully have a greater impact throughout the rest of the year and construction clients have noticed a directly correlating pick-up in jobs because of this measure.

Technical

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

Guide for electronic execution

This guide can assist in the electronic execution of documents. It is general information only and does not take into account the situation in jurisdictions outside NSW, Victoria and Queensland or the facts of each case and is no substitute for expert advice. This is a moving area of the law and anyone seeking to execute documents electronically should seek advice

| by Daniel Butler |

Executing a deed electronically

A deed is a very special type of document. Traditionally, deeds had to be made on paper. However, some jurisdictions have been passing their own unique legislation to allow for more documents to be signed and witnessed electronically, including deeds.

Currently only NSW and Victoria have passed legislation authorising deeds to be made electronically. However, this legislation is complex and is only temporary and you should not attempt to make a deed electronically after:

- under NSW law – 22 October 2020;
- under Victorian law – 24 October 2020; and
- under Queensland law – 31 December 2020

Electronic execution by individuals

3.1 Introduction

The NSW, Victorian and Queensland governments have introduced regulations authorising signatures on deeds and certain other documents to be witnessed via audio-visual link up to 22 October 2020, 24 October 2020 and 31 December 2020, respectively.

See *Electronic Transactions Amendment (COVID-19 Witnessing of Documents) Regulation 2020 (NSW) (NSW Regulations), COVID-19 Omnibus (Emergency Measures) (Electronic Signing and Witnessing) Regulations 2020 (Vic) (Vic Regulations) and Justice Legislation (COVID-19 Emergency Response—Wills and Enduring Documents) Regulation 2020 (Qld) (Qld Regulations)*. Note that the *Qld Regulations* were later amended by the *Justice Legislation (COVID-19 Emergency Response—Wills and Enduring Documents) Amendment Regulation 2020* and these must be read together.

Best practice is still not to attempt to execute a deed electronically, regardless of any new laws. Rather, best practice is still to execute a full 'hard copy' version of the deed with traditional 'wet' signatures and an independent witness physically present for each individual signatory.

While the ACT has passed legislation relating to the audio-visual witnessing of documents, this does not include deeds. See the *COVID-19 Emergency Response Act 2020 (ACT)*. South Australia has passed regulations that remove the witnessing requirement for the signing of an instrument in accordance with s 267 of the *Real Property Act 1886 (SA)*. See the *COVID-19 Emergency Response (Section 16) (No 1) Variation Regulations 2020 (SA)*. For Tasmania, while the *COVID-19 Disease Emergency (Miscellaneous Provisions) Act 2020 (Tas)* allows the relevant minister to declare that requirements under legislation for various actions can be made electronically, such a declaration has only been made in respect of local councils exercising functions.

A person executing a deed or witnessing execution electronically must also endorse the document with a written statement providing that the document was executed/witnessed in accordance with the relevant regulations. There are slight differences in the electronic signing or witnessing of documents between NSW, Victoria and Queensland as outlined below. You should follow the criteria in each jurisdiction closely to ensure you make a valid and legally effective document if electronic execution/witnessing is required.

