

# What's Happening



## Inquisitive and innovative

It is widely debated what key traits a leader should possess. Based on my experiences mentoring and managing people, I believe that people with innovative and inquisitive mindsets are likely to achieve more in their professional and personal endeavours.

To be inquisitive implies that one shows an interest in learning, and is curious about the mechanisms behind various elements of life. If we are not curious, how would we ever discover new processes, people or places? Those who are in charge of leading need to not only possess this quality, but also to follow through with the exploration and 'hard yards', which is the by-product of being inquisitive. Team collaboration and trust

are also intrinsically linked and should be encouraged by leaders.

By the end of the 2016 year I would have quenched my inquisitive thirst by venturing to Canada (yet again) to further explore the plentiful opportunities and learning experiences that exist in the vast country. The Toronto based Accountancy Insurance team are gaining a lot of traction in the market, and are welcomed by Canadian accountants who want to learn more about how our offerings can protect their firm and clients. Even though these accountants operate under different taxation laws and regulations, the objective to provide excellent service to clients is universal.

To facilitate an inquisitive and innovative company culture, the team at Accountancy Insurance is delighted to introduce Rex Oakman to the role of General Manager of Operations (Australasia). With Rex in the fold, and working closely with me as well as the rest of the team, we are able to address what the company needs now, and also looking into the future. By collaborating on the lessons learned in each market (Australia, New Zealand and Canada), our goal is to refine our innovative processes and systems so more accountants across the globe deem our service offerings essential.

(Continues overleaf)

## From Ferdy (continued from cover story)

Recently I asked myself what innovations the world has seen in 2016 that we could learn from. One which I am sure people can relate to is the Pokémon GO craze. Whether you indulge in the gaming application or not, it cannot be denied that it has certainly captured the attention of millions of people. I pondered what key elements attributed to its success, and I have surmised that the nostalgic game ultimately provides the audience with a sense of accomplishment in order to 'catch 'em all'.

Many people in the workplace, whether they are working on a project or trying to tick a box to satisfy their KPIs, share this same meticulous, and what may be described as obsessive, nature towards a particular objective. What I suggest is to encapsulate the essence of this craze - foster a work environment that encourages goal setting and exploration.



**Ferdy Ouw**  
Director

# Pulse report probing accountancy trends

CommBank's *Accounting Market Pulse* is a report that captures the sentiments of a cross-section of accounting firms around the country.

Since the December 2015 edition of the report, business confidence has dropped slightly across the industry. But accountants are proactively taking steps to future-proof their businesses. The May 2016 edition provides insights as to how they're shaping the accountancy landscape, with highlights noted below.

### How to best price to meet changing client needs

Many firms are moving away from routine accounting work and diversifying into a wider range of service lines — from financial advice and property advisory services to management consulting, corporate finance and wealth management. They may now be better described as advisory firms.

While this is great for business, it also presents a difficult question: how much should accountants charge for these services? Of the firms surveyed, 40% say that negotiating prices with clients is the biggest challenge for their firm.

### Outsourcing and off-shoring set to increase

Firms that diversify their services also reduce their dependence on traditional accounting revenue streams, such as tax, BAS and bookkeeping work. By outsourcing those tasks at a lower cost, firms can instead focus on delivering higher-value advisory services to their clients.

While 80% of large firms are already outsourcing to lower-cost providers, 26% of smaller firms are yet to make the transition. Smaller firms are joining forces to increase their buying power and to leverage best practices — so rather than one firm paying for outsourcing services, there's the opportunity to band together and buy in bulk.

The chart on the right indicates the predictions from accounting firms regarding the future of outsourcing.

