

HALL CHADWICK 
ASSOCIATION

HCA SPRING
NEWSLETTER

2018



PrimeGlobal

*An Association of
Independent Accounting Firms*

CONTENTS

Our Chairman's Address	3
Appointment of New Partners	4
PKF Joins The Hall Chadwick Association	7
Introducing Hall Chadwick WA	8
Hall Chadwick Expands With New office In South Australia	10
Tax Alert: Common Reporting Standard	11
Hall Chadwick Confirms 15th Year Support For Disability Services . .	12
Annual Client Cruise hosted by Hall Chadwick	13
Occupational Fraud & Its Challenges to SME	15
The Cash Goodwill Factor	19
Manager's Conference 2018 Melbourne	21
New Brisbane Office Accelerate Queensland Growth	23



OUR CHAIRMAN'S ADDRESS

BRENT KIJURINA

A warm welcome to the Spring Edition of the Hall Chadwick Association 2018 newsletter.

This is my first column as Chairman of the Hall Chadwick Association. Firstly, I would like to thank my predecessor, Brendan Vaughan from Hall Chadwick QLD for his passion, dedication and hard work to the Association during his three years as Chair.

It is hard to believe that we are now in the last quarter of 2018 and only two months to Christmas. What a year so far. We have seen a World Cup, two royal weddings, the miracle of the Thailand Cave Rescue, the tragedy of the Greece wildfires, an initial 87 million Facebook users affected by a data breach and then only last month, another 50

million affected users, the Donald Trump meetings with Kim Jong Un and Vladimir Putin, the Winter Olympics, six decades of Castro leadership ends and what should only happen in a movie takes place in the UK with the nerve agent poisonings and of course, in recent days, complete coverage of the Duke and Duchess of Sussex trip to Australia.

We all know that a business plan is important for the success of any business (I am yet to see a business plan from any company that I have been appointed Liquidator to) and there should be no reason why we shouldn't have our own personal plans.

As the days go by, the weeks go by, the months disappear, and another year concludes it is important to take a breath for oneself. Spending time with friends, family and loved ones is so important – it is so easy to get caught up with work.

I remember words from a lecturer on day one at university which no doubt all readers would know – “Do you want to live to work or work to live?” – how true that saying is and how true it can be that the two options become intertwined from time to time in our working lives.

...anyway, back to it!

The Association has experienced extraordinary growth in 2018 including new office moves, the opening of our Adelaide office, appointment of new partners, our continued support for charity events throughout the country as well as the bolstering of the Association's capabilities in Western Australia.

Our newsletter covers some very interesting technical subjects including the Common Reporting Standard, Occupational Fraud and the Cash Goodwill Factor.

A thank you to all the contributions received from the Partners and staff of the Hall Chadwick Association to put this newsletter together. A thank you also to the head of our Association's Marketing Division in Sydney, Kimberly Vo-Le.

Thank you for taking the time to read our Newsletter and trust that you will find the contents interesting and useful.



APPOINTMENT OF NEW PARTNERS

Hall Chadwick is delighted to announce Carl Huxtable, David Watt, John Vouris, Richard Croaker, Richard Lawrence, Sanil Raje, Clive Massingham and Wayne Healy as new Partners of Hall Chadwick.

Hall Chadwick has been growing significantly every year with growing demands for expert advice in industries such as building, construction, mining, manufacturing, property, retail, restaurants and many more. We believe our firm assist clients to reach their business potential and business goals with the help of our amazing staff and experienced business advisors. To accommodate the elevated business growth at Hall Chadwick, our firm now welcomes five additional expert advisors in the Insolvency & Business Recovery Division and Forensic Division.



CARL HUXTABLE

Insolvency & Business Recovery Partner

Carl joined Hall Chadwick in March 2013 as a recovery and reconstruction specialist. With over 17 years experience in the insolvency industry in Western Australia, Carl has been involved with companies in various industries, including import / export, transport, retail and wholesale, investment, labour hire, mining services, construction, real estate, mineral exploration and road safety. Carl has also been published in the Australian Insolvency Journal and regularly writes and presents papers for Legalwise Seminars and other technical groups.

Contact Carl Huxtable by telephone at (08) 6557 6200 or email Carl at chuxtable@hallchadwick.com.au.



DAVID WATT

Forensic Accounting Partner

David Watt is a Partner of Hall Chadwick in Sydney. David is a Chartered Accountant and a Certified Fraud Examiner (CFE) with more than 25 years' experience in all aspects of forensic accounting including investigations, the quantification of loss and damages in commercial disputes, the assessment of economic loss in personal injury claims and the valuation of businesses involved in litigation. As a CFE, David is also qualified to assist fraud prevention, detection and investigation. David has specialised in providing forensic accounting expertise to clients since 1990. During this period, David has prepared hundreds of expert accountant reports for use in Court proceedings and has provided expert testimony in a number of jurisdictions.

Contact David Watt by telephone at (02) 9263 2600 or email David at dwatt@hallchadwick.com.au.



JOHN VOURIS

Insolvency & Business Recovery Partner

John has been in the Insolvency Industry for in excess of 40 years. He has handled numerous matters for industries including building, construction clubs, mining, manufacturing, property, retail, restaurants and transport. John's experience covers formal and informal insolvency administrations, reviews and solvency assessments for banks and other corporate entities. John has the ability to identify and solve complex problems. John is very approachable and can relate to all members of a business i.e. owners, bankers, creditors and debtors. John has successfully worked on many assignments and has given stakeholders the best results.

Contact John Vouris by telephone at (02) 9263 2600 or email John at jvouris@hallchadwick.com.au.



