

PULSE

WINTER
18

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GO BEYOND IN
2018/2019

A QUARTERLY
PUBLICATION OUTLINING
RELEVANT BUSINESS
ISSUES FOR YOU

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PKF

WINTER
18 IN
THIS
ISSUE

welcome



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AS WE WELCOME YOU TO THE WINTER EDITION OF PULSE, THE NEW FINANCIAL YEAR IS UNDERWAY, WHICH MEANS MANY OF YOU WILL HAVE TAKEN THE OPPORTUNITY TO REASSESS YOUR PERSONAL AND BUSINESS GOALS.

Have you achieved everything you set to accomplish in the last year? Have you looked at your business strategy and budgets – what areas need improving? If you couldn't tick certain targets off your list, perhaps it is time to ask yourself why? Now is the time to create those building blocks and turn your goals into reality to make 2019 your best year yet. At PKF, we aspire to assist you kick those goals and I encourage you to read and reflect on the relevance of articles from our team of specialists to get you thinking about the game plan for your business.

In the last quarter, we saw The Federal Budget released. This time around there really wasn't a lot in it for businesses. There is encouragement for businesses to continue to invest in new equipment now that there is an extension of the immediate write off concession for one year, but this means a tougher stance will be taken upon businesses seeking to minimise tax.

Additionally, the Turnbull Government is standing by their proposed 10-year program of business tax cuts for larger companies (with a turnover greater than \$50 million a year), which would see rates reduce over time (from 30%) until all companies are subject to a 25% tax rate. However, this is still yet to be passed by Parliament and poses the question, will Australia be left uncompetitive for investments internationally?

When it comes to business, there is a continued increase in business confidence which means we should see growth for the overall economic and jobs growth, but this is tinged with the challenge for some industries struggling to get trades. In a Sunday Telegraph article, I read with interest the call for review of the education space with focus on fundamentals of maths, English, science and a return to the trades.

On our people front congratulations to Sarah Scott on her Employee of the Quarter Award. Sarah was featured in our 2017 Summer issue in the "Take 5 with" section, and as our Business Development and Marketing Manager has added some real value to the firm with one of her great recent successes being the Your Tomorrow Today Conference held on 31 May 2018.



Sarah Scott

The event attracted over 350 business owners who all came together to not only meet but to take half a day to re-evaluate their goals and where the business was going.

Keynote speaker, Keith Abraham provided effective strategies to help the owners connect with their goals and relate them back to their business and family life. Keith was joined on stage by local businesses NCR Blinds and Sharp Electronics to talk about their journey and how they've managed the hurdles of running successful businesses whilst balancing their personal life. Our guests and team walked away from the event feeling motivated and energised and have turned that feeling into some real goals which will see them thrive.

As always, we thank you for your ongoing support and the opportunity to be a part of your journey.

Warm Regards,

Steve Meyn

Managing Director

Any amount required to be withheld at or before settlement will need to be paid to the Australian Taxation Office by the purchaser. The vendor will be entitled to credit for the amount paid to the ATO by the purchaser when the vendor lodges its next business activity statement.



Director | Ian Matthews

TAXATION

GST: New Residential Premises and Residential Land Settlements

FROM 1 JULY 2018, THE GST LEGISLATION IMPOSES AN OBLIGATION ON PURCHASERS FOR THE WITHHOLDING OF GST ON PROCEEDS PAID AT SETTLEMENT FOR THE TAXABLE SUPPLY OF NEW RESIDENTIAL PREMISES AND CERTAIN RESIDENTIAL LAND. THIS INCLUDES WHERE THE RELEVANT PROPERTY IS SUPPLIED BY WAY OF SALE OR LONG-TERM LEASE.

Any amount required to be withheld at or before settlement will need to be paid to the Australian Taxation Office (ATO) by the purchaser. The vendor will be entitled to credit for the amount paid to the ATO by the purchaser when the vendor lodges its next business activity statement (BAS).

Both purchasers and vendors of new residential premises and certain residential land need to ensure that their legal advisers have correctly considered the amended rules in any property settlement, otherwise they will be exposed to potential penalties which, for a purchaser, can be up to the amount failed to be withheld.

On 26 April 2018, the ATO released draft Law Companion Ruling 2018/D1 which

describes how the ATO will administer the new withholding regime post 1 July 2018. When finalised the draft ruling will become a public ruling.

Critical points from the ruling include:

- The date from which the new measures will apply, including transitional measures for property contracts physically exchanged pre-1 July 2018 but settled after this date.
- The types of property for which the withholding rules apply, including:
 - *New residential premises*, as defined
 - *Potential residential land*, property included in a *property subdivision* plan or property not containing a building in use for a commercial purpose (collectively potential residential land) **AND** the purchaser is not registered for GST or does not purchase the property for a creditable purpose.
- The amount the purchaser, if required to withhold and pay to the ATO which could be:
 - 1/11th of the contract price or price.
 - 7% of the contract price or price for sales under the margin scheme.
 - Special rules for supplies when only partly new residential premises or potential residential land.
 - Special rules for multiple purchasers (not joint tenants).