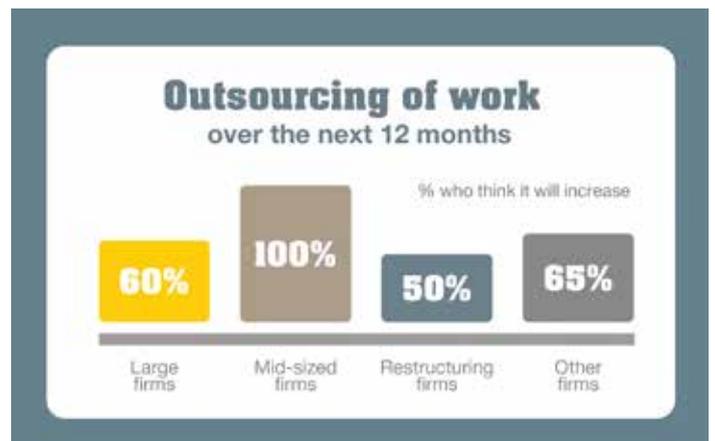
### Attracting and retaining talent

While outsourcing looks set to become a necessity for more firms, it will also impact each firm's internal resourcing needs. This could be one of the reasons some firms are already struggling to attract talented junior staff.

While 37% of firms cited staff recruitment as being one of the biggest headaches they face, many are rising to the challenge - for example, by attending university open days to promote accounting and financial advice as appealing career options for graduates or creating apps to promote the firms to university students.

To overcome staff retention issues, firms are also actively investing in the career development of their staff. Among the firms surveyed, a net increase of 43% of firms are expected to increase their training expenditure in the months ahead.

**CommonwealthBank**



# Common pitfalls in managing a SMSF

Accountants can play a pivotal role in helping their SMSF clients address common pitfalls when managing their SMSF and help their business at the same time.

Examples of common pitfalls include:

## 1. Failing to genuinely form and review an investment strategy.

A detailed investment strategy with a robust review is likely to lead to better outcomes.

## 2. Managing for compliance - but not performance.

While regulators focus on compliance, trustees should also focus on managing their fund well.

## 3. Failure to adequately benchmark their performance to secure better outcomes.

Appropriate benchmarking helps investors improve outcomes. The problem is there has been a lack of good benchmarking information available for SMSF trustees, who tend to invest differently to large super funds.

How can you, as their accountant, help trustees avoid these pitfalls? A simple change in the conversation with your SMSF clients could make a big difference.

For example, instead of telling SMSF trustees they 'must' review their investment strategy, they may respond differently if you propositioned, such as 'You may be curious to see how your fund is performing, compared to other SMSFs and appropriate benchmark portfolios designed for SMSFs.'

Their curiosity may be sparked leading to an increased connection with their fund. This simple change in wording makes it a 'carrot' rather than a 'stick' for trustees to pay more attention to their investment strategy, their returns and risks, and go beyond the minimum requirement for compliance.

SMSF Benchmarks can help facilitate this change in conversation. We are an independent online service which allows trustees and their accountants or advisors to compare their balance, total-fund returns and levels of risk against all SMSFs (subscribers), others in the same age group, others in the same phase and importantly – others investing in a similar way to them.

By providing new benchmarking information to your SMSF clients, you will be informing, educating and empowering them to make better decisions which should lead to better outcomes.



**Nick Shugg**  
CEO  
SMSF Benchmarks

Using SMSF Benchmarks as a tool in the background, you can:

- Help your clients avoid these common pitfalls
- Give your clients evidence that they have reviewed their investment strategy
- Increase your client retention
- Secure your core 'tax and audit' revenue streams
- Create new revenue streams
- Increase referral rates to your internal advice team, or to your external joint venture with an advisor

For more information on how we can support you and your SMSF clients, contact us by email on [support@smsfbenchmarks.com.au](mailto:support@smsfbenchmarks.com.au) or call Lyndon Dean on 0418 439 569.

