



REVIVE

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The Future of Governance

By Schon G Condon RFD

Governance has long been a focal point raised by many, from elected Ministers at one end to the smallest lawyer or accountant advising the smallest of family businesses on how they should operate. It is by no means a new concept and it is one that these days many professional organisations make a lot of money out of selling training, programmes, checklists and other material that is aimed at simplifying and protecting an organisation, theoretically, against itself.

Much noise is made that the largest area of risk is in the smaller operators where they cannot afford the sorts of systems or staff or independent reviews and checks that will protect them from either errors or the potential of some form of deliberate attack, internal or external. It is fair to say that there are rogue operators out there that set up and operate businesses for the specific purpose of criminal activity. Just as for many other areas of life those that do this are career (white collar) criminals; the biggest problem here is that we mostly either don't write laws good enough or alternately don't enforce those that are to prevent this form of consistent behaviour.

What is interesting to note over the last few months however, is how significant failures in governance processes in some very large organisations, from a very broad range of backgrounds, appear to have almost become just another part of routine corporate or societal life. The responses and stands taken by various parties to these debates, or in fact numerous legal actions that have ensued can to varying degrees beggar belief. If this was a one off then it would be passed for what it was, an error of judgement. Unfortunately there appear to be many.

The issue for me with these matters is that they have not happened in isolation; in that I am not referring to the fact that a number of them have all popped up at once but the fact that all of these organisations appear to have significant and notable advisors in a wide range of specialist and statutory capacities. It beggars belief that so much can actually go on that the general public considers to be on the extremity of unsavouriness and it can pass under the eyes of so many without comment; or in the alternate that they remained happy to continue claiming remuneration in circumstances where it was clear that their advice was being ignored.



It is regrettably, growing increasingly possible for threats to be made about governance issues and creating smoke screens around what is really going on. Even more regrettably is that the gap between what is considered normal and acceptable in large organisations can be significantly at variance with what the bulk of the population and certainly small business consider both necessary and appropriate. Society even goes as far these days to ensure that such largesse is in certain

circumstances even enshrined in law; simply look at the difference in deductibility for entertainment and dining that exists between large organisations that can afford to operate their own in house dining facilities and those smaller that cannot.

With such gaps it becomes easy to lose sight of reality and enter a blurred world of privilege and comfort that is well beyond what is appropriate in the eyes of members or owners, and even more so the general public. The press has long made the lives of the rich and famous a very public issue which is often perceived (probably correctly) that it is coming out of their personal pocket. There are regrettably many others who seek to aspire to such pleasures and thus see it appropriate that the organisation that employs them should shower them with such benefits, and in many cases well beyond. Trust me the issue here is not about the odd drink or movie but is all the more about the difference between a room or a penthouse suite, or a bottle of wine worth less than \$100 and one worth thousands.

This may appear to have been a bit of a rant but it is more that the instances are on the increase not the decrease, and that there are enough warning bells for all to revisit and clean up their collective acts. The economy is becoming more and more difficult for many to profit from and behaviour is rapidly becoming much more public, I doubt it is going to become any easier.

We will no doubt wait and see.

Please at least enjoy the rest of the read!

Are Employers Ever Responsible for the Actions of Employees?

By Ashley Edwards

After a spate of recent stories in the media on employees committing criminal offences within their responsibilities, many employers are left asking "Am I liable for my employee's actions".

In order to answer this question we turn to the High Court for their ruling, which states: "Where the employee takes advantage of his or her position with respect to the victim, that may suffice to determine that the wrongful act should be regarded as committed in the course or scope of employment and as such render the employer vicariously liable."

By identifying that employers can be vicariously liable we can now review some examples to test the application of the law. One example that is seen again and again is theft of private information. Under the Privacy Act, it is an organisation's responsibility to keep the details of customers private and secure. This can be achieved, however employees can still access and sell or transfer this important information.

One recent example involved well-known online retailer "Showpo" where a former employee copied the database of customer details and took the information to her new employer, also an online retailer. Customers became concerned after receiving emails from an unknown organisation that their personal information had been sold on and complained to "Showpo". In legal proceedings by "Showpo" against the rival online retailer, a court found in favour of "Showpo" and the company was awarded compensation for the use of its intellectual property and damage to its reputation from the data breach.

After reviewing the High Court findings and similar cases, if a customer or group of customers had sued "Showpo" for a breach of privacy by allowing an employee to have the opportunity to breach procedures in order to gain their private information, there is a strong likelihood that "Showpo" would have been found liable for their former employee's actions.

Within the banking and financial advisory sector in recent years there has also been a number of examples of criminal behaviour where the employer has also been held responsible, particularly in the area of financial planning and advisory.