Contact one of our Taxation specialists in Sydney on (02) 8346 6000 or Newcastle on (02) 4962 2688.



Every business is vulnerable to the threat of fraud, and whilst we often operate in a “high trust” environment, it is also timely to remember ***trust is not a control—it is an emotion.***

FORENSIC & RISK SERVICES

Wayne Gilbert | Principal

Fraud Prevention – a Timely Reminder

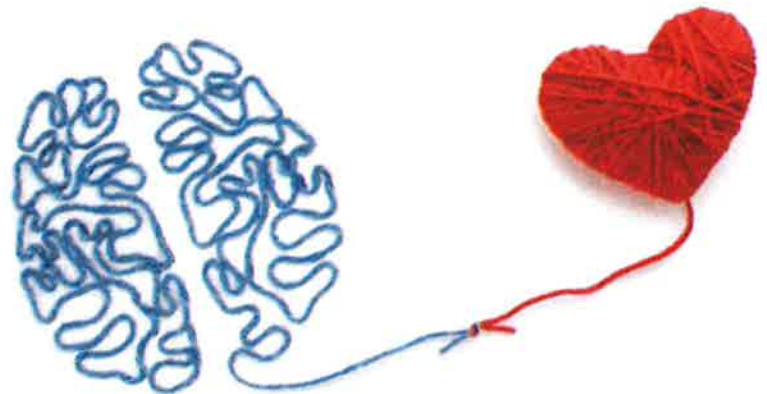
THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS, A GLOBAL ORGANISATION DEDICATED TO FIGHTING FRAUD AND CORRUPTION WITHIN ORGANISATIONS HAS RECENTLY RELEASED ITS 2018 REPORT TO THE NATIONS ON OCCUPATIONAL FRAUD AND ABUSE. THIS REPORT, A SURVEY OF IN EXCESS OF 1500 ORGANISATIONS GLOBALLY AFFECTED BY FRAUD, ONCE AGAIN POINTS OUT THE NEED FOR ORGANISATIONS TO FOCUS ON THE PREVENTION OF FRAUD.

Occupational fraud—fraud committed against the organisation by its own officers, directors or employees—constitutes an attack against the organisation from within, by the very people who were entrusted to protect its assets and resources. Every business is vulnerable to the threat of fraud, and whilst we often operate in a “high trust” environment, it is also timely to remember ***trust is not a control—it is an emotion.*** Whilst trust in our employees is a good thing, that trust must be buffered by a suitable control environment as even the most trusted of employees can succumb to external pressures and defraud the organisation in which they work.

The importance of organisations implementing an effective fraud and corruption control framework is once again reinforced by the finding detailed in the report. Some of the key findings are as follows:

- Internal control weaknesses were responsible for nearly half of the reported frauds;
- Fraudsters who had been at their company longer stole twice as much;
- A majority of the victims recovered nothing;
- The median duration of a fraud scheme was 16 months;
- Tips are by far the most common initial detection method;
- Organisations with hotlines detect fraud by tips more often;
- Small businesses lost almost twice as much per scheme to fraud; and
- Data monitoring/analysis and surprise audits were correlated with the largest reductions in fraud loss and duration.

It is important that we take time to periodically review our fraud and corruption control framework to ensure that it meets the needs of the organisation. This is particularly relevant for small businesses, and more so for those small businesses that have grown rapidly where perhaps the control framework has not kept pace with that growth. These



tend to be the organisations where there are high trust models. It is not uncommon following the detection of a fraud scheme to hear the words (in relation to the fraudster)— ***“they are the last person I would have expected to have done that.”***

Therefore, if you haven't reviewed your control framework in recent times perhaps it is now timely to do so. Here are some things to think about when doing so:

- 1 Is ongoing anti-fraud training provided to all employees of your organisation?

“Whilst trust in our employees is a good thing, that trust must be buffered by a suitable control environment...”

- 2 Is an effective fraud reporting mechanism in place (including an anonymous independent reporting mechanism)?
- 3 Do you have proactive anti-fraud measures in place? Such as, surprise fraud audits, data analytics, and the conduct of periodic fraud risk assessments — to name a few.
- 4 Is the management climate/tone at the top, one of honesty and integrity?
- 5 Are strong anti-fraud controls in place and operating effectively? Have they been tested?

Given that our main method for the discovery of fraud is a tip, and that fraud schemes generally take a long time to uncover, it is important that we focus upon fraud prevention in our organisations. And remember, trust is not a control – it is an emotion.

Our Forensic and Risk Services team are available to assist with any issues or enquiries you may have – call (02) 8346 6000 today.

The message here is to ensure you have a system in place to deal with incoming correspondence where your registered office address is not your principal place of business, or that of your accountant.



Partner | Simon Thorn

BUSINESS RECOVERY & INSOLVENCY

What is the Address of Your Company's "Registered Office"?

WITHOUT LOOKING, DO YOU KNOW THE ADDRESS OF YOUR COMPANY'S REGISTERED OFFICE? IMPORTANTLY, YOU SHOULD BE AWARE THAT IT MIGHT NOT BE THE SAME AS YOUR PRINCIPAL PLACE OF BUSINESS. UNDERSTANDING THE DIFFERENCE BETWEEN THE TWO COULD ONE DAY SAVE IMMENSE STRESS, LEGAL COSTS AND ULTIMATELY YOUR COMPANY!