3.2 New South Wales

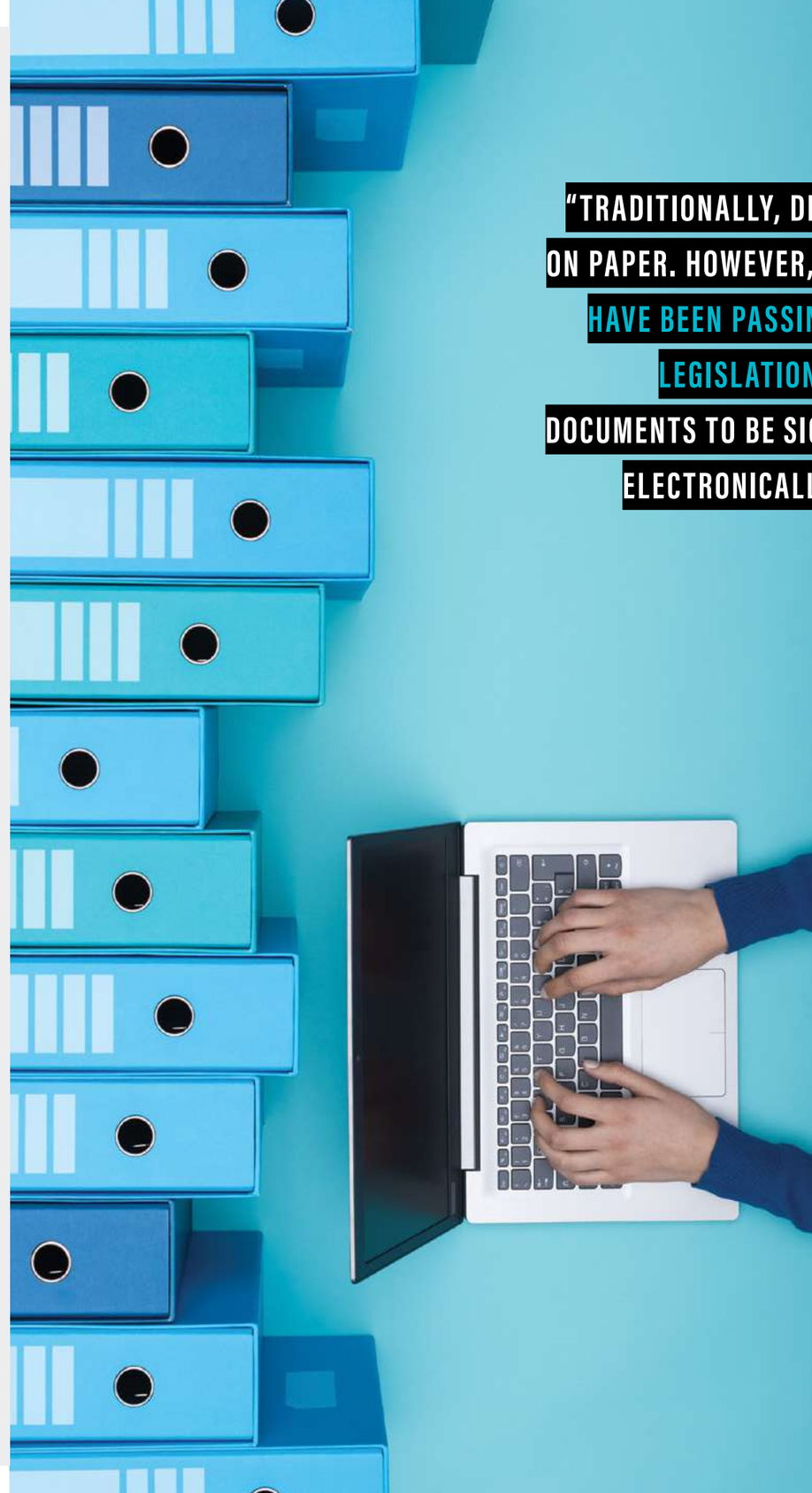
For electronic witnessing by audio-visual link to be effective and done in accordance with the NSW Regulations, witnesses must:

- observe the person signing the document (the signatory) in real time;
- confirm the signature was witnessed by signing the document or a copy of the document;
- be reasonably satisfied the document the witness signs is the same document, or a copy of the document signed by the signatory; and
- endorse the document, or a copy of the document, with a statement:
  - specifying the method used to witness the signature of the signatory; and
  - that the document was witnessed in accordance with the NSW Regulations.

3.3 Victoria

For witnessing to be done in accordance with the Vic Regulations, witnesses should be satisfied that:

- they have endorsed the document with a statement that they observed the signatory signing by audio-visual link in accordance with the Vic Regulations; and
- the document was electronically signed in accordance with the Vic Regulations and correctly endorsed.



"TRADITIONALLY, DEEDS HAD TO BE MADE ON PAPER. HOWEVER, SOME JURISDICTIONS HAVE BEEN PASSING THEIR OWN UNIQUE LEGISLATION TO ALLOW FOR MORE DOCUMENTS TO BE SIGNED AND WITNESSED ELECTRONICALLY, INCLUDING DEEDS"

The Vic Regulations also authorise deeds to be signed and witnessed in counterparts with the requirements being met even if signatures appear in only some of the copies of the documents, provided those copies include the entire contents of the document (i.e. not simply the execution page).

