

Editorial Note

Welcome to the latest edition of the Pilot Directions newsletter.

As 2024 draws to a close, and we begin a new year in a matter of weeks, all eyes will be on the early Federal Budget in March next year, closely followed by the Federal election, to see what impact the outcomes have on Australian businesses.

With the Australian Taxation Office on the tax debt collection trail, this edition details their data-matching activity, and

our recommendations to ensure you don't end up on their investigation hit list. Coming off the back of Cybersecurity month in October, and International Fraud Awareness week in November, our main article this edition outlines the importance of the segregation of financial duties, including our tips and recommendations for preventing fraud in your business.

Our 'News & Insights' page provides the latest news and updates on a range of topics that we trust you will find useful and interesting.

This will be my last edition of Pilot Directions, as after more than two decades as Managing Partner, I am handing my role over to Murray Howlett, effective 1 January 2025. Congratulations to Murray on his appointment.

I will still be around, but in a different role, and look forward to continuing to work with you all. I have enjoyed my time in this role and now is the right time to implement this change. I would like to thank all our staff, past and present, clients, and referrers, all of whom have been so supportive of me over such a long period.

We hope you enjoy this edition. Thank you for working with us in 2024, we wish you and your families a wonderful Christmas and a prosperous new year.



Brian McDonald
BRIAN MCDONALD

Increasing Data-Matching Risks

The Australian Taxation Office (ATO) is increasing its cross-referencing of data from public records, financial institutions, and government agencies, to identify inconsistencies in business reporting. We are seeing more frequent inquiries regarding discrepancies, with financial consequences for businesses that aren't fully prepared to explain any variances.

How Does This Impact Businesses?

Regulators expect businesses to be able to promptly explain any identified inconsistencies in information. Failure to be able to do so is seen as evidence of poor governance and record keeping. In turn this may lead to increased levels of inquiry.

Reviews and audits from the ATO and State revenue authorities can be time consuming, expensive and a distraction from other important business operations. Further, if errors are found, interest and penalties add up quickly.

Common Issues Identified by Data-Matching

Some of the most common areas where discrepancies are being revealed include:

- **Payroll Discrepancies:** Variations between taxable wages reported in state payroll tax returns and annual reporting, when compared with other sources such as Income Tax returns of employers, Single Touch Payroll (STP) records, and Workers' Compensation reporting.
- **Fringe Benefits Tax:** Motor vehicles registered in company names, but vehicles are not reported in FBT returns, and/or employee contributions are not flagged in Income Tax returns.
- **Income Tax Reporting:** Differences between income and expenses reported in tax returns and other financial documents, such as Business Activity Statements.

Stay Ahead with Accurate Reporting

To avoid audit activity and potential tax adjustments, businesses should ensure that

all public lodgements and declarations are reconciled with their core financial records and are up to date. We recommend that these reconciliations form part of a business' regular routines.

It is important to know your financial story and be able to explain any variances should a query arise. Clear, accurate reporting is essential in this era of advanced data-matching, where even small errors can lead to costly investigations.

Contact Pilot

With the ATO's data-matching programs becoming more advanced, we recommend reviewing your systems, processes and governance to ensure any discrepancies across business records and reporting are able to be explained.

If you would like assistance in any of these areas, please contact **Murray Howlett** on **mhowlett@pilotpartners.com.au** or your **Pilot advisor** on **07 3023 1300**.



Why segregation of duties matters

When it comes to preventing fraud, Segregation of duties (SOD) isn't just a best practice—it's a necessity for any business looking to safeguard its finances and reputation. SOD is a risk management approach that involves dividing critical responsibilities among different people. This division of tasks ensures that no single person has control over an entire transaction process, making it significantly harder for fraud to go undetected.

Data from the Association of Certified Fraud Examiners (ACFE) reveals the costly impact of fraud across the Asia-Pacific region. In 2024, the median loss from fraud cases involving executives was a staggering \$1 million. When high-level executives commit fraud, they have the access and authority to cause serious financial damage—often without detection for long periods.

The basics of segregation of duties

Think of SOD as an internal checks-and-balances system. It requires that key steps in financial transactions are handled by different people.

Here's a snapshot of how responsibilities might be divided:

Role	Example responsibility
Initiation	Raising a purchase order, issuing invoices
Authorisation	Approving payroll, releasing payment batches
Record-keeping	Filing source documents, like invoices or receipts
Reconciliation	Cross-checking records with bank transactions

Risks of overlapping duties

When roles aren't clearly defined or separated, the door opens to risk. Having one person control all parts of a transaction process can lead to undetected errors and fraud. For instance, without SOD, an employee could generate fictitious invoices and approve payments without oversight, siphoning funds directly from the company.