RICHARD CROAKER

Insolvency & Business Recovery Partner

In a career spanning 30 years, Richard has developed the financial knowledge and experience to help clients rebuild and restructure their troubled businesses. He is passionate about ensuring business owners and their families get maximum value in return from their efforts. Richard is also a successful mentor to business operators who are seeking to renew and grow their businesses. His understanding of business management and his financial expertise are used as guides by many accountants who regularly refer clients to re-establish their business goals and minimise risk.

Contact Richard Croaker by telephone at (07) 3211 1250 or email Richard at rcroaker@hallchadwick.com.au.



RICHARD LAWRENCE

Insolvency & Business Recovery Partner

A member of the Corporate Insolvency division, Richard joined Hall Chadwick in March 2014 and has over 10 years' experience as an insolvency, restructure and business advisory specialist. Richard has significant experience in formal insolvency engagements, business advisory, distressed asset sales, stakeholder management and turnarounds. Richard's experiences have enabled him to work on significant and complex corporate recoveries and turnarounds, business advisory and other distressed asset engagements whilst achieving best results for all stakeholders.

Contact Richard Lawrence by telephone at (03) 9820 6400 or email Richard at rlawrence@hallchadwick.com.au.



SANIL RAJE

Business Advisory Partner

Sanil has been in the professional business advisory industry for 12 years and his experience in the taxation and business services field covers a broad range of industries and clients. Sanil commenced employment with Hall Chadwick QLD in 2008 and was appointed as a Partner in July 2018. Sanil has a varied client base and has experience in advising on income tax, GST, fringe benefits, superannuation, structuring, asset protection and tax planning. Sanil focusses on working closely with clients as their business advisor and providing them with value added services in addition to tax related advice.

Contact Sanil Rajе by telephone at (07) 3221 2416 or email Sanil at sanil.raje@hallchadwickqld.com.au.



CLIVE MASSINGHAM

Audit Partner

Clive is a Registered Company Auditor and Registered SMSF Auditor with over 12 years' experience. Clive joined the firm in 2011 and has progressed to Partner in 2018. Clive has provided services to listed and unlisted public companies, large proprietary companies and public sector entities across a wide range of industries.

Clive is responsible for the co-ordination of the audit engagements. He enjoys a hands-on approach and likes to work with clients in a friendly and co-operative manner to ensure that the audit assignment is highly efficient whilst not being a burden to his clients.

Contact Clive Massingham by telephone at (07) 3221 2416 or email Clive at clive.massingham@hallchadwickqld.com.au.



WAYNE HEALY

Managing Partner

Wayne is a Director of Hall Chadwick WA and has been a business advisory accountant for over 30 years. He has a strategic role in the business and spends considerable time with the Leadership Team. Wayne is a fellow member of Chartered Accountants Australia and New Zealand and a Chartered Tax Adviser with The Tax Institute. Wayne has been awarded Life Membership with The Tax Institute recognising his significant involvement with that organisation over many years.

Wayne is able to bring considerable Accounting, Governance, Taxation and Strategic Planning experience to client businesses and Boards and has advised both not-for-profit organisations and family offices on these matters.

Contact Wayne Healy by telephone at (08) 9426 0666 or email Wayne at whealy@hallchadwickwa.com.au.

PKF LAWLER JOINS THE HALL CHADWICK ASSOCIATION

Contributed by Brent Kijurina, Insolvency & Business Recovery Partner at Hall Chadwick Sydney.

Hall Chadwick Association's Chairman, Brent Kijurina recently announced Perth's PKF Lawler has joined the Hall Chadwick Association; a move that will significantly bolster Hall Chadwick's presence and extending their range of accounting specialty services in the west.

Mr Kijurina said "the newly combined accounting and advisory service offerings will provide clients with broader access to multi-disciplined expertise across greater range of industries and sectors. In addition to accounting compliance services, the firm will deliver audit & assurance services, an extensive range of corporate tax specialisations, corporate finance and company secretarial services."

Managing Partner Wayne Healy said "This is a very exciting event for both our firms, for our employees and our clients. Both teams have enjoyed significant growth in recent years and have a solid reputation for delivering accounting solutions to clients. We have worked alongside Hall Chadwick in Western Australia for many years and now we will build on our combined expertise and deliver to the growing needs of our clients".

Mr Kijurina added "our leadership teams hold closely the values and service orientation of doing business well, having a personal approach and delivering a quality result to our clients on time. We also share an emphasis on honesty and integrity amongst our staff. Hall Chadwick are in the strongest position to serve our clients nationally."

With the joining of PKF Lawler, Hall Chadwick Association fees are now in excess of \$70M, making the Association one of Australia's largest Mid-Tier accounting firms.

Hall Chadwick will now provide two office locations in Western Australia.

The Hall Chadwick Insolvency Office in Perth will operate business as usual at Allendale Square, Level 11/77 St Georges Terrace WA 6000.

As of Monday 3 September 2018, PKF Lawler officially operate as Hall Chadwick WA at 283 Rokeby Rd, Subiaco WA 6008.

For General Accounting Services
Hall Chadwick WA Office
283 Rokeby Rd, Subiaco WA 6008.
E: perthgeneral@hallchadwickwa.com.au
W: hallchadwickwa.com.au
T: (08) 9426 0666

For Insolvency & Business Recovery Services
Hall Chadwick Perth Office
Allendale Square, Level 11
77 St Georges Terrace WA 6000.
E: perth@hallchadwick.com.au
W: hallchadwick.com.au
T: (08) 8943 0654

INTRODUCING HALL CHADWICK WA

Contributed by Wayne Healy, Managing Partner at Hall Chadwick WA.

Wayne Healy, Managing Director of Hall Chadwick WA talks about Western Australia and joining the Hall Chadwick Association.

WHERE IS IT...?

Surely after the West Coast Eagles win of the 2018 AFL Grand Final you know where Western Australia is – you must have heard us!