Critically, amongst other things, the address of a company's registered office is the place where documents can be effectively 'served'. This means, if a supplier, employee or customer wanted to commence legal action, they would be correct in posting their legal notices to a registered office address.

Let us consider for a moment that you are a director of a manufacturing company. Your principal place of business is 1 Fake Street, but the address for the company's registered office is your personal residence, 3 Cosey Avenue. One day you visit family several suburbs over and decide that moving closer to them is what your family wants. Once relocated you settle in and are still able to make a slightly longer trip to work.

Several months pass, the kids are loving school, all your personal relationships are thriving, and the manufacturing business is booming. Then the phone rings. You answer. You're told your company is now in liquidation, your directorship of your company is suspended, and the business must cease trading immediately pending an assessment by the liquidator.

But how did this even happen? Why did the company go into liquidation? The business is profitable and can pay all of its debts. You soon learn that a previous supplier had been careless with its invoicing so outsourced its collection activities to a third-party. The third-party collector had a policy to only issue correspondence to registered office addresses and, in this case, had begun issuing invoices, statements, statutory

demands and finally a winding up notice to the company's registered office address after you had moved. The mail had never been redirected and other means of contact or mediation not sought.

Clearly you would be left confused and shaken if this was your reality. Believe it or not, situations like the one in the above example occur more regularly than you would think. Thankfully, by applying to Court and obtaining adequate advice, the winding up order was later terminated. But the interruption to business operations, the adverse publicity from the public notice that your company was in liquidation, the costs and stress are all negative implications worn from a simple oversight.

In many instances, your accountant's address may be your registered office, in which case, there would be a system in place to advise you of any important or time sensitive correspondence received in relation to your company. Your accountant should be able to advise what your registered office address is but failing that, you can either review your records or perform a search on the Australian Securities and Investments Commission database. The message here is to ensure you have a system in place to deal with incoming correspondence where your registered office address is not your principal place of business, or that of your accountant. Using this article as a simple conversation starter at your next appointment with your accountant could save you from the significant cost and stress detailed in the example above.

Contact one of our BRI specialists in Newcastle on (02) 4962 2688 or Sydney on (02) 8346 6000.





With SMSF members still working through the wide-reaching and complex superannuation changes which took effect from 1 July 2017, this Federal Budget will provide much needed stability while looking to reduce costs for SMSFs and prove additional flexibility.

SUPERANNUATION

David Henriksen | Director

SMSF Friendly 2018-19 Federal Budget

AN SMSF FRIENDLY BUDGET IS THE GOOD NEWS COMING OUT OF THE 2018-19 FEDERAL BUDGET. WITH SMSF MEMBERS STILL WORKING THROUGH THE WIDE-REACHING AND COMPLEX SUPERANNUATION CHANGES WHICH TOOK EFFECT FROM 1 JULY 2017, THIS FEDERAL BUDGET WILL PROVIDE MUCH NEEDED STABILITY WHILE LOOKING TO REDUCE COSTS FOR SMSFS AND PROVE ADDITIONAL FLEXIBILITY.

The key changes proposed for SMSFs and superannuation are:



Three yearly audit cycle for some SMSFs

The Government will change the annual SMSF audit requirement to a three-yearly requirement for SMSFs with a history of good record keeping and compliance. The measure will start on 1 July 2019 for SMSF trustees that have a history of three consecutive years of clear audit reports and that have lodged the fund's annual returns in a timely manner.



Expanding the SMSF member limit from four to six

As already announced, the Federal Government confirmed its decision to expand the number of members allowed in an SMSF from four to six. Expanding the definition of an SMSF to a fund with a maximum of six members will provide greater flexibility in how funds can be structured.



Work test exemption

The Government will provide more time for Australians aged 65 to 74 to boost their retirement savings, by introducing an exemption from the superannuation work test.

This exemption will apply where an individual's total superannuation balance is below \$300,000 and will permit voluntary superannuation contributions in the first year that they do not meet the work test requirements.



Life insurance cover in super to be opt-in for individuals under 25 years of age

The Government will legislate that life insurance cover in superannuation will be opt-in for those individuals under 25 years of age or with account balances under



\$6000 to ensure that unnecessary fees do not erode smaller balances. Life insurance cover will also cease where no contributions have been made for a period of 13 months.



Older Australian package

The Government introduced the following measures to enhance the standard of living for older Australians:

- Increase to the Pension Work Bonus from \$250 to \$300 per fortnight.
- Amendments to the pension means test rules to encourage the take up of lifetime retirement income products.
- Expansion of the Pensions Loan Scheme to allow more Australians to use the equity in their homes to increase their incomes.

How can we help?

If you have any questions or would like further clarification in regards to any of the measures outlined in the 2018-19 Federal Budget, please feel free to give me a call on (02) 4962 2688 to arrange a time to meet so that we can discuss your particular requirements in more detail.

On previous trips I have seen...some very noticeable phenomena; the massive support for start-ups, the huge investment in data capture and analysis...and now a need to show customers how and from where you source the elements of your product or service.