The requirements are taken to be met, so long as every signatory or party whose consent is required under the Vic Regulations, receives every copy of the document on which a signature appears.

While witnessing is not a strict legal requirement for deeds under Victorian law, it is best practice to have a witness attest to the execution of a deed as most people expect this to occur. However, a deed remains valid under Victorian law despite there being no witnesses. Witnesses are required however for a deed to be legally effective in most other jurisdictions including NSW.

3.4 Queensland

The Qld Regulations expressly deal with the common law position by removing the need for a deed to be written on paper or parchment.

Further, the Qld Regulations also removes the witnessing requirements, however, it does provide for documents to be witnessed by audio-visual link.

For witnessing to be done in accordance with the Qld Regulations, witnesses should be satisfied that:

- if using a substitute signatory, the witness observes the signatory direct the substitute signatory to sign the document;
- the audio-visual link enables the witness to be satisfied, by the sounds and images made by the link, that the signatory or substitute signatory is signing the document;
- the witness observes the signatory or substitute signatory signing the document in real time;
- the signatory or substitute signatory signs each page of the document;
- the witness must be satisfied that the signatory is making the document freely and voluntarily;
- the witness must confirm that they are satisfied that the document:
- is signed by the signatory or substitute signatory; or
- is a true copy of the document signed by the signatory or substitute signatory.
- the witness must confirm the document as soon as practicable after witnessing, which may or may not be on the same day the document is witnessed;
- the witness must sign each page of the document; and
- after the witness confirms a document witnessed by audio visual link, the witness must give the document:
- if the document is to be confirmed by the witness – to the other witness; or
- otherwise – to the relevant person for the document.

The Qld Regulations authorise deeds to be signed and witnessed in counterparts or true copy and provides that the counterpart of true copy does not need to include the signature of any other signatory or party to the deed. Further, it provides that there is no need to include material in the deed about the method used for electronically signing the deed.

The Qld Regulations also provides that a deed can be executed electronically without the consent of any other person who is to sign or be a party to the deed.

While witnessing is not a strict legal requirement for deeds under Qld Regulations, it is best practice to have a witness attest to the execution of a deed as most people expect this to occur.

Electronic execution by companies

The federal government temporarily modified the *Corporations Act 2001 (Cth)* by way of a legislative instrument that permits companies to execute documents, hold meetings and provide notices via technology for the period commencing on 6 May 2020 and ending on 5 November 2020. See the *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020 (Cth) (Determination).*

Under the Determination, director and shareholder meetings may be held using one or more forms of technology to enable all persons entitled to attend to participate without being physically present in the same place.

The Determination provides that:

- Electronic notices of meetings must include information about how those entitled to attend can participate in the meeting (e.g. how they can vote and speak at the meeting);
- Every person participating in the meeting is taken for all purposes to be present at the meeting (i.e. the quorum requirement will be met);
- Votes taken at meetings must be taken using an electronic poll and not on a show of hands to give each person entitled to vote the opportunity to participate in real time or to record their vote prior to the meeting (if technology permits). Votes taken at meetings must be taken using an electronic poll and not on a show of hands to give each person entitled to vote the opportunity to participate in real time or to record their vote prior to the meeting (if technology permits);
- All persons attending the meeting must be given an opportunity to 'speak' and this can be achieved via audio connection. Chat systems or written functions may not be sufficient under the determination as the word 'speak' appears to require oral communication; and
- A proxy may be appointed using one or more technologies specified in the notice of the meeting.

Companies can validly execute a document where the person is able to sign documents on behalf of a company:

- sign a copy or counterpart of the document that is in a physical form and includes the entire contents of that document (e.g. not simply the execution page); or
- sign a document using an electronic communication method, where that method reliably identifies the person and indicates their intention in respect of the contents of the document.