## Exclusive offer to Accountancy Insurance clients

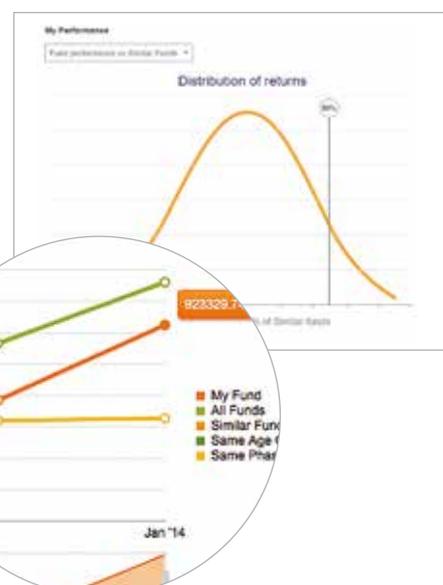


Register as an advisor (accountant) for just \$55 (normally \$200) and receive:

- Two (12 month) investor subscriptions for free
- Access to resources and nurturing content for your clients
- Discounts for additional subscriptions, based on volume

Visit [www.smsfbenchmarks.com.au](http://www.smsfbenchmarks.com.au) and register using the Discount Code **AI-SEP16** or email [support@smsfbenchmarks.com.au](mailto:support@smsfbenchmarks.com.au) for details.

Offer valid until 30th November 2016.



## Expanding the net of audit activity

If we are to believe what we read in the media, the sharing economy is still high on the Australian Taxation Office's (ATO) radar. The rapidly evolving sharing economy, in the form of household names such as Uber and Airbnb, has the ATO concerned that these entities are not paying their fair share of tax – and so the net widens for more scrupulous data matching efforts. The ATO cautioned that it has more than 600 million pieces of third-party data to track activity and income so this will no doubt join one of the many areas on the 'hit list'.

Media aside, what we have seen from our client claims statistics in the past 12 months is that full audits, including comprehensive risk reviews and High Wealth Individual (HWIs) reviews, increased by 34% in the number of lodged claims, and 98.8% in the total claim value. In regards to HWIs we have seen the effect of the ATO's change in focus regarding how it now deals with HWIs and privately owned wealthy groups. The ATO are no longer issuing many private group structure

questionnaires, but instead using the information that they have been able to gather through their own internal data matching means and then, where deemed appropriate, commencing a comprehensive risk review, many of which progress to a full audit.

In the last edition of the *What's Happening* newsletter I referred to the VIC Land Tax campaign which was prevalent in the latter half of 2015 year. We are still seeing the flow-on effect of this contributing to the increase in claims. Interestingly, more than 60% of category types (for example BAS, Income Tax and WorkCover) exceeded, if not remained consistent, in relation to the number of claims lodged compared to the previous financial year.

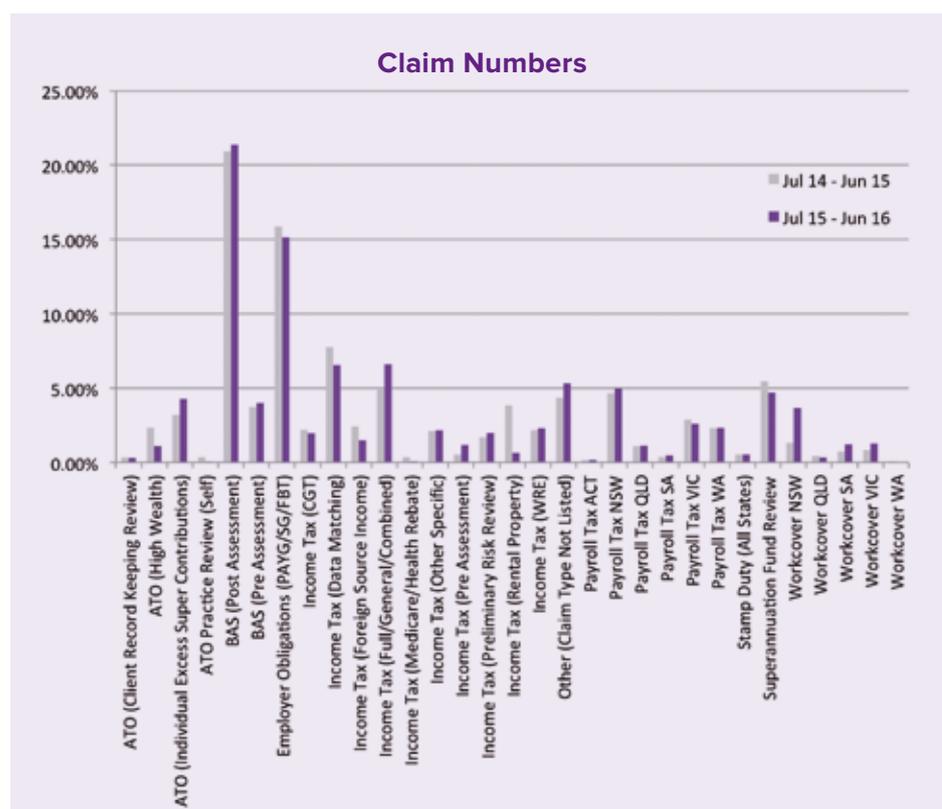
Audit activity in relation to Payroll Tax has been steadily increasing across all states in Australia. However, NSW topped the list as the state with the most significant claim numbers and claim values. As the Australian Federal Government aim to increase audit activity funding by 55% over the next four years,