Partner | Nicholas Falzon

BUSINESS ADVISORY SERVICES

The View from the Other Side of the Pond

"IT IS NOT NECESSARILY ABOUT BEING THE BIGGEST AND OUT MUSCLING ALL OUR COMPETITORS. WE KNOW WHO OUR IDEAL CUSTOMERS ARE, AND WE WORK REALLY HARD TO GIVE THEM PRODUCTS THEY LOVE AND WANT TO BUY."

A great sentiment but certainly nothing I ever expected to hear from a General Manager of a rapidly growing, American manufacturing company.

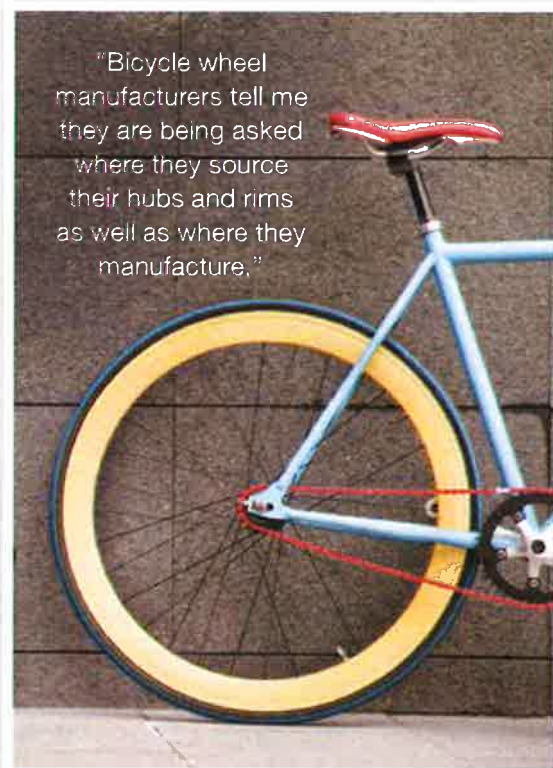
Then it got even better as he continued; *"By focusing on having quality inputs, great supplier relationships and technologically advanced manufacturing we not only have great products but great integrity and creditability. Customers are smart, you have to be transparent and honest with them but if you do they will buy into what you're doing, not just buy your products."*

In years past I would have probably choked on my terrible coffee at my breakfast meeting in a very non-descript Mexican-style diner in Monterey, California such would have been my shock, but these sentiments were being echoed repeatedly on my recent trip to the US.

I love my time each year in California for so many reasons. One of the main reasons is that it gives me a great feel for what is important to US businesses. I get some insight into their mood and what is driving the success of the good companies. We in Australia are certainly not lemmings blindly following the lead of US industry leaders – far from it – but many of their thought leaders' opinions filter through to us. On previous trips I have seen, and felt, some very noticeable phenomena; the massive support for start-ups, the huge investment in data capture and analysis, the sudden selectiveness in venture capital which caused so many start-ups to shut their doors and now a need to show customers how and from where you source the elements of your product or service.

This is most evident in any business that involves food or health and wellbeing. Restaurants noting where their meat and other products came from is very common all over the world. Supermarkets needing to do the same is also almost mandatory nowadays. However, this interest in the inputs to a manufacturing process has permeated all industries. Bicycle wheel manufacturers tell me they are being asked where they source their hubs and rims as well as where they manufacture. A high voltage plug and coupler manufacturer explained to me that they are including the source of their polymer in their advertising material.

Of course, none of this is new. Quality inputs and superior craftsmanship have always been genuine sources of competitive advantage. However, like fashion where styles



"Bicycle wheel manufacturers tell me they are being asked where they source their hubs and rims as well as where they manufacture."

come in and out of favour, these elements are certainly on trend at present. Everyone had an interesting opinion on how this will affect companies but personally, I see it providing an advantage to boutique, niche operators but this will be manifested differently in all industries and for all companies.

Very large, multinational companies who have thrived for many reasons, not least of all, economies of scale and purchasing power and, in some instances, finding this trend difficult to deal with. Every business is different as is every industry but I think Australian businesses will be well placed if they consider this when making their strategic decisions coming into the end of the financial year.

Lastly, and on a different topic, a note of public thanks to our great friends at Intertrust who I enjoyed catching up with and who, as always, provided so many contacts and insights.

To discuss your business strategy with a PKF adviser call Sydney on (02) 8346 6000 or Newcastle on (02) 4962 2688.



Only once you've articulated your goals should you take the next step: to review your business and make sure it is synchronised with achieving these goals.

BUSINESS ADVISORY SERVICES

Luke Storey | Assistant Manager

How's your Health?

AN ANNUAL REVIEW OF YOUR BUSINESS CAN BE JUST AS IMPORTANT AS YOUR OWN PERSONAL HEALTH CHECK. IT'S THE OPPORTUNITY TO STAND BACK AND LOOK AT WHETHER THE BUSINESS IS ON TRACK TO HELPING YOU ACHIEVE YOUR GOALS.