However, a number of law firms including our firm are of the view that there still remains some uncertainty on the extent the Determination supports the valid execution of a deed.

Accordingly, until this uncertainty is clarified and subject to our recommended best practice above (i.e. not to rely on electronic execution at all), companies which nevertheless seek to rely on electronic execution should only attempt to make a deed electronically if:

- the parties are comfortable that NSW law applies – execution is before 22 October 2020; or
- the parties are comfortable that Victorian law applies – execution is before 24 October 2020; or
- the parties are comfortable that Queensland law applies and – execution is before 31 December 2020; and
- the deed is not subject to the law of the ACT, Northern Territory, Queensland, Tasmania, South Australia or Western Australia as these jurisdictions have not yet enacted legislation for the electronic execution of deed (Note that these jurisdictions may still issue their own legislative fix for the electronic execution of deeds).

Conclusions and sundry

The following should also be noted:

- We recommend you avoid electronic execution wherever possible.
- If you do proceed with electronic execution, make sure that you carefully follow the criteria of each jurisdiction and ensure execution occurs prior to the deadlines described (e.g. 22 October 2020 for NSW and 24 October 2020 for Victoria). In particular, advisers forwarding documents to clients for execution should follow up before the relevant deadline to confirm proper execution has been effected.
- Where there is any doubt, we recommend you seek the assistance of your lawyer.
- There may be various other obligations on a person witnessing that must be taken into account, such as ensuring no undue influence, duress or unconscionable conduct is apparent and that the person signed freely and voluntarily.
- The summary above was last updated on 5 August 2020 and further changes are expected especially in jurisdictions other than NSW, Victoria and Queensland.

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

Daniel Butler
director,
DBA Lawyers

COVID concessions: Frequently asked SMSF questions

The Australian Taxation Office has provided guidance to individuals whose SMSFs have been affected by COVID-19. Below we bring you some of the most frequently asked questions and the ATO's answers

Signature requirements for financial statements

Q *I usually attend my accountant's premises to sign my SMSF's financial statements. However, I am unable to attend in person to sign them this year due to COVID-19. How can I meet the signature requirements?*

A There are options available. Under the super laws, SMSF trustees are required to sign their SMSF's financial statements before finalising their fund's audit each income year. COVID-19 impacts such as social distancing or isolation requirements or your tax agent or accountant working from a home office may prevent you from signing your SMSF's financial statements in person this year.

Alternative options available for signing the financial statements consist of returning a signed scanned copy to your tax agent or accountant by email or using an electronic signature such as a digital signature. Digital signatures should be provided:

- using a secure system, typically through an established third-party provider; and
- in a way that clearly identifies the trustee signing and indicates the approval you are providing.

A secure system would include a system that requires a personal identification number, access code or password to use.

If you can't use these alternative options to sign your financial statements, your agent or accountant should post the financial statements to you and you will need to sign them and arrange to return them to your agent by post.

You will not meet the signature requirement if you only acknowledge the financial statements by email or over the phone.