growth in audit activity will continue as it remains a major source of revenue for the government. The graph on this page will provide you with an overview in the change in audit activity patterns that the Accountancy Insurance Claims Department have noted in the last financial year.

Lastly, I would like to conclude the article with a salient figure - \$1,000,000. This is how much we pay per month in professional fees to Australian and New Zealand accountants that have been incurred by their clients as a result of audit activity. This figure is based on an average monthly total, based on the data of more than 2500 accounting firms since July 2015.



**Rod Spicer**  
General Manager of Claims  
and Underwriting



### Rod's ATO hit list predictions:

- Clout of the Tax Avoidance Taskforce
- Further targeting of large private groups and HWIs
- Reviewing the sharing economy
- Real time data through the introduction of SuperStream which will result in more Super Guarantee audits

## The considerations of outsourcing

'Cloud' and 'outsourcing', these are likely two of the most commonly used words we have heard over the last few years in the accounting profession. The latter presents partners of accounting firms with the decision of outsourcing client tax returns and considering what effect this will have on their firm.

The main benefit of outsourcing is undoubtedly to improve the bottom line, passing on the work to regions like Asia or India, who will pay considerably lower rates than we do in Australia. The rates for basic compliance based tasks can be as low as \$5 an hour.

The main debate for outsourcing is whether the cost savings outweigh the potentially detrimental effect on the quality of work. In fact, the majority of CCASA clients cite the quality of work as the primary factor in considering whether to outsource, as well as how will they allocate their current workplace resources.

CCASA has been partnering with accounting firms in providing an alternative (outsourcing) solution for more than 14 years by assisting to satisfy their clients' corporate compliance needs. CCASA provides an outsourcing solution

that not only saves overheads and frees up valuable resources, but is an Australian based organisation. For more information please visit the CCASA website at [www.ccasacom.au](http://www.ccasacom.au).

Alternatively you can contact Lee O'Sullivan on [Lee@ccasacom.au](mailto:Lee@ccasacom.au) or 0450 346 550.



## Adventures of the Tax Man

The Accountancy Insurance Tax Man has been spotted around the globe! Since our last edition of the *What's Happening* newsletter, the Tax Man has been to India, Italy and New Caledonia, just to name a few locations.

If you would like a Tax Man to take on holidays with you, please email [taxmantravels@accountancyinsurance.com.au](mailto:taxmantravels@accountancyinsurance.com.au) and we will ensure that he makes his way to you!