The first step is to understand the goals. For any business owner, personal goals are just as important as business goals. The business is only one tool that will help you live the kind of life you want now and all the way through to retirement. It's also critical to ensure the business is serving you, and not the other way around!

You may not actually know what your goals are, or you might find that your goals have significantly changed, or you have achieved many of the goals previously set out. That might mean a reset and finding a method for keeping yourself and your business accountable. Write them down, put a support system in place and make sure

your adviser is aware of them, so they can factor them into their advice and help with accountability.

Only once you've articulated your goals should you take the next step: to review your business and make sure it is synchronised with achieving these goals. A great tool is a balanced scorecard review from four key perspectives (see right).

Finally, are all of these in line with helping you achieve your personal goals and those of the business? If not, then you may need to rethink your business strategy and even the confronting questions around why you are in business.

If you haven't done a business review in the last 12 months or you would like assistance, our expert team can help. If you haven't spent the time to articulate your goals, our discovery sessions help business owners and their family move towards the life they want. Of course, there is so much more to 'taking the pulse' of a business, but the above considerations are a great place to start.

Financial 1

Every business should have a budget; whether it be to get everyone on the same page, help you see changes that may need to be made ahead of time or act as a measuring stick.

Cash is king, and the key sign to a healthy business is a healthy cashflow. A three-way budget will reveal likely cashflow and allow you to budget for any additional expenditures.

Customer 2

The customer perspective focuses on the people who buy your products and/or services. Time to reflect on areas such as retention rates which can reflect how satisfied your customers are. Customer satisfaction is a great indicator of success and how long you can expect your business to be around for. A SWOT analysis (strengths / weaknesses / opportunities / threats) is also important here.

Internal Processes 3

The internal business processes perspective looks at how smoothly your business is running, the key being efficiency. Are your processes documented? What if a key staff member left – do they take all the critical operational knowledge with them? Are you able to leave spontaneously for a two-month holiday and know that the business will continue?

Learning and Growth 4

The learning and growth perspective looks at your overall corporate culture, training and technology. Do your employees undertake regular training to stay up to date with the latest trends and enable you to stay ahead of the competition? Does your team feel valued? Your customers will be best served by happy, capable and well-equipped employees.

For further information contact the Business Advisory Services team in Newcastle on (02) 4962 2688 or Sydney on (02) 8346 6000.



Careful planning, preparing your business for transition and the early involvement of management will ensure a more successful transaction.

Director | Andrew Jones

CORPORATE FINANCE

Selling your Business to your Employees

WHILE IT IS A MISCONCEPTION, THE IDEA THAT MANAGEMENT BUY-OUT (MBO) CANDIDATES NEED TO HAVE ACCESS TO SIGNIFICANT CAPITAL IN ORDER TO BUY-IN HAS STOPPED PEOPLE CONSIDERING IT AS AN OPTION IN THE PAST.

Why go down the MBO path?

An MBO can be an attractive exit option for an existing business owner for many reasons, including:

High success rate: constructive and open discussions between existing owners and management regarding an MBO plan often leads to greater success levels compared to other sell down strategies like trade sale or initial public offering (IPO). Everybody knows each other, expectations are known and set early, and management's familiarity with a business will reinforce the viability of the business with them.

Reduced costs: typically, an MBO will be a cheaper transaction than most other strategies. Reduced due diligence requirements, and the possibility of using common bankers may help.

Greater transaction flexibility: sell down transactions usually involve an all-or-nothing approach. MBOs can provide an opportunity to 'stage' a transaction, allowing existing owners to realise a liquidity event earlier than would otherwise be available, provide a gradual transaction between owners, and to provide management more time to finance a buy-in.

Vendor satisfaction: most business owners spend years developing and growing a business and strong relationships and trust with managers and clients.

A successful transition of ownership to management will often leave exiting business owners feeling confident regarding the future of their hard work.

When is an MBO Feasible?

For an MBO to be feasible, there is a number of criteria which should be present. These include:

- A strong and well-balanced management team;
- A commercially sound business on a stand-alone basis, with a history of generating consistent positive cash flows, and capable of supporting an appropriate funding structure for the MBO; and
- A willing vendor and management team with realistic views regarding valuation.

Did you notice that 'a management team with lots of money at their disposal' was not one of the criteria?

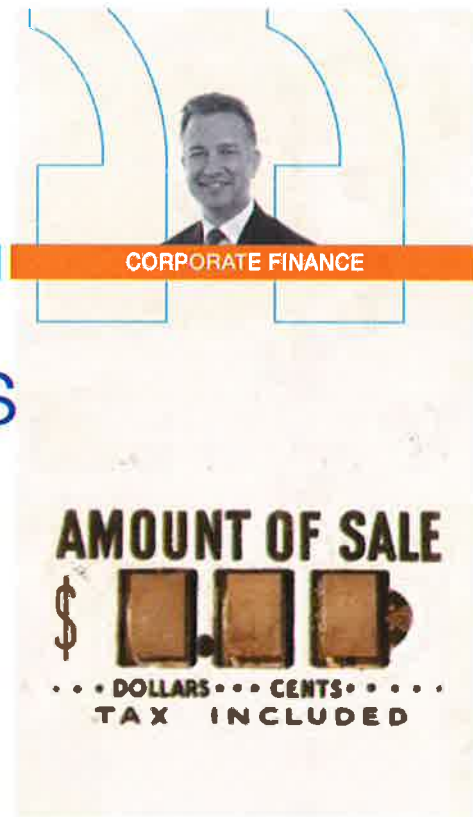
"If structured correctly, there are a number of alternative funding structures which are affordable and will help meet the goals of the existing and future business owners."