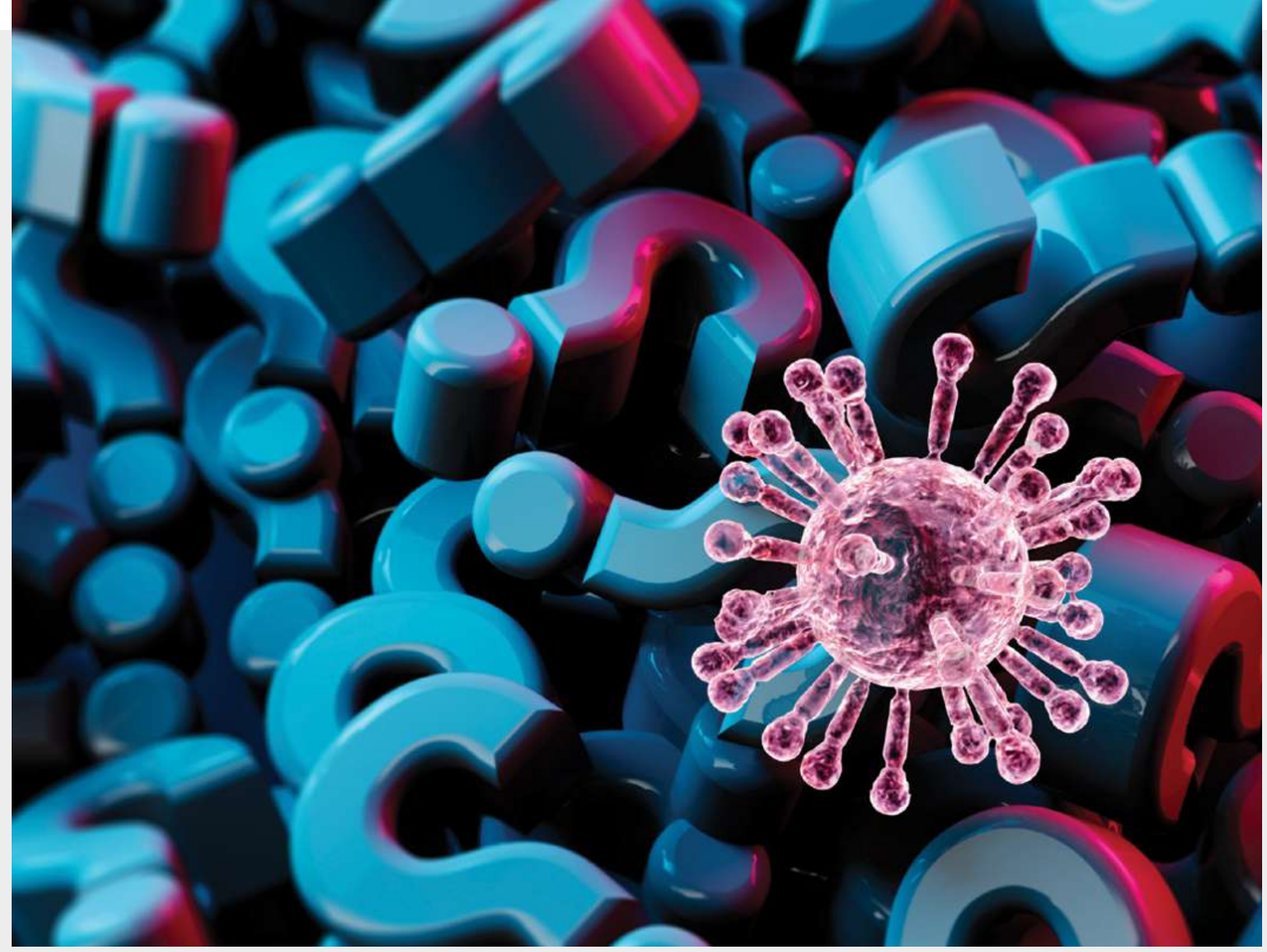
Providing rent relief

Q *My SMSF owns real property and wants to give my tenant - who is a related party - a reduction in rent because of the financial effects of COVID-19. Charging a related party a price that is less than market value is usually a contravention. Given the effects of COVID-19, will the ATO take action if I do this?*

A Some landlords are giving their tenants rent relief as a rent reduction, waiver or deferral because of the financial effects of COVID-19 and we understand that you may wish to do so as well. Our compliance approach for the 2019-20 and 2020-21 financial years is that we will not take action if an SMSF gives a tenant - even one who is also a related party - a temporary rent reduction, waiver or deferral because of the financial effects of COVID-19 during this period.

If your SMSF holds an interest in an interposed entity such as a non-geared company or unit trust and that interposed entity leases property to a tenant, we will not treat the investment in the interposed entity as an in-house asset for the current and future financial years as a result of a deferral of rent being provided to the tenant due to the financial effects of COVID-19.

If there are temporary changes to the terms of the lease agreement in response to COVID-19, it is important that the parties to the agreement document the changes and the reasons for the change. You can do this with a minute or a renewed lease agreement or other contemporaneous document.