But what about;

- Western Australia is about 1/3 of the land mass of Australia – 2.529M Kms
- There is 20,700 kms of coastline - lots of white sand
- Population 2.589M people (Sept 2014)
- Wait a minute, that's about 1 person per square kilometre ...!
- 1.9M people live in Perth
- Western Australia accounts for about 46% of Australia's exports
- Second largest Iron Ore producer in the world
- Lithium will be the next 'gold-rush' in WA
- Evaporation exceeds rainfall between November and March most years
- Iron Ore, Bauxite, Gold, Natural Gas, Diamonds and Coal
- Wine and Waves in Margaret River
- Kwinana, just south of Perth, houses the nations largest oil refinery
- We have just opened the country's newest stadium – did someone say footy?

WHO ARE YOU?

Hall Chadwick WA are eight Directors and about 80 people in total, combined with the Hall Chadwick Corporate Insolvency & Recovery team in the CBD. As published by Business News Western Australia in the 2018 Top Accountants List, we are now ranked as the 8th largest accounting firm in Western Australia.

A significant portion of our work is Business Advisory and Taxation. We also have dedicated Audit & Assurance, Corporate Finance, Forensic, Superannuation and Corporate Tax teams.

Given our State's economic mix we have deep experience in Mining and Mining services industries. Our people advise clients in domestic Australian and overseas tax and tax structuring. We act for a number of large private clients and a range of listed entities. Our corporate team are responsible for Initial Public Offering's (IPO) and other capital raising transactions. They undertake Independent

Expert Reports, Valuations and have strong Mergers and Acquisitions (M&A) experience.

Property and construction is also significant in WA and one of our specialties is to put together property syndicates. We hold a full Australian Financial Service License (AFSL) and are successful in raising funds for projects. We currently have a significant client raising capital from Chinese investors.

The Chinese story is also exciting in our office. Being in the same time zone as much of South East Asia (GMT+8) we find doing business with our neighbours attractive. We act for a number of Chinese State Owned Enterprises, such as Sino Steel and are also developing deep networks in Singapore, Hong Kong, Malaysia and Indonesia. We have clients in each of these countries.

ANY FUN STUFF?

Yep! We are seriously competitive in both business and in sport. We are also active in many CAANZ sports and host our own annual sand volley ball competition.

The signature event for our social club is a whole of firm Family Weekend away where we spend the weekend somewhere on a beach in the WA South West. Our Saturday night dinner showcases some 'interesting' costume flair and late night frivolity.

WORK?

Lots of that in WA.

We use APS software for our client and tax management and people track their workflow live. We have a fully integrated document management system (DMS) and most of our people operate in a paperless world. We will eventually have clients digitally signing documents and have these automatically filed in our DMS.

We have a road map to push most of our software into the cloud and are now using a range of Microsoft tools including Teams, Flow and Skype.

With lots of sun in WA we don't need daylight saving (fades the curtains) and so enjoying a healthy, active work life balance is reasonably easy.

We love to collaborate and refer work, that's why we joined the friendly, dynamic Hall Chadwick Association. We have already had a number of positive experiences through the PrimeGlobal association and enjoyed both in-bound and out-bound referrals.

Don't hesitate to contact us.

Further details are available on www.hallchadwickwa.com.au and in our various Social Media platforms @hallchadwickwa.

HALL CHADWICK EXPANDS WITH NEW OFFICE IN SOUTH AUSTRALIA

Contributed by Richard Albarran, Insolvency & Business Recovery Partner at Hall Chadwick Sydney.

Hall Chadwick was pleased to announce the opening of a new office in Adelaide's CBD on 5 March 2018.

The new location opened to accommodate the firm's growth as well as allow expansion for a larger team in South Australia.

The Partners of Hall Chadwick welcome Steven Barnett in Adelaide. Steven is supporting Hall Chadwick Australia wide as the National Insolvency Professional Standards Manager. Steven has previous experience in assisting various insolvency firms around Australia where Steven operated his own consulting business to industry. Prior to that, Steven has worked for the Australian Securities & Investments Commission (ASIC) in the Insolvency Practitioners Team. Steven is a Chartered Accountant and is the Deputy Chair of the Australian Restructuring Insolvency & Turnaround Association SA/NT division.

For all insolvency and restructuring matters in South Australia, please contact Steven Barnett at (08) 8545 8422 or by email at sbarnett@hallchadwick.com.au.



TAX ALERT: COMMON REPORTING STANDARD

Contributed by Gino Malacco, Tax Partner at Hall Chadwick Sydney.

WHAT IS THE COMMON REPORTING STANDARD?

The Common Reporting Standard (CRS) is the single global standard for the collection, reporting and exchange of financial account information on foreign tax residents. Under it, banks and other financial institutions will collect and report to the ATO financial account information on non-residents. The Australian government has undertaken to exchange this information with participating foreign tax authorities of those non-residents.

In return, the ATO will receive financial account information on Australian residents from other countries' tax authorities. This will help ensure that Australian residents with financial accounts in other countries are properly reporting their worldwide income in Australia, complying with Australian tax law and acts as a deterrent to tax evasion.

WHO DOES IT APPLY TO?

Financial institutions such as investment trusts and investment companies that invest in Financial Assets are required to report their foreign investors under the CRS.

Financial Asset includes shares, units in unit trusts, note, bonds, debenture, commodity, swap, or any interest (including a futures or forward contract or option) in a security. Financial Asset does not include a non-debt, direct interest in real property.

WHAT DO I NEED TO DO IF IT APPLIES?

If CRS applies, the financial institution would need to review existing investors to identify any potentially non-Australian investors including any individual accounts held by non-Australian residents (for tax purposes), accounts held by entities incorporated or residents outside of Australia (subject to exemptions for certain listed companies and financial institutions) and certain Australian entities controlled by non-Australian residents will be reportable to the ATO. The first reporting date is 31 July 2018 for existing investors on 31 December 2017.