It is not essential that management have the ability to outlay a large amount of cash to buy into a business. If structured correctly, there are a number of alternative funding structures which are affordable and will help meet the goals of the existing and future business owners.

MBO Structures and Funding

There are several strategies and funding sources which can be accessed to achieve a successful MBO including:

Vendor funding: funding from the exiting owners directly, or from the company directly. There are several structures which can be put in place under this option and they work particularly well where existing owners want



to pursue a staged exit over a period of time. An employee share plan is one option for pursuing a vendor funded MBO strategy.

Bank funding: depending on the existing level of debt of the business, a large portion of the buy-in value could be funded via bank debt. This debt could either be in the form of loans directly to the company (which then on-lends to the management team to acquire equity from the exiting shareholders) or to the management team.

Private equity: management usually partner with a private equity funder. Structures can vary and generally combine a mix of debt and equity funding.

How to Start an MBO Process?

It is important to start planning as soon as possible, particularly where a staged transaction process is preferred. Careful planning, preparing your business for transition and the early involvement of management will ensure a more successful transaction.

If you are a business owner contemplating selling contact PKF on (02) 8346 6000 to discuss an MBO or other potential options.

An effective internal audit not only identifies areas of waste that could be eliminated but considers ways the business can improve its existing processes.

AUDIT & ASSURANCE

Scott Tobutt | Partner

Time to Take Control?

MOST PUBLIC INTEREST ENTITIES, MAJOR INSTITUTIONS AND GOVERNMENT DEPARTMENTS HAVE ESTABLISHED AN INTERNAL AUDIT FUNCTION.

A greater number of large private companies have recognised the importance of an internal audit function as they grow and become more diverse in their offering, more geographically challenged, and more complex businesses. Many are highly regulated, with significant volumes of transactions.

These companies are early adopters of understanding the benefits gained from internal audit – but should more be following suit?

What is "internal audit"?

Internal audit differs from external audit – it involves the review and testing of the control environment and structures and processes, as opposed to the audit of the year-end financial statements. It tests the operation of key controls, to ensure they are operating as intended, and are effective in managing the company's risk.

How does it work?

A standard approach would be to:

- Develop and execute business-focused audit plans that are linked to identified risks and company's objectives;
- Use internal audit staff with the necessary specialisation, skills, experience and personal attributes to meet company requirements;
- Proactively advise management of findings arising from internal audit work and make subsequent recommendations to generate efficiencies; and

- Regularly inform progress on the implementation of agreed internal audit and other relevant report recommendations using clear and concise reporting tools.

What are the benefits of internal audit?

Generate efficiencies & profitability

An effective internal audit not only identifies areas of waste that could be eliminated but considers ways the business can improve its existing processes. Recently a client invited us to review their revenue and debtors cycle. We identified flaws in the existing processes that was costing them significantly in interest expense and working capital. Based on the improvements identified and recommendations, our client was due to save \$200,000 annually in interest and cash flow would improve significantly.

Quality of information

By testing the key controls, this ensures they are operating effectively and that the quality of the data and information flowing through the accounting and information system is maintained. The Board and management can have greater confidence in the financial information they are reviewing and basing their decisions on.

Fraud mitigation

Internal audit provides detective and preventative measures against any potential fraudulent activity. The simple fact that there is an internal audit function would make any opportunist think twice!

Compliance

An internal audit function could potentially highlight any breaches or deficiencies in compliance or regulations through the performance of hindsight reviews. By identifying

Internal audit differs from external audit – it involves the review and testing of the control environment and structures and processes, as opposed to the audit of the year-end financial statements

the issues on a timely basis, these can be remedied before being discovered by an external regulator, therefore avoiding any potential repercussions.

Flexibility

There is the flexibility to vary the scope of the internal audit work performed. There could be a focus on specific streams (revenue, expenses, payroll), certain times and periods, staff members, key controls, information systems (inventory, sales management, budgeting) or locations/branches. The internal audit visits could be over a certain number of visits per year and in quieter periods, at the company's convenience. The internal audit function can be outsourced or performed by an in-house team.

Board responsibilities

In recent times there has been greater emphasis and scrutiny on the responsibilities of Those Charged with Governance, being the Board and Management. The internal audit function provides an extra line of defence in the management of risk.

External audit saving

Dependent on the quantity, quality and scope of the internal audit work performed there is the opportunity for the external auditor to place reliance on the internal audit findings, and therefore reduce the level of work they need to perform and their related costs. There should be savings on the external audit fee.

In the current environment, where there are higher expectations of those charged with governance, there is a greater need for a tighter, reliable control environment. Internal audit is seen as an essential component of good governance and would assist in building and maintaining a stronger control environment and generate efficiencies.