**Clockwise from the top:**

- 1. At the Constitution Monument in Cadiz, Spain.**
- 2. Digging the machinery in Kalgoorlie, Australia.**
- 3. Admiring the grand buildings in Florence, Italy.**
- 4. Settling in for a long haul train trip from Udaipur to Agra, India.**
- 5. Enjoying a feast for the eyes in Jodhpur, India.**
- 6. The Basilica of the Sagrada Familia in Barcelona, Spain.**
- 7. Wondering which way to go at the Amadee Lighthouse, New Caledonia.**



## SMEs voice thoughts on digital disruption

Bentleys is a collaborative, mid-tier network of firms that provide business advisory, accountancy and auditing services for small to medium enterprises. The network's purpose is to help their clients achieve their personal and business goals. One way that Bentley's achieves this is to conduct a long term research project that follows and explores the mindset, needs, expectations and concerns of the SME business environment.

*The Voice of Australian Business* survey, which takes place approximately every six months, has started to reveal key trends and data about the SME environment. The data is sought out by other professional service providers for its relevance and insightfulness. The title of the survey is very apt as one of the key complaints of SMEs is that they feel that they do not have a 'voice' yet they produce over 90% of Australian GDP and they employ over 69% of the workforce.

The results of the fourth survey have been released. Conducted in April 2016, and prior to the Budget and General Election, the survey focused on key concerns or emerging trends. One key

theme that was particularly interesting was 'digital disruption', revealing surprising trends.

Respondents indicated that the pace of change is happening too fast for them to keep up and the lack of social interaction that occurs through virtual meetings has become a challenge in itself. This could be why we are seeing Amazon open high street book stores, as businesses and people want a degree of social interaction. 25% of the businesses surveyed saw digital disruption as an opportunity whilst 29% saw it as a threat. Yet there was general acknowledgement (60% of those surveyed) that technology benefited businesses in most areas; but only 17% indicated that they had introduced automated procedures and 53% indicated that they had not introduced any new technology at all, despite admitting that it may benefit their business! Of the 43% who had introduced some degree of new technology, an average of 68% admitted that the business had benefited.

For Bentley's such data is a touch point. We are able to use statistics in discussion with clients and indicate what other SMEs

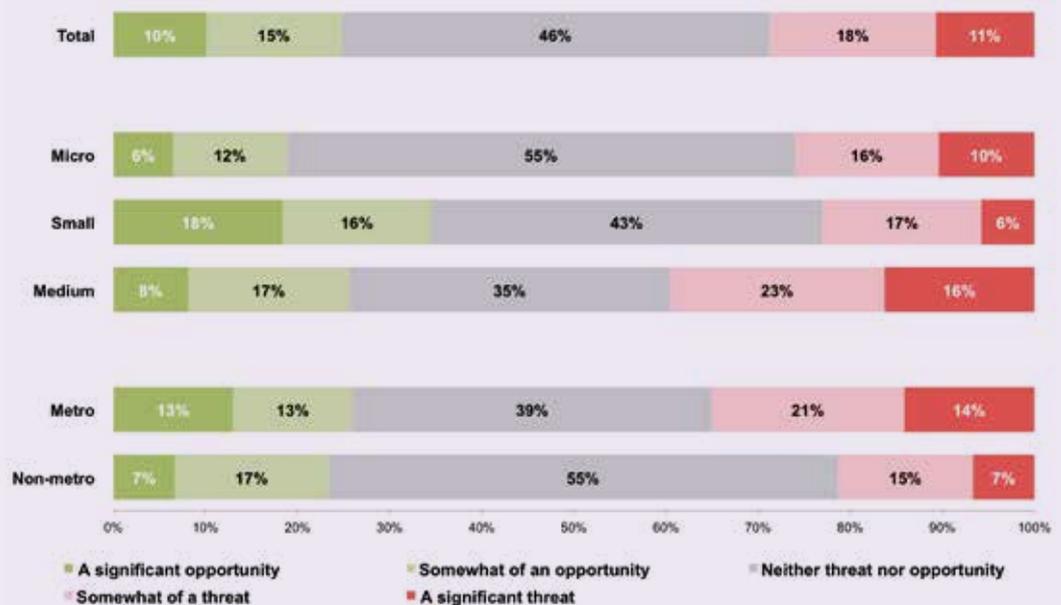
are doing in response to the challenges they face. The fifth, and next edition of the survey will look at a number of challenges that SMEs face with the NBN. For more information on *The Voice of Australian Business* please contact me at [ceo@bentleysnetwork.com](mailto:ceo@bentleysnetwork.com).



