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# BUSINESS BULLETIN

SUMMER 2020

## FINANCES

### Payroll

Although it's impossible to accurately quantify, payroll fraud is more common than you might think.

Tracey Angwin, from Australian Payroll Association lists the seven most common areas that give rise to suspected fraudulent payroll activity.

#### 1. *Lack of audit trail*

If your payroll system doesn't have a robust audit trail or if it does and you aren't using it to audit critical fields, you need to address this today. The payroll



audit trail will often point directly to fraudulent activity and show up the areas that need to be investigated. The activity that you might be looking for is varied, but if there is fraudulent activity in your payroll it is often quite obvious to someone who understands the process. I can't stress enough how important it is to ensure the auditing feature of your payroll system is working so it's available if and when you need it.

#### 2. *Regular masterfile changes*

If there are regular changes in employee bank details or entitlement balances, this should be investigated. There could be simple explanations for these changes, but it is a common red flag in payroll fraud.

## KEY DATES

### TUESDAY 21 JANUARY

Due date for December monthly

Activity Statements

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### TUESDAY 28 JANUARY

Due date for Superannuation Guarantee

contributions

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### FRIDAY 31 JANUARY

Due date for TFN report for closely held

trusts

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### FRIDAY 21 FEBRUARY

Due date for January monthly Activity

Statements

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### FRIDAY 28 FEBRUARY

Due date for 2nd Quarter Activity

Statements

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### 3. *Duplications of data and ghost employees*

Although I have come across cases of twins that share a bank account and live at home with their parents being on the same payroll, this is rare indeed! If you identify duplicate names, addresses, dates of birth, tax file numbers or other masterfile details, you should investigate further to eliminate the risk of ghost employees.

### 4. *Out of hours access*

Much fraudulent activity occurs out of normal office hours and often by remote access to the payroll system. If people in your organisation are regularly accessing the payroll outside business hours, the need for this access may need to be questioned. Alternatively, after hours activity should be audited.

### 5. *Loose security*

I'm a firm believer that the only people that should have write access to a payroll system are those that are in the business of paying people. Anyone else, including senior management, should have restricted or read-only access. Not only does this reduce the possibility of payroll fraud, it protects those who only need read-only access from suspicion.

### 6. *Sharing logins or using obsolete logins*

Sharing logins is an absolute no-no and concerns should be raised about anyone who does this. If you have a genuine reason to access a payroll system you need to have your own login and password. Likewise, with turnover of payroll staff you should ensure that old logins are deleted so no third party can use them.

### 7. *High percentage of casual employees*

Although not cause for suspicion in itself, much payroll fraud is committed using a casual workforce. If you have a high percentage of casual employees, more attention needs to be given to processes that minimise or eliminate the opportunity for payroll fraud.



## **SURVIVING TOUGH TIMES**

With the Reserve Bank of Australia having recently downgraded economic growth for the fourth time this calendar year and the retail and construction sectors particularly struggling, the first part of 2020 is tipped to be tough for business. With potentially tough times ahead, it's timely to reflect on a Business Review Weekly article where it interviewed 16 entrepreneurial businesses that thrived through the 2009 Global Financial Crisis. Reproduced below, are some of the lessons they learnt:

### ***Cashflow is crucial***

Cashflow keeps the business moving and gives you the ability to service debts. In this regard, your accountant or bookkeeper may be able to help you produce a cashflow forecast.

### ***Have cash in the bank***

If you're running tight on debt, get rid of it. Only have debt on assets that help the business grow.

### ***Don't live in fear of the next downturn***

Have a budget and a plan. Do a "what if" analysis – list the top five things that could go wrong and how you can prepare for them. There's only so much you can control, so focus on the things that really affect you.

### ***Reduce Costs***

Find new ways of reducing costs without affecting efficiency. Reduce overheads, and find ways of being more productive such as new technologies.

### *Get your hands dirty*

When times get tough, business owners and senior management may have to roll-up their sleeves and get back into selling.

### *Data*

Get enough data around your business performance, especially about the profitability of each particular market or sector.

### *Study the marketplace*

On a similar note, study the marketplace so you are aware of what customer preferences are. This will allow you to concentrate on projects that will satisfy the customer.

### *Stay upbeat*

Don't get bogged down by bad news. Try to be informed through different avenues, such as your own business network, and industry associations.

### *Relationships*

Start forming relationships with financiers so you can go to them for funds or a reprieve when times are bad.

### *Invest*

Invest in new products and new ways of doing things. Entrepreneurs across the world are investing in the future regardless of how badly the global economy is performing today.

## **YEAR END**

With the holiday season almost upon us, here's a few timely reminders before the Christmas break:

- Although generally you are not permitted to instruct an employee as to when to take annual leave, exceptions apply for firm-wide Christmas closures. Under the Fair Work, if your firm is shutting down over the break, then this will be compulsory annual leave for your employees – subject to their employment instrument (e.g. Award) stipulating otherwise.
- If you are shutting down over Christmas, you may wish to notify major suppliers of your closure and re-opening date. Also, on an individual level, staff should be setting auto-reply messages on their email advising those that contact them while they are away, of their return date after Christmas, as this may vary from person to person.
- If you account for FBT under the actual method, keep Christmas gifts and Christmas parties to under \$300 per head. By doing this, they will likely be exempt from FBT which is of course payable by you, the employer.
- Consider an early mark for your employees on the last day before Christmas. It's always greatly appreciated, and leaves a good last impression on the employee for the year. Secret Santa (with a small gift limit of say \$10) is always a good way to engender team spirit too!



## WHAT'S THE TAXMAN THINKING?

### Tax Debt Alert

Businesses with large ATO tax debts may soon have those debts notified to credit reporting bureaus. The consequences for a taxpayer of having their tax debt information disclosed to CRBs can potentially be very serious, for example being refused finance which could have dire ramifications for the wider business. While the debt threshold was originally set at \$10,000, this has been increased to \$100,000. Other conditions that must be met before the ATO can disclose the debt include:

- The debt is not already under a payment arrangement with the ATO
- The taxpayer is notified at least 21 days before the disclosure (and thus has an opportunity to take action, perhaps by entering into a payment arrangement or paying the debt)
- The ATO has consulted with the Inspector General of Taxation
- The conditions set out in the Treasurer's legislative instrument have met. These conditions are expected to include:
  - That the taxpayer has an ABN and be carrying on a business
  - The tax debt has been overdue for more than 90 days
  - The taxpayer is not engaging with the ATO to manage the debt by taking specific actions
  - Where the taxpayer is not disputing the calculation of the debt through the AAT or the courts.

This new law will apply once the Treasurer has issued his legislative instrument which is expected to be in the coming weeks. Therefore, any businesses who broadly meet the above criteria may wish to consider taking urgent action such as by entering into a payment arrangement with the ATO. Even where the above criteria does not apply, all taxpayers should be encouraged to engage with the ATO regarding any outstanding, overdue debts; with a view to at least entering into a formal payment arrangement.