For further information on the benefits of an internal audit function, contact PKF on (02) 8346 6000.

PKF
NEWCASTLE'S

AUSTRALIA'S

Biggest
Morning
Tea

The Newcastle kitchen was filled with the smell of tempting treats and the team's taste buds were ready in anticipation for what has become a baking tradition, in support of a fantastic cause – Australia's Biggest Morning Tea.

A huge congratulations to Mahdi Parry who has defended her title for the second year in a row, taking the crown once more with her delicious cheese, spinach and bacon cob dip.

PKF
SYDNEY'S

AUSTRALIA'S

Biggest
Morning
Tea

The Sydney office also held Australia's Biggest Morning Tea to raise some vital funds for the fight against cancer.

A number of staff (and spouses) spent the previous evening baking up a storm.

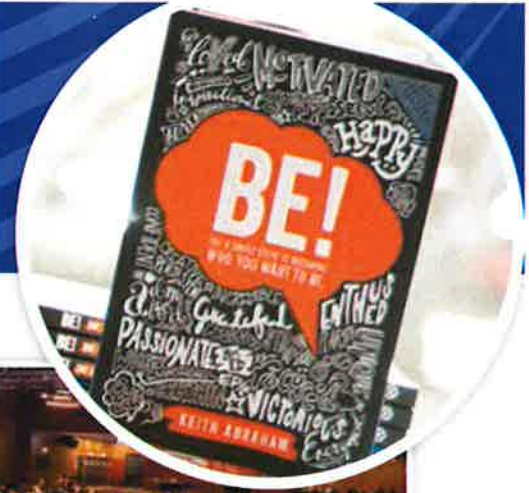
Bob Bell's wife Alison was voted #1 baker with a cake that was almost too beautiful to cut and eat.

A special mention to James Macreadie for buying a packet of Iced Vo Vo's that remarkably scored a vote!

Well done all.



PKF – YOUR TOMORROW TODAY



Over 350 business owners joined PKF and NAB for a motivating and enlivening half day workshop in order to transform the way their business and personal goals feed each other.

With special guest, international keynote speaker and best-selling author, Keith Abraham, participants dove into transforming their goals, making working for themselves, work for their life.

The interactive and motivating workshop allowed participants to hear from a panel of inspiring business owners, coaches and accountants, highlighting the importance of synergy among these aspects in business, and leaving everyone walking away with clear definition of their goals and the inspiration to turn their vision to reality.

A tremendous thank you to Keith, NAB, our Alliance Partners - Booksmart Accounting Solutions; Enigma Agency; Osborn Law; Momentum Business Improvement Specialists; Momentum for Business; PeopleFusions; Markey Insurance Brokers; The Hunter Business Review; Andor Information Technology, our wonderful Marketing & Business Development Manager Sarah Scott for pulling this altogether; our PKF volunteers and everyone else who contributed on the day.

www.yourtomorrowtoday.com.au





PKF WEALTH

Reece Marini | Financial Adviser

If your current spending habits do not align with what you see for your future, it's time to get honest with yourself, rethinking your spending and make cuts in those areas that don't align with your desired lifestyle and start redirecting this money to the areas that do.

The Power of Automation

BUILDING A CASH FLOW SYSTEM THAT MANAGES YOUR FINANCES WHILE YOU SLEEP!

Why do I need an automated cash flow system?

Cash flow and automation go hand in hand when it comes to managing your personal finances in today's fast paced world.

Understanding and knowing your money is the core and key component to building your personal cashflow system. This cash flow system will make life easy — it will help you manage your fixed, variable and lifestyle spending and will give you valuable insight into what's left over. By forward planning where your money is going you can simplify your financial life and focus on what's important to you.

Achieving your goals

Putting your goals down on paper is no easy task, so start with your best guess.

Life can change in an instant and knowing what you want to be doing in a year's time is hard enough, let alone what you will be doing in the next five to ten. However, when it comes to goals the most important thing is simply to have one (or many) – understanding what you want your future to look

like is the most direct route to making that dream your reality.

At PKF we take a holistic view and work with you to define what we call your *Future of Choice*, a multi-faceted approach that considers all your goals whether they be to buy your next investment property or perhaps to free up the time to learn a new language.

Whatever your goal may be, there are usually only two considerations:

- 1 How long will it take?
- 2 What is it going to cost?

As advisers, we can't control everything and we aren't here to tell you what your goals should be, but we are here to help you make decisions about your time and money that will best position you to reach the targets you set, and this starts with truly understanding your cashflow.



Sorting your cash flow

To take control of your finances first you need to take the time to understand the ins and outs of your cash flow. This can be a tedious task, but this knowledge will give you the tools you need to start making smart money choices that align with your ideal lifestyle.

If your current spending habits do not align with what you see for your future, it's time to get honest with yourself, rethinking your spending and make cuts in those areas that don't align with your desired lifestyle and start redirecting this money to the areas that do.

Contact your PKF Wealth adviser today to discuss further on (02) 4962 2688.



Towers Transport is a family owned business established in 1984 by Barry and Brenda Towers. In addition to their Newcastle, Sydney and Tamworth facilities, they have depots located in 15 other locations, together with an extensive agency network to ensure delivery and collection of your freight in a timely manner.