One example is the case of former financial advisor Mr Thanh Tu, who when employed by Patersons Securities Limited who was gaoled for nearly ten years for stealing around \$9,000,000 from investors and providing false documentation in relation to the "investments". It was also found that Mr Tu paid interest to the investments of some clients directly from the investments of other clients in a "pyramid" style scheme. It is understood that Mr Tu took advantage of a number of his clients' poor command of English to funnel funds between accounts and ultimately into the account of a personal holding company which

he then invested in high-risk investments. Only a fraction of the funds were ever recovered.

Patersons Securities privately settled with each investor to ensure they were fully compensated for their loss.

As we have seen there is usually a good chance that if an employee acts in an illegal manner then the employer will have to pay some kind of compensation for the actions of the employee. This is where employers must ensure that appropriate controls, procedures, training and reviews/audits are completed. It is also imperative that insurance policies are up to date thus allowing employers to claim against these policies should a court find them liable in any way.

Preparing Your Business for EOFY

By Tanja Stancevic

The End of Financial Year is a time for businesses to get their things in order. With less than a week to go, it is worth implementing some of the tips below if you don't already have a strategy in place. Remember, once it hits 1 July there is no way of reducing your tax liability.

The vital goal for businesses is usually to maximise income and keep expenses to a minimum. However, when it comes to tax time, the contrary counts. As a corporate tax payer you want to ensure that you minimise your income and maximise expenses in order to ultimately reduce your tax liability for the end of the financial year.

To do this, consider delaying sales invoicing until after 30 June if you are in profit. Although, if you expect higher income from 1 July, it might be worth bringing the sale forward. The same can be said for asset sales, but you should also take into account your expectations for future asset prices i.e. don't postpone a sale if you expect the investment to fall in value. If you have sold any assets during the year and made capital gains, consider selling any loss-making assets. This capital loss will offset your earlier capital gains. Don't forget - capital losses can only be offset against capital gains, income losses can only be offset against income earned.

In line with this strategy contemplate bringing forward any deductions. This involves writing off any bad debts, pre-paying any interest or insurance, paying any superannuation liabilities, and possibly adjusting inventory valuations.

Businesses with a turnover less than \$10 million can also accelerate business deductions and receive an instant 100% deduction for assets purchased up to \$20,000. It must be noted that this is only for depreciating assets, so if you need to make a large asset purchase for your business consider doing it before 1 July.

All employer superannuation contributions must be paid to, and received by the super fund before 30 June to be eligible to claim as a tax deduction. They must also be within the concessional



contributions cap of \$30,000, or \$35,000 for those aged over 49. A number of superannuation changes take place from 1 July; make sure you review and update your strategy to account for this. There is no positive in making a contribution now and missing out on potential tax saving opportunities for the end of the next financial year. For a detailed explanation of the new superannuation changes, have a read of our article "Changes to Superannuation from 1 July 2017 – *the clock is ticking*", on our website.

When assessing these tips you must keep in mind that spending money for the sole purpose of gaining a tax deduction can be counter-productive. Care is needed to ensure you don't sacrifice lost income or buy things unnecessarily. The business' decision must be made primarily with a strategic plan in mind, with the tax considered being a contributing factor. It is only through careful planning and management that businesses can dramatically improve their tax position.

The Lending Pitfalls

By Roger Byrne

So it's time to invest in your business and you have big plans for this year. You make a couple of phone calls to the financiers and suddenly you realise that not everyone shares your positive outlook regarding your growth and expansion. If this sounds a familiar story, you are not alone. It can be a very frustrating experience to try and access asset finance or secured/unsecured business loans and find that even if you are looking for less than \$50k it can be difficult to access the capital at a reasonable rate, if at all.

There can be many reasons why lenders may not consider your application, lack of up-to-date financials, poor historic financial performance, poor credit, lack of assets/security, short business history, tax issues to name but a few. Depending on the type of finance required the lenders will look at a number of business indicators:

Cashflow

Do you have the financial resources to service the loan repayments. If the business has not shown a profit in the last year and you want to purchase a \$30k piece of equipment, where is the money coming from to meet the repayments. It is easy to say that the lender can repossess the equipment, but in reality, no lender wants to do this, not least because the second hand market can be unpredictable.

Security

What assets does the company actually have, as \$500k of goodwill on the balance sheet is not a realistic asset for the lender. How much debt does the business already have, and what security has been taken by other lenders e.g. First mortgage, second mortgage, charge over assets on the PPSR. Remember, even if the asset you purchase is securing the loan, it is not the intention of the lender to liquidate this so they will need to see the serviceability of the repayments as well.