How SOD helps in fraud prevention

1. Reducing opportunities for fraud

Segregating duties makes it challenging for any one person to commit fraud without being detected. For example, if one employee inputs supplier invoices, a separate person would need to approve and process the payment. This distribution of tasks serves as a natural deterrent, as it would require collusion to execute any unauthorised transaction.

2. Building a culture of accountability

When responsibilities are split, employees know their actions will be subject to another layer of review. This accountability helps to deter potential fraudulent behaviour, as individuals are aware that their activities are being monitored.

3. Improving detection of errors and anomalies

SOD doesn't just prevent fraud—it also helps reveal issues early. When

separate people handle different aspects of a transaction, unusual transactions or discrepancies can be flagged quickly. For instance, if a reconciliation process reveals that bank records don't match accounting entries, this can prompt an immediate investigation.

Implementing SOD in your business

To put SOD into practice:

1. Review your current workflows.
2. Identify points where responsibilities overlap and map out how duties could be better separated.
3. Provide training so employees understand the value of SOD and their roles within it.
4. Conduct periodic reviews. As your business evolves, these controls should be evaluated to ensure they remain relevant and effective.

Use our free Segregation of Duties Checklist to self-assess your current processes.



How can Pilot help?

We often help businesses by reviewing internal processes and offering practical solutions to fix any issues we find. In many cases, we discover that while SOD controls exist, they're not always being followed as intended—and key executives may not be aware of this. Our team can help identify where processes are slipping and can provide straightforward steps to get back on track, reinforcing your defences against fraud and errors.

If you need guidance on establishing SOD or improving existing processes, contact **Dean Strati** at dstrati@pilotpartners.com.au, **Cameron Woodcroft** at cwoodcroft@pilotpartners.com.au or your **Pilot advisor** on **07 3023 1300**.



Client News

We are proud to share the story of longstanding client Mosaic Property's amazing work in making a positive difference and helping provide essential food, shelter, and vital services to assist those experiencing homelessness in Brisbane. The Mosaic Foundation, in partnership with Emmanuel City Mission (ECM), has developed a new home and headquarters for ECM that provides a 'daytime sanctuary' with meals and support for Brisbane's growing homeless community. An amazing achievement by Brook Monahan and the Mosaic team, along with the inspiring Roby Curtis from ECM, who made this happen.

Time for a Business Health Check?

Conducting a Health Check on your business is crucial for ongoing success. Regular assessments help identify strengths, weaknesses, and areas for improvement. By evaluating financial health, operational efficiency, and market positioning, you can make informed decisions to enhance business performance. Health Checks also uncover potential risks and opportunities, enabling proactive management. They foster a culture of continuous improvement, ensuring the business remains competitive and resilient, and at the forefront of good corporate governance. In addition, a proactive Health Check can boost investor confidence and stakeholder trust, demonstrating a commitment to transparency and strategic planning.

Cyber Resilience Service launched

The Australian government has announced the launch of the new Small Business Cyber Resilience Service. According to a recent report, 43 per cent of cyber attacks targeted small businesses. The new initiative will allow small business owners and staff access to free tailored, one-on-one assistance to help guide them through cyber incidents and threats. The new service was launched as a result of the 2023-2030 Australian Cyber Security Strategy and is part of the Albanese government's \$60 million investment to strengthen the cyber resilience and capabilities of small businesses.

Unpaid tax and super debts

The Australian Taxation Office (ATO) is changing its approach to collecting unpaid tax and super. Businesses, big and small, who continue to ignore reminders and don't engage with the ATO directly, or through their accountant, or who don't set up a payment plan for unpaid GST, pay as you go withholding, or employee super can expect firmer, faster actions. Businesses who are in this position should seek advice from their accountant sooner than later to avoid unwanted ATO attention.

Congratulations

Happy Pilot anniversary wishes to **Jeremy Scott, Blair Seaward, Sara Harriott, and Lisa Barker** for 5 years with Pilot. We thank them all for their tenure with Pilot and the many contributions they have already made to the firm and look forward to their continued journeys with Pilot.

Congratulations also to Jeremy who was presented with the national dux award and prestigious Justice Graham Hill Scholarship for the Chartered Tax Advisor (CTA) program.

Congratulations to **Zoe Salvati** and her husband Jack on their wedding this quarter.



Socials & Events

Welcome to the Team

Pilot welcomes the following new team members.

This quarter we are pleased to welcome back **Dean Strati**. Dean previously worked with Pilot for a number of years and we are delighted that Dean has returned in the capacity of Associate Director in the Forensic and Restructuring team.

Messana Stewart joined Pilot as an Accountant in the Business Advisory team. Messana holds a dual Bachelor of Economics and Commerce with majors in Accounting and Business & Industry.

Courtney Recnik joined Pilot as a Graduate Accountant in the Business Advisory team. Courtney holds a Bachelor of Commerce with a major in Accounting from University of Sunshine Coast.

Ruby Tedim joined Pilot as a Receptionist and Administration Assistant in our Admin team.



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