**Mark Chapman**  
Chief Executive Officer  
Bentleys Australia and  
New Zealand



### Digital disruption - a threat or opportunity?



# Innovation in Professional Risks is just a click away

When I entered the workforce, the main method of communication aside from landline phones was a telex machine. In fact, if our business wanted to send a facsimile we had to use the international hotel over the road from the office. Technology has come a long way since then.

To ensure the process is easier for our accountants in relation to their professional indemnity insurance, we have listened to what our clients want. Completing a six page proposal form each year by hand is a laborious task, in addition to taking the time to scan and email the form to us, to then await terms from the insurer.

Accountancy Insurance offers an online service, and has done so for the last two years, to ensure an efficient process for clients.

90% of our business is now conducted online where clients can request a quote, bind cover and pay using a credit card. The client then receives a policy wording, all in a few clicks. This reduces the amount of time spent on professional indemnity insurance considerably. Once you complete the online proposal form in the first year, this information is then pre-populated at the next renewal so all you



**Karen McDonald**  
Associate Director - Professional Risks

need to do is review the information and update if necessary.

As we are in a 'no wait', tech savvy society, we all have to adapt to making the process of doing business easier and more efficient.

If you do not currently have professional indemnity insurance with us, take a look at our website and request a 'Quick Quote'.

If you have any questions regarding Professional Risks, including cyber insurance, please call 1300 552 867 or email [info@accountancyinsurance.com.au](mailto:info@accountancyinsurance.com.au).



## Team milestones

The Accountancy Insurance family is delighted to congratulate three team members who have reached their five year milestones.

Fiyon Zeng started her journey with AI in the Brisbane office, later moving to Melbourne where she joined the Finance Team.

Richard Pan is an Account Manager and Le Tan is the Office Manager, both based in the Sydney office.



**Ferdy Ouw with Fiyon Zeng**



**Rex Oakman with Richard Pan**



**Rex Oakman with Le Tan**

## Where we will be in 2016

Monthly	<b>CA ANZ</b> Monthly Tax Updates Various locations
19th - 20th September	<b>CA ANZ</b> National SMSF Conference Melbourne VIC
24th - 25th October	<b>Smithink</b> Accountants' Technology Showcase Australia (ATSA) Melbourne VIC
8th - 16th November	<b>SMSF Adviser</b> Technical Strategy Day Various locations
5th - 7th December	<b>Global Business Camps</b> SMSF Advice GBC Kingscliff NSW

Connect with us 

## Contact Us

If you have any further queries about Audit Shield, please contact us.

### AUSTRALIA

T: 1300 650 758  
F: 1300 554 773  
AFSL: 276100  
ABN: 93 149 413 912  
ACN: 108 983 295

#### Melbourne

Level 9, 60 Albert Road  
South Melbourne VIC 3205

#### Sydney

Suite 402, 19 Roseby Street  
Drummoyne NSW 2047

#### Brisbane

Level 1, 189 Grey Street  
South Brisbane QLD 4101

#### Perth

Unit 16, 210 Bagot Road  
Subiaco WA 6008

#### Adelaide

Suite 34, 213 Greenhill Road  
Eastwood SA 5063

### NEW ZEALAND

T: 0800 001 299  
F: 0800 001 290  
FSP: 153484

#### Auckland

Level 4, 5 Short Street  
Newmarket Auckland 1023

### CANADA

T: 1800 353 3750  
Accountancy Insurance Brokers Limited

#### Toronto

110 Spadina Avenue, Suite 209  
Toronto ON M5V 2K4



[www.accountancyinsurance.com](http://www.accountancyinsurance.com)