Due Diligence Procedures

A financial institution is required to undertake due diligence procedures under CRS, including

- a. Obtaining self-certification (of residency status and other information) for pre-existing investors and review these investors for foreign indicia (such as a foreign mailing address) to consider if they are reportable; and
- b. Obtaining self-certification for all new investors.

There are penalties if CRS applies and the financial institution does not implement procedures to collect self-certification and identify foreign investors.

I NEED HELP!

Hall Chadwick can assist with advice regarding implementation of CRS for your financial institution, and work with your existing investor administration provider (such as Link Market Services and Boardroom) to ensure CRS compliance.



HALL CHADWICK CONFIRMS 15TH YEAR SUPPORT FOR DISABILITY SERVICES

Contributed by Richard Croaker, Insolvency & Business Recovery Partner at Hall Chadwick Brisbane.

Over many years, Hall Chadwick has been a supporter of numerous organisations and individuals who have made an enormous contribution to the betterment of the society in which we live.

This year marks the 15th year of our support for Oak Capital/Resicom charity lunches. Started by Hall Chadwick alumni Ian Hyman OAM, a group of friends and business colleagues have been raising money for charities that support people with intellectual disabilities. The annual lunch is well known in Brisbane, Sydney and Melbourne for being a 'Sportsman's Lunch' and has traditionally been able to garner the support of Rugby Union, Rugby League, AFL and Cricket legends as well as many of Australia's highest profile politicians.

At the start of June, lunch goers were treated to a sumptuous meal at the RACV Club attended by football legends Nathan Burke (St Kilda), Laurie Serafini (Fitzroy), Jobe Watson (Essendon), Paul Roos (Fitzroy and Sydney) and Simon Madden (Essendon), as well as numerous Hall Chadwick partners and staff from across the country.

These events have raised over \$10m for disability service providers who support children and adults

with intellectual and physical disabilities. In 2017, recipients of these funds included Bayley House in Melbourne, Inala disability services in Sydney and Help Enterprises in Brisbane. Funds were used to purchase new wheelchair capable buses, refurbish the Help Enterprises' McIntyre Centre which provides horse riding for the disabled, purchase new manufacturing equipment for CNS Precision Assembly and refurbishment of long term accommodation.

Reconfirming the sponsorship for 2018, Hall Chadwick Joint Managing Partner Richard Albarran was pleased to note the firm's total contribution to this event now exceeds \$500,000.

The events are extremely well attended each year by partners of major legal and accounting firms, business owners, insurance brokers, financial planners, first and second-tier funders and other business sectors, offering an annual opportunity to enjoy social time with friends, colleagues and peers.

The charity lunch in Sydney on 13 July and in Brisbane on 14 September 2018 raised over \$350,000 in donations.

ANNUAL CLIENT CRUISE HOSTED BY HALL CHADWICK

Contributed by Kimberly Vo-Le, Marketing & Events at Hall Chadwick Sydney.

It was that time of the year again for Hall Chadwick to deliver one of the most anticipated annual events, the Hall Chadwick's Annual Client Cruise.

On Thursday 8 March, we boarded more than 330 guests to cruise on one of Sydney's premium glass boats for a 360 degrees view of Sydney harbour to enjoy some networking, live entertainment along with some drinks and canapes.

Our annual cruise is a fantastic opportunity for us to demonstrate our appreciation for the ongoing support to our wide range of clients and industry leaders over the years.

The cruise this year was extremely well received and we are delighted to announce Hall Chadwick will be hosting another great cruise in next year!



OCCUPATIONAL FRAUD & ITS CHALLENGES TO SMALL TO MEDIUM-SIZED ENTERPRISES (SME)

Contributed by David Watt, Forensics Accounting Partner at Hall Chadwick Sydney.

The recently released 2018 Report to the Nations¹ highlights some of the challenges owners of small to medium sized enterprises (SME) face in dealing with occupational fraud. Even though the Report to Nations paints a somewhat gloomy picture it nevertheless provides insight into the actions that can be taken by SME in the deterrence and detection of fraud.

KEY FINDINGS

From the perspective of an SME, the key findings of the Report to Nations² include:

- Median duration of a fraud scheme was 16 months
- Corruption was the most common scheme in every global region
- Tips are by far the most common initial detection method
- Small businesses lose almost twice as much per scheme to occupational fraud as do larger organisations
- Internal control weaknesses were responsible for nearly half of frauds
- All 18 anti-fraud controls were associated with lower fraud losses and quicker detection
- Data monitoring / analysis and surprise audits were correlated with the largest reductions in fraud loss and duration.

Among the various kinds of fraud that organisations might be faced with, occupational fraud is likely the largest and most prevalent threat. 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.

There are millions of business and government organisations operating throughout the world and every one of them, in some way, is vulnerable or potentially vulnerable to fraud committed by their employees. Most of those employees will never steal or abuse the trust that has been placed in them, but the ones who do can cause enormous damage. It is because of this risk that we continue to advise owners of SMEs on what they can do to deter fraud and detect fraud when it does occur.

¹ 2018 Report to the Nations. Copyright 2018 by the Association of Certified Fraud Examiners, Inc.

² The 2018 Report to Nations is based on a study of 2,690 cases of occupational fraud that were investigated between January 2016 and October 2017. The 2,690 cases came from 125 countries in 23 industry categories and involved losses of more than USD 7 billion.

³ Occupational fraud is defined as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organisation's resources or assets.

DURATION

Examining how long frauds tend to last provides insight into how they affect their victims. The median duration for all of the fraud cases in the 2018 study was 16 months. However, it stands to reason that the longer a fraud goes undetected, the larger the scheme will grow. The data shows that frauds that last over 60 months are more than 20 times as costly as those that are caught in the first six months. The data also indicates that fraudsters tend to start small and increase their frauds rapidly over the first three years. Thus, it is incredibly important for organisations to implement proactive fraud detection mechanisms to catch frauds quickly and minimize their damage.