A Strong Business Plan

This is especially important where you might be refinancing a business or securing bridging finance. The lender will need to understand how

you are going to service repayments and also have an exit strategy from the loan, whether this is through increasing business profits, realising some assets or migrating to another form of finance.

A good experienced broker can help guide you to the appropriate type of finance for your needs and will understand the debt serviceability of your business.

Marketing for a Rapid Turnaround

By Edward Zia Marketing Mentor, Blogger & Consultant at Condon Associates Group

Be it your business is madly successful or you are in a bit of 'hot water' numbers wise, 'Profitable Marketing' is everything.

Companies which employ High Return & Low Cost Marketing Strategies with a key focus on Sales, Brand as well as Profitability are in the best position to grow (regardless of the base).

However, when a business is in distress, everything must occur faster, with a massive sense of urgency, priority and drive. Ironically this can be a good thing from a Marketers viewpoint in that companies that feel complacent are the first ones to get lazy about their development (and if they aren't careful, will wind up in 'distress').

Of the thousands of people we have helped in distress over the years, these are the Top 7 Points we recommend stat:

1. **The Business itself:** Are there any issues in the business that Marketing won't solve? Key areas to examine is your pricing, product, service and basically fix up any problems here. Once this is done, you are ready to Market.
2. **Real World Marketing:** Before you even think online, it's critical to ensure that you have the basics in place. This can include a decent brand, retail signage, sales materials and business cards (depending on the nature of the business). For example, we have turned around retail clients just through their building signage alone.
3. **Sales and Lead Management:** Once the leads start pouring in, are they converting correctly and being managed well? Even though this is technically 'not' a Marketing issue, it is. If leads aren't converting due to poor Sales Management, this is a big problem for everyone.
4. **The Website:** Websites are very inexpensive to build and update these days and it's a Sales Person that works for the business 24/7. It must be perfect in that if it's not converting, there is little point in sending lots of potential customers there to visit. Get this right first!
5. **Email Marketing & Warm Customers / Prospects:** Especially for businesses that have been around for a while; chances are there are lots of old customers and contacts. Email Marketing (e.g. fortnightly

newsletters) are nothing new, BUT are powerful in that you are Marketing to a very warm audience. In case studies for our clients, we have had sales increases of 40% just with this technique alone.

- 6. Facebook, LinkedIn & Social Media:** Depending on the business, it is usually Facebook, LinkedIn, a bit of both or one of the other. Facebook can be a great community platform with LinkedIn perfect for targeting high value decision makers. You can work these platforms for Leads & Sales for a real low cost. For example, a simple \$10/day on Facebook usually gives about 1,000 views. You can sign up to LinkedIn Sales Navigator for \$100/month and send out 75 messages to new potential clients. Powerful!
- 7. Your Business Networks and Partnerships:** Be it approaching partners, working through the Business Chambers or even old school (yet powerful) face to face business development; face to face is today even more powerful than what it was in 1950's. As 'everyone' is online these days, going to face to face can convert very well.

Our advice and thinking? If you are in distress firstly we feel for you. We have helped thousands in this position. When the business is right, it's then time to market and sell harder than you ever had before.

You can not only turnaround your business; but can make it even bigger than its previous peak.

To learn more and for any Marketing Assistance, please speak to your Condon Associates Group contact.

2017 RAA Association and Condon Associates Group Charity Golf Day

The Annual RAA Association and Condon Associates Group Charity Golf Day will be held on 7th September 2017 at Rosnay Golf Club Auburn. The event is organised each year to raise funds for Legacy, a great cause supporting Australian Families who have suffered from an injury or the death of a parent or spouse whilst they were serving their country.

Any donations would be welcome, including any prizes that you feel would make a worthy contribution to the day. If you have any questions please feel free to contact Tanja Stancevic on 9893 9499 or via email at events@condon.com.au. More information will soon be released.

Upcoming Events

10 July 2017 - Parramatta Accountants Discussion Group

7 September 2017 - Annual Charity Golf Day

Condon in the Community Moorebank High School Anzac Day Address

On Wednesday 5th April 2017, Schon Condon, having been actively involved with the Army Reserve for over 35 years, was invited to attend Moorebank High School's Anzac Day Ceremony as their Guest of Honour and speaker. The Headmistress indicated that *"their Anzac Day Ceremony represents a significant highlight of the school's academic year."* Anzac Day is one of Australia's most important national commemorative occasions that continues to gain increased support. It marks the anniversary of the first major military action fought by Australian and New Zealand forces during the First World War.

Moorebank High School was very appreciative that Schon took the time out of his day to make an address to each of the assembled School bodies. Further the coordinating Teacher, Jon Green, indicated that *"the address was very well received by all students and they very much appreciated the insight into life in Australia around the time of the Gallipoli action."*

Lest We Forget.



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