Related party limited recourse borrowing arrangement relief

Q *My SMSF has a compliant limited recourse borrowing arrangement (LRBA) in place with a related party. Would the non-arm's length income (NALI) provisions apply if the related party offers repayment relief to the SMSF trustees because of COVID-19?*

A We understand that temporary repayment relief may be offered in relation to an existing LRBA between an SMSF and a related party due to the financial effects of COVID-19.

If the repayment relief reflects similar terms to what commercial banks are currently offering for real estate investment loans as a result of COVID-19, we will accept the parties are dealing at arm's length and the NALI provisions do not apply. For example, these terms currently include temporary repayment deferrals for most businesses of up to six months, with unpaid interest being capitalised on the loan.

The parties to the arrangement must also document the change in terms to the loan agreement and the reasons why those terms have changed. It is also expected that there is evidence that interest continues to accrue on the loan and that the SMSF trustee will catch up any outstanding principal and interest repayments as soon as possible.

Any further repayment relief needed due to the continued effects of COVID-19 should be reviewed at the end of the agreed deferral period and remain in line with what the commercial banks are offering at that time

In-house asset restrictions

Q *The downturn in the share market may result in the fund's in-house assets being more than 5 per cent of the fund's total assets. The in-house asset rules would be breached. What do I need to do?*

A If, at the end of a financial year, the level of in-house assets of an SMSF exceeds 5 per cent of a fund's total assets, the trustees must prepare a written plan to reduce the market ratio of in-house assets to 5 per cent or below. This plan must be prepared before the end of the next following year of income. If an SMSF exceeds the 5 per cent in-house asset threshold as at 30 June 2020, a plan must be prepared and implemented on or before 30 June 2021. However, we will not undertake compliance activity if the rectification plan was unable to be executed because the market has not recovered or it was unnecessary to implement the plan as the market had recovered. This compliance approach also applies where the SMSF exceeded the 5 per cent in-house asset threshold as at 30 June 2019 but has been unable to rectify the breach by 30 June 2020.

Investment strategies

Q *The downturn in the market has affected my SMSF's investment strategy. What do I need to do?*

A Trustees must prepare and implement an investment strategy for their SMSF, which they must then give effect to and review regularly. The strategy should be reviewed at least annually, and you should document that you've undertaken this review and any decisions arising from the review. Certain significant events, such as a market correction, should also prompt a review of your strategy and may require updating your investment strategy.

If the assets of an SMSF or the level of investment in those assets fall outside of the scope of your investment strategy, you should take action to address that situation, which could involve adjustments to investments or updating your investment strategy. We don't consider that short-term variations to your articulated investment approach, including to specified asset allocations whilst you adjust your investments, constitute a variation from your investment strategy.

All investment decisions must be made in accordance with the investment strategy of the fund. If in doubt, trustees should seek investment advice.

Rental property FAQs and common issues tackled

During these uncertain times of COVID-19, some business owners have used the time to assess their finances and plans for the future. Some have looked at adding to their rental property portfolio, some are purchasing their first rental property, and some have had a property in the past, and have decided now is the time to own a rental property again

| by Mark Sissoev |

FOR THOSE that have previously owned a residential rental property, there have been some changes to taxation law over the past few years in this area. Following is a summary of the changes:

- Claims for travelling to your rental property to carry out repairs and improvements, collect rent, inspections, preparing for the property for a new tenant have been restricted;
- Claims for depreciation of assets purchased at time of purchasing the residential property are no longer allowed; and
- Claims for depreciation of second-hand assets purchased and installed at a later time are also no longer allowed.

There are exceptions to the above rules regarding depreciation, what is considered "second hand", what is considered "new residential premises" assets used for other taxable purposes (such as solar panels that derive income from electricity generation) and others nuances in the rules that require more explanation for the general overview given in this article.

The following are answers to some questions that are frequently asked and common issues.

Receipts

Question: I don't have a receipt or invoice for the payment, can I still claim it?

Answer: Keep receipts, invoices, records – one of the main reasons for your deduction being disallowed is not keeping adequate records. Go back to the seller of the goods or services and obtain a copy of records.

Repairs

ISSUE 1.

We purchased the property and shortly afterwards made some repairs the property.