CORRUPTION

Corruption represents one of the most significant fraud risks for organisations in many industries and regions. Understanding the specific factors involved in corruption schemes can help organisations effectively prevent, detect and investigate them.

The most common area for corruption in an organisation is in the purchasing environment, and most corruption schemes involve employees acting alone or employees and vendors acting in collusion.

Corruption is the wrongful use of influence to procure a benefit for the fraudster or another person, contrary to the duty or the rights of others. Corruption can be found in any business or organisation. The most common area for corruption in an organisation is in the purchasing environment, and most corruption schemes involve employees acting alone or employees and vendors acting in collusion.

In relation to corruption the study found:

- 70% of corruption cases were perpetrated by someone in authority
- Males committed 82% of corruption cases and females committed 18% of corruption cases
- 50% of corruption cases were detected by a tip
- The top red flags in corruptions cases were
 - » Living beyond means
 - » Unusually close association with vendor / customer
 - » Financial difficulties
 - » 'Wheeler dealer' attitude.

FRAUD IN SMALL BUSINESS

In the December 2004 issue of Journal Accountancy, Dr Joseph Wells wrote an article titled Small Business, Big Losses. In his article, Wells observed “small businesses remain the most vulnerable to occupational fraud because of three factors: They are the least likely to have an audit, a hotline or adequate internal controls”.

The findings of the 2018 study reiterated Wells' observation in concluding small organisations (those with fewer than 100 employees) experienced both the greatest percentage of cases in the study (28%) and suffered the largest median loss (USD 200,000).

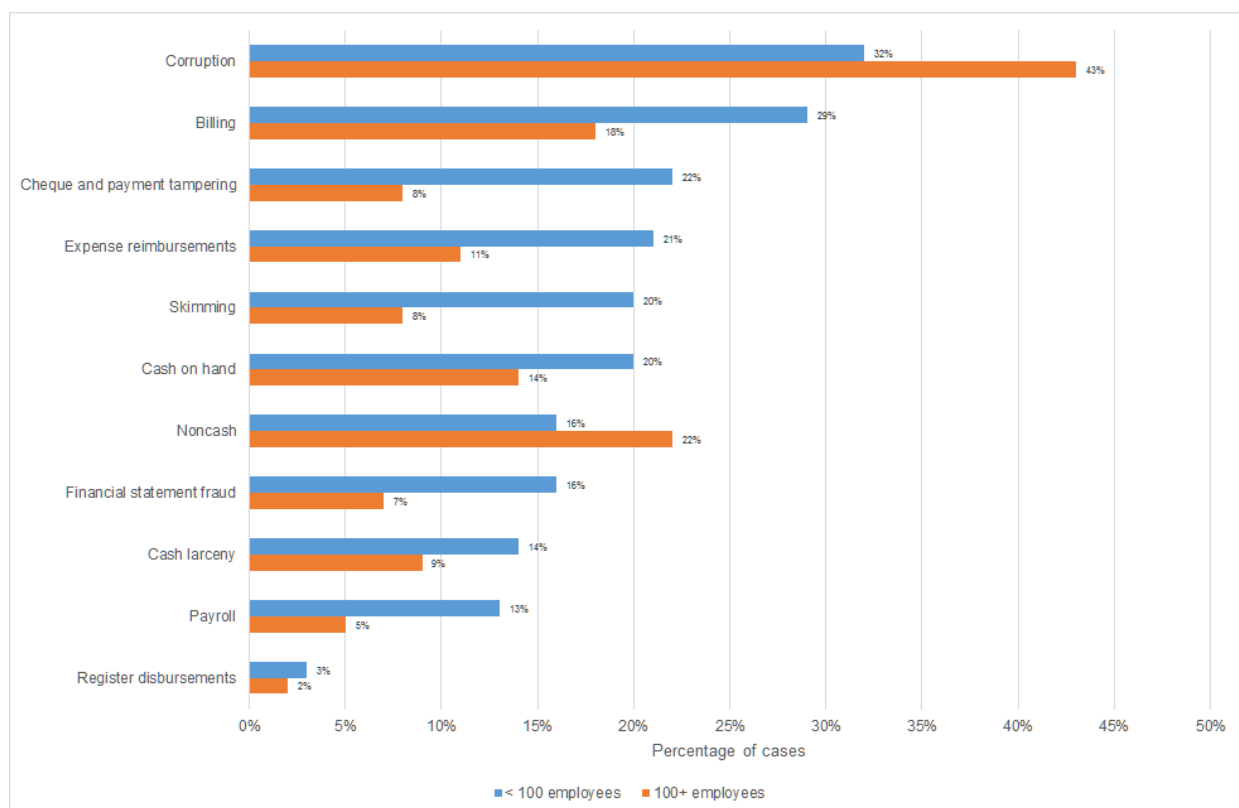
The size of an organisation's staff can directly affect both the opportunity for fraud and the ability to enact certain anti-fraud mechanisms. Larger entities typically have more resources to invest in their anti-fraud programs, as well as a greater ability to separate duties among staff members to help prevent fraud; however, the large staff size can also mean more potentially dishonest employees who might attempt schemes and more complex processes and transactions, which can increase the risk of fraud.

Fraud can be especially devastating to small businesses. These organisations typically have fewer resources to both prevent and recover from a fraud, and they often require an increased level of trust in employees due to a lower ability to implement robust anti-fraud controls.

Trust is important ... but trust is not an internal control. Relying on trust alone is asking for trouble particularly in those areas of an organisation where there is a greater risk of that trust being breached.

The 2018 study also demonstrates that small businesses face different risks than larger organisations as demonstrated in Figure 1 below.