CLIENT PROFILE

Towers Transport

TOWERS TRANSPORT IS A FAMILY OWNED BUSINESS ESTABLISHED IN 1984 BY BARRY AND BRENDA TOWERS. THE BUSINESS STARTED WITH BARRY WORKING ON HIS OWN WITH A SINGLE TWO TONNE TRUCK WORKING AS A CONTRACTOR FROM A WORKSHOP IN ADAMSTOWN. THIS THEN GREW AS OPPORTUNITIES AROSE TO OPENING MULTIPLE SITES INCLUDING THEIR HEAD OFFICE AT THORNTON WHICH HAS BEEN THE HEAD OF OPERATIONS FOR THE PAST 23 YEARS.

Earlier this year the business sold to a large national transport company. At the time of selling, the business looked very different to what it started as 34 years ago. The business at the time of sale was running 97 trucks and 60 trailers and directly employing over 130 staff, running out of five depots. Across the agency network the business supported over 450 staff and contractors. On average the business would complete over 7,000 deliveries a week.

Throughout this entire time the business stayed close to Barry's family orientated philosophy, remaining family owned and run. Barry's children have all been working in the business for most of their careers, Brian Towers worked in the family business for 18 years, Mark Towers for 17 years and Scott Towers for 15 years. The business has also retained a lot of their staff for well past the 10-year long service leave mark. A great achievement for any business. All family and staff will continue to work for the business under the new owner, retaining a lot of the culture of the business.

PKF have had a key role in the businesses development, Director Simon Rutherford and his team started advising them back in 2002 and has been involved on a regular basis ever since, right through to playing a key role in the sale of the business.

Barry says, "We found that partnering with PKF enabled us to get timely and accurate reporting. The team has



always been readily available to take our questions and provide advice to help us face our challenges. When we received an offer to buy the business PKF once again performed 100% to get us the best deal, and with a deal this big this was not an easy task. The PKF team knew what our goals were and exceeded all of our expectations in helping us achieve them, we could not have asked for a better commitment from the team."

The sale process included:

- Understanding the client's goals
- Initial feasibility calculations, information memorandum and structuring
- Drafting of the deal proposal
- Heads of agreement negotiation
- Due diligence management and support
- Contract negotiation
- Settlement and completion adjustments
- Assistance with transferring over the business and records
- Estate planning for a happy future and lifestyle to achieve their life goals

"We found that partnering with PKF enabled us to get timely and accurate reporting. The team has always been readily available to take our questions and provide advice to help us face our challenges."

A key piece of advice in being able to get the best deal when it comes to the sale of a business is in the planning. Getting a business "sale ready" can make a significant impact to the sale price.

If you are considering selling your business in the future or any other succession strategy, ideally looking ahead three to five years, it is worth the discussion with your adviser, so they can assist in getting the business sale ready.

We have enjoyed working with the family for the past 16 years to help them achieve their goals and are looking forward to seeing them enjoy the rewards of their many years of hard work.

For more information head to www.towerstransport.com.au

Take 5 with... Tony Doyle

COMMERCIAL MANAGER

Q What was your first job?

A Truck driver's offsider.

Q If you could have dinner with one person, dead or alive, who would it be and where would you take them?

A My wife Amanda and somewhere in NYC.

Q Name three words to describe yourself...

A Considerate, resourceful and determined.

Q What do you love most about your job?

A The people; clients, referrers and of course our staff.

Q Do you have a career highlight so far?

A Being part of the team that managed the fit-out of our new premises and the move from our old floor. Pre PKF, I was working at a large restaurant group and during the Sydney Olympics we were



the hospitality venue for the United States Olympic Committee. It was a fantastic three weeks and it was just wonderful being in Sydney.

Tax Diary

JULY 2018

- 14** Last day to issue 2018 PAYG Payment Summaries to employees.
- 23** Due date for lodgement and payment of June 2018 monthly BAS and IAS.
Due date for lodgement and payment of 2018 year Payroll Tax Annual Reconciliation.
Due date for the Taxable Payments annual report for the building and construction industry unless lodged by a tax agent.
- 28** Last day for payment of June quarter employee superannuation contributions to avoid liability for the Superannuation Guarantee Surcharge.
Due date for lodgement and payment of June 2018 Quarter BAS if lodging by paper.
- 31** Due date for closely held trust Tax File Number reports.

AUGUST 2018

- 14** Due date for lodgement of the PAYG withholding payment summary annual report for large withholders (more than \$1m) or payers not using a tax or BAS agent.
- 21** Due date for lodgement and payment of July 2018 monthly BAS and IAS.
- 27** Due date for lodgement and payment of June 2018 quarterly BAS if lodging electronically.
- 28** Due date for the Taxable Payments annual report for the building and construction industry if lodged by a tax agent.

SEPTEMBER 2018

- 21** Due date for lodgement and payment of August 2018 monthly BAS and IAS.

OCTOBER 2018

- 01** Annual TFN withholding report 2018 – due date for lodgement when a trustee of a closely held trust has been required to withhold amounts from payments to beneficiaries.

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