Consequences: Initial repairs just after purchase are generally not classified as repairs for taxation purposes. If the repairs in question were needed at the time the property was acquired, the costs form part of acquiring the property and a deduction for repairing the property will not be immediately claimable.

Please contact us prior to proceeding, and we can help you structure the works required to give the best possible taxation outcome.

ISSUE 2.

We've replaced the kitchen and want to claim it as repairs and maintenance.

Consequences: Replacing an entire kitchen will be classified as an improvement, not repairs and maintenance.

Depreciation

Question: Is a quantity surveyors report still a good idea?

Answer: Yes, definitely. You can still claim Division 43 capital allowance deductions – deductions relating to costs of building the residential premises.

Declaring income

Make sure you report your income earned through online platforms such as Airbnb. The ATO gets information directly from the online providers and will match the information declared in your personal tax return. Rent must be declared by the legal owners of the property, not who registers for the platform.

Finance, loans, interest

ISSUE 1.

I've used private savings to pay a deposit on the purchase contract, and now I want to get that reimbursed on/after settlement.

Consequences: The reimbursement of the deposit from the loan funds on/after settlement is classified as a private payment, and that part of the loan drawdown will be non-deductible.

Tip: Obtain short-term finance instead or draw down on another loan (making it a mixed loan).

ISSUE 2.

The rental property was purchased in joint names, but the loan is in one name only.

Consequences: The deductible interest on the loan must be split in line with the legal ownership of the property.

ISSUE 3.

The bank required me to get lenders mortgage insurance. Can I claim it in my tax return?

"ONLY THE INTEREST PORTION OF THE REPAYMENT IS TAX DEDUCTIBLE. THE PRINCIPAL PORTION OF THE REPAYMENT IS NOT TAX-DEDUCTIBLE"

Answer: Yes, the insurance forms part of the borrowing costs of the loan, and the deduction is spread over five years.

ISSUE 4.

The rental property is in one name only, but the loan is in joint names (where one of the names is the property owner).

Consequences: The legal owner of the property can claim the full amount of the interest on the loan.

ISSUE 5.

Do I claim my whole loan repayments when I am making principal and interest repayments?

Answer: Only the interest portion of the repayment is tax deductible. The principal portion of the repayment is not tax-deductible.

ISSUE 6.

I have made extra repayments on the loan, and now want to draw those funds out of the loan so I can start claiming the interest again.

Consequences: The deductibility of the interest on the redrawn loan funds depends on what those funds are used for. If the purpose is not tax-deductible (e.g. to go on a holiday), then the interest will not be tax-deductible.

Personal use

ISSUE 1.

We stayed at the property during the year and used it like a holiday home.

Consequences: The time that you stayed at the property will be a private use, and that portion of expenses will not be tax-deductible. The time that you "block out" availability of the property and make it not genuinely available for rent will have the same effect.

Mark Sissoev
manager,
RSM Australia

Conclusion

What's the best advice? The answers to these questions and issues mentioned above can change based on your individual circumstances. In many cases they can be avoided by you obtaining advice prior to the event occurring.

Register of members

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

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Yi Yan
Yu Chuanliang
Yu Yumin
Zeng Rong
Zhang Lingdi
Zhang Meicui
Zhang Meng
Zhang Qian
Zhang Yan
Zhang Yanlei
Zhao Zengjie
Zheng Hongrui
Zheng Xiao
Zhong Xiaodong
Zhou Huilian
Zhou Suqing
Zhu Liting

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Victoria

Jose Alguera-Lara
Deva Reddy

Queensland

Peta Carbery
Kenneth Davies

South Australia

Gianni Canova

Western Australia

Timothy Smith

Tasmania

Melinda Murzecki

Hong Kong

Ka Chun Chan
Kwok Ming Chan
Mei Hing Aurora Chan
Ming Chiu Chan
Wing Sze Cheng
Yau Shing Chu
Hoi Man Jerry Ho
Kar Chun Hui
Chan Shang Law
Pujie Lin
Ching Wah Mak
Wai Man Ronald Mok
Yat Fai Poon
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