Figure 1 - Fraud schemes in small and large organisations



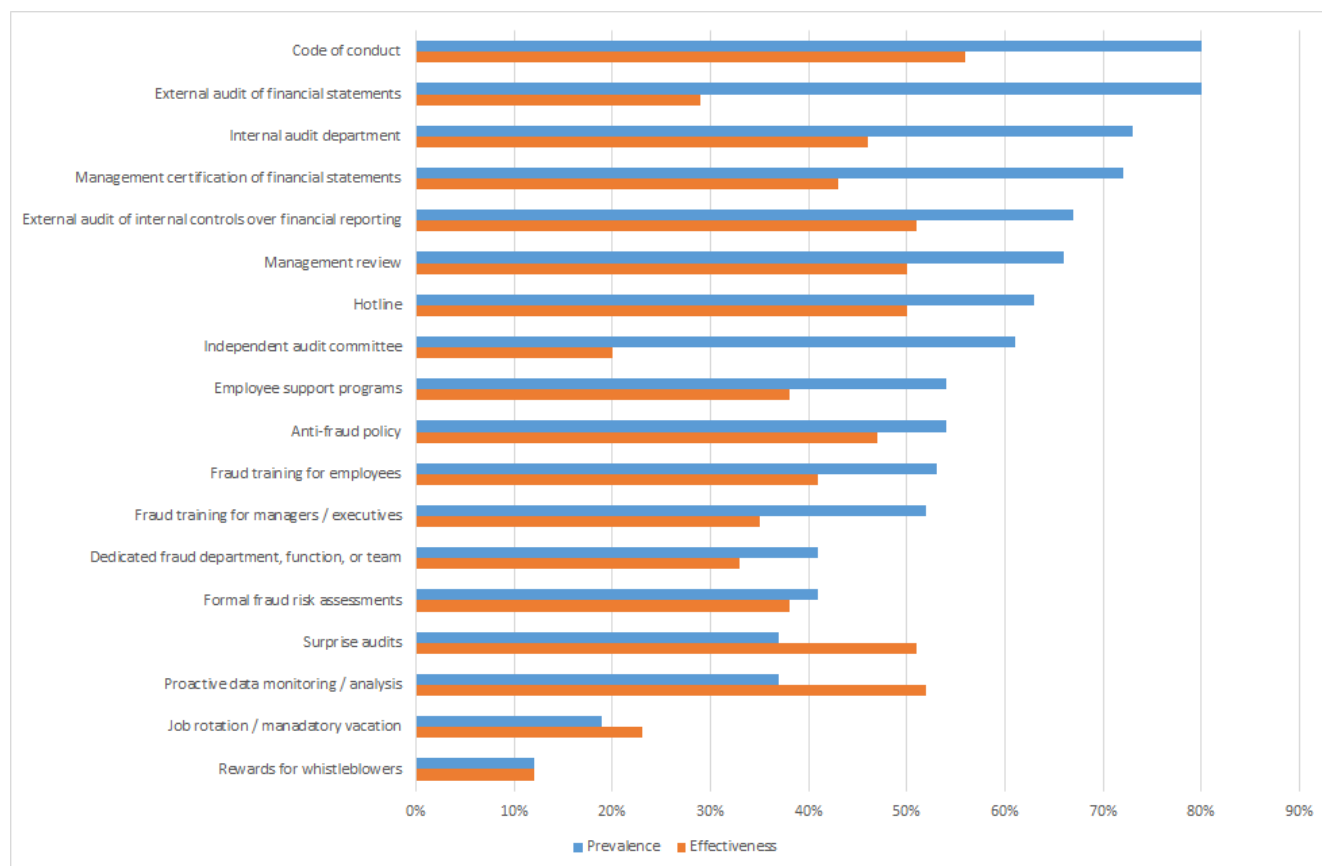
Source: 2018 Report to Nations

The presence of a robust system of anti-fraud controls can be a powerful deterrent, as well as a proactive prevention and detection mechanism, in the fight against fraud. Thus, organisations can benefit from knowing which anti-fraud controls are commonly used by their peers, as well as which tend to be the most effective.

Demonstrating the return on investment in anti-fraud initiatives can be a difficult task, as it is nearly impossible

to measure the amount of fraud prevented by a specific control. To provide some visibility into the relative effectiveness of various anti-fraud controls, the 2018 study compared the losses experienced by the victim organisations that had specific controls in place against the losses experienced by those that had not implemented each control. The results of this analysis are provided in Figure 2. Interestingly, the presence of every control analysed was correlated with lower fraud losses. For example, the use of proactive data monitoring and analysis and surprise audits was associated with a more than 50% reduction in fraud losses. Data monitoring and analysis and surprise audits were also correlated with the most significant reductions in fraud duration; as these two controls were also associated with some of the largest loss reductions, the data indicates that they are among the most useful tools in the fight against fraud.

Figure 2 – Anti-fraud controls prevalence and effectiveness



Source: 2018 Report to Nations

At Hall Chadwick, we understand owners of SME will not have sufficient resources to activate all 18 anti-fraud controls but what we recommend to owners of SME to maximize effectiveness and minimize risk is taking action now to lock in five anti-fraud controls that studies have shown have a tendency to reduce the size of losses from occupational fraud and reduce the duration of fraud schemes. Those five controls include:

- Code of conduct
- External audit of internal controls over financial reporting or conduct surprise audits
- Management review
- Hotline
- Proactive data monitoring / analysis.

Should you wish to discuss any concerns you may have regarding the susceptibility of your business to occupational fraud please contact David Watt of Hall Chadwick Sydney on (02) 9263 2602 or dwatt@hallchadwick.com.au.

THE CASH GOODWILL FACTOR

Contributed by Mark Bailey, Forensic Associate Director at Hall Chadwick Melbourne.

Measuring the cash cycle of a business is often overlooked. After analysing margins and earnings, cash is one of the first KPI's reviewed when valuing a business. Mark Bailey explains how focusing on the Cash Conversion Cycle can create and unlock goodwill within a business.

Cash is king was one of the first things I was taught as a professional.

When valuing a business, the Cash Cycle is one of the first KPI's reviewed after reviewing margins and earnings. It is a simple calculation that few businesses and few accountants appear to report on notwithstanding its simplicity.

Generally, return on asset and return on investment measures are too often forgotten by privately owned businesses, particularly successful mature businesses. Balance sheets become lazy and cash that could otherwise be returned to owners is tied up in debtors and inventory. Often as the amount of cash tied up in debtors and inventory increases the risk of realising full value diminishes.

Set out below is a brief analysis of the calculation of the Cash Conversion Cycle, the difference in share price performance of some the largest retailers in the world compared to their Cash Conversion Cycle and the impact of the Cash Conversion Cycle on the goodwill of an enterprise.

THE CASH CONVERSION CYCLE MEASURE

What is the amount of time between a business spending cash and receiving cash for each sale or expressed in another way, how long is cash tied up in working capital?

The Cash Conversion Cycle is made up of a number of simple calculations that after examining earnings and margins we analyse as business valuers.

The Cash Conversion Cycle is a combination of calculating Inventory Days plus Accounts Receivable Days less Accounts Payable Days.

Cash Conversion Cycle

Cash Conversion Cycle =

Inventory Days + Debtor Days – Creditor Days

$$CCC = \frac{\text{Inventory}}{\text{COGS}} * 365 + \frac{\text{Debtors}}{\text{Sales}} * 365 - \frac{\text{Creditors}}{\text{Purchases}} * 365$$

CASH CONVERSION CYCLE & MAXIMISING VALUE

In 2012, Forbes magazine published an article on the Cash Conversion Cycle of 4 major retailers: Walmart, Target, Costco and Amazon (the Cash Conversion Cycle 10/3/2012 by YCharts). It found that the share price of those with the fastest cash cycle outperformed the share prices of those with a slower cash cycle.

Walmart, then a US\$1.2billion dollar a day business had a cash cycle of 10 days. Perhaps not unsurprisingly it found that Amazon's cash cycle was superior to its competitors. Amazon was reported to have a negative cash flow cycle of -14 days, that is, as it expanded its working capital requirement was reducing.

Amazon's Cash Cycle was made up of the following:
- Inventory days of 28.9, Receivable days of 10.6 and Accounts payable days of 54 days.

The ranking of the 5 year share price performance of the 4 companies was exactly in order of their Cash Conversion Cycle management.

CASH CONVERSION CYCLE & MAXIMIZING GOODWILL

Reducing the Cash Cycle can release cash flow and increase goodwill.

Two businesses are compared below, each generating EBIT of \$50 with an enterprise value of \$150. Tweaked Enterprise has a cash cycle of 29 days compared to Cumfy Enterprise's 47 days.

Cash Conversion Cycle - Creating Goodwill			
Cumfy Enterprise		Tweaked Enterprise	
Profit & Loss Summary	\$	Profit & Loss Summary	\$
Revenue	500	Revenue	500
COGS	200	COGs	200
EBIT	50	EBIT	50
Goodwill Calculation	\$	Goodwill Calculation	\$
Enterprise Value	150	Enterprise Value	150
Less Debtors	65	Less Debtors	60
Inventory	75	Inventory	70
Creditors	-75	Creditors	-80
Fixed Assets	50	Fixed Assets	50
Net Operating Assets	115	Net Operating Assets	100
Goodwill	35	Goodwill	50
Key Performance Indicators	Days		Days
Debtor Days	47	Debtor Days	44
Inventory Days	110	Inventory Days	102
Creditor Days	110	Creditor Days	117
Cash Conversion Cycle	47	Cash Conversion Cycle	29

This is as a result of faster receivables collection, increased inventory turn (less inventory required for the same level of sales) and negotiation of more favourable credit terms.

Tweaked Enterprise has \$15 less in Net Operating Assets than Cumfy Enterprise and Goodwill of \$50 compared \$35. Furthermore the owners of Tweak Enterprise have an extra \$15 in their pocket.

CASH IN NOW

Now is the perfect time for accountants to be teaching clients about this simple measure that can add value and reduce risk.

Volatility in assets is increasing world wide. The price of money is rapidly increasing from its record lows. US Fed Funds Rate is 600% higher at 1.75%, compared to its low of 0.25% just two years ago and predicted to increase again in June. World wide the talk is of expansion, capacity constraints, tightening labour markets, tightening of monetary policy and increases in inflation expectations replacing the post GFC hangover talk.

Many opportunities are present for business owners and investors. Alongside margins and earnings Cash Flow Cycle reporting should be at the forefront of accounting reports. To effectively measure the risk of too much money tied up in receivables and inventory this reporting should be done at least annually, if not monthly.

ABOUT THE AUTHOR

Mark Bailey is Associate Director at Hall Chadwick Forensics in Melbourne. He has over 25 years experience as a Chartered Accountant specialising in business valuation services, compulsory acquisition and commercial disputes.

Should you wish to discuss matters regarding the cash goodwill factor please contact Mark Bailey of Hall Chadwick Melbourne on (03) 9820 6400 or email m Bailey@hallchadwickmelb.com.au.

MANAGER'S CONFERENCE | MELBOURNE

Contributed by Caroline Redman, Marketing & BDM at Hall Chadwick Melbourne.

On Friday 4th May Hall Chadwick Melbourne hosted the annual Hall Chadwick Association Senior Staff Conference. Attending were 33 managers from the Sydney, Brisbane and Melbourne offices.

The conference brought together the firm's emerging leaders to further develop skill pathways within in their peer group and plays a key role in Hall Chadwick's senior staff mentoring program. The topics and speakers are prudently selected by organisers to further expand the skills and knowledge of each individual attending.

Mark Bailey, Associate Director Hall Chadwick Forensics set the scene for the day's presentations with the first session entitled "What's your next step?".

He explained that leading a professional through the course of their career will have opportunities to develop their commercial skills more broadly and develop strong respectful, relationships with both the client and the firm that employs them. He said professional advisors should constantly be in an enquiring state of mind, eliciting what a client or team member may want and looking at the world from the perspective of others.

Mark talked through the 'moments of truth' in keeping a client's trust. He says delivering a good report on time is a key element to earn and keep trust with a client. So too, is the way the phone was answered when the client called, how quickly their email was responded to and whether the referral they provided was followed up in the most professional manner.

Following Mark was a session with guest speaker and highly respected former partner of PPB Advisory Andrew McLellan on his experience building a successful practice on exactly understanding the service being offered and building a true client-centric culture around that offering.

Craig De Vries and Graham Webb from the Hall Chadwick leadership teams in Melbourne and Sydney ran two break-out sessions. Craig took the group through structuring and reporting needs to support new high growth companies while Graham



ran an audit case study session, providing great insight to the complexities of running an audit in the mining sector.

The afternoon's focus was about instilling understanding of the issues and challenges that may potentially be faced by clients.

Litigation and dispute resolution law specialist David Weinberger, KLC Law talked through shareholder disputes and the Shareholder Oppression provisions within the Corporations Act 2001 (Cth) that provides shareholders the opportunity to seek a remedy in circumstances where the controllers of a company unfairly misuse their positions of power or breach their duties. David talked through the potential forums for litigation and proposed law reform driven by concern about the lack of adequate remedies available for beneficiaries of trusts and trading trusts.



NEW BRISBANE OFFICE ACCELERATES QUEENSLAND GROWTH

Contributed by Shahin Hussain, Insolvency & Business Recovery Partner at Hall Chadwick Brisbane.

The Hall Chadwick Brisbane Insolvency Services division have celebrated the opening of their Queen Street office with a show and tell function for around 150 invited guests.

Some of our guests travelled from as far as Sydney and Melbourne to share the occasion.

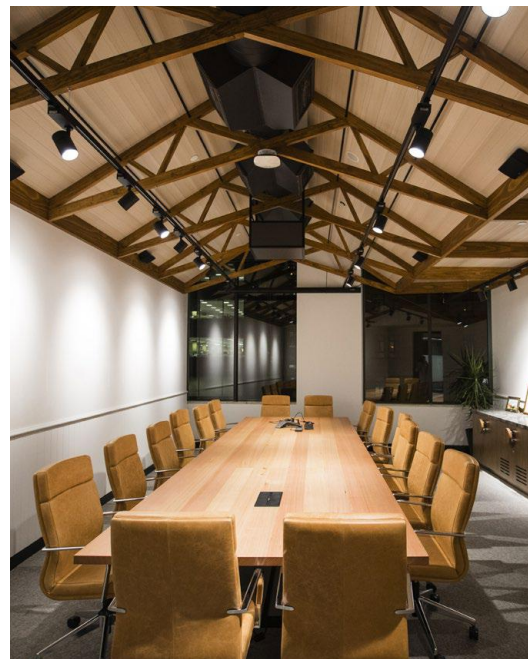
Insolvency Partner ,Shahin Hussain proudly walked friends and family around the newly furnished office with high open ceilings and country feel, from the farm-style doors to the barn-inspired floors and meeting rooms.

Spread over two floors with an inter-connecting stairwell, 90 staff across 5 divisions, have already made the office their new workspace.

“Economic growth in Brisbane has been fuelled by population migration over several years, with people from southern states drawn to our employment opportunities, cheaper housing and an attractive lifestyle,” said Shahin.

Our new Queensland partner, Richard Croaker gave a short talk on the fine history of our name. “Hall Chadwick is the oldest independent accounting brand in Australia, whose commencement dates from the mid-19th century. This new office provides the most modern workspaces for our current young professionals and should continue to do so for many years to come”.

Also attending the opening function were interstate partners Richard Albarran (Sydney) and David Ross (Melbourne) who were thanked by Shahin for their support and mentoring over the many years at the firm.





OUR OFFICES

NEW SOUTH WALES

Level 40, 2 Park Street
Sydney NSW 2000
Tel: 02 9263 2600
sydney@hallchadwick.com.au

VICTORIA

Level 14, 440 Collins Street
Melbourne VIC 3000
Tel: 03 9820 6400
hcm@hallchadwickmelb.com.au

SOUTH AUSTRALIA

Level 21, 25 Grenfell Street
Adelaide SA 5000
Tel: 08 8545 8422
adelaide@hallchadwick.com.au

WESTERN AUSTRALIA

Hall Chadwick Perth - Insolvency Services

Allendale Square, Level 11
77 St Georges Terrace Perth WA 6000
Tel: 08 6557 6200
perth@hallchadwick.com.au

Hall Chadwick WA - General Services

283 Rokeby Road
Subiaco WA 6008
Tel: 08 9426 0666
perthgeneral@hallchadwickwa.com.au

NORTHERN TERRITORY

Paspalis Business Centre, Level 1
48-50 Smith Street, Darwin NT 0800
Tel: 08 8943 0645
darwin@hallchadwick.com.au

QUEENSLAND

Level 4, 240 Queen Street
Brisbane QLD 4000
Hall Chadwick Brisbane - Insolvency Services
Tel: 07 3211 1250
brisbane@hallchadwick.com.au

Hall Chadwick QLD - General Services

Tel: 07 3221 2416
general@hallchadwickqld.com.au