

Spring '23



clarity

A quarterly publication
by PKF Australia

Harnessing data abundance to unlock hidden stories

IN THIS ISSUE

Embracing the
data analytics
revolution

Building trust through
ESG: Community
engagement in the
mining sector

ESG – the future
of reporting

Tax governance
matters

Taming the trail:
Risk mitigation in
mountain biking
and business



Welcome to the Spring 2023 edition of Clarity

Our aim is to deliver greater clarity and understanding for businesses, on current and emerging accounting and audit issues. We also look to provide thought leadership, and share our knowledge and expertise, in areas that will solve problems and create solutions for clients. We hope you find this edition of value and please feel free to contact your local Audit and Assurance Partners for any further assistance.

Your insights and expertise are highly valued, and we cordially invite you to contribute to future editions of Clarity. We actively seek captivating and thought-provoking articles that will not only enrich the pages of Clarity but also ignite intellectual exploration. Please submit any suggestions for articles to clarity@pkf.com.au

pkf.com.au/clarity

Contents





Embracing the data analytics revolution

Data analytics, at its core, is the art and science of extracting actionable insights from the labyrinth of data. It encompasses the use of cutting-edge tools and methodologies to dissect, analyse, visualise, and interpret data, leading to informed and strategic decision-making. This pivotal concept has gained immense significance in today's data-driven world, where organisations seek a competitive edge through data-driven strategies.

In this article, we explore what data analytics entails, and seek to demystify complex jargon to, instead, showcase its practical applications.

Data analytics, when embraced through process, discipline, and culture, can provide a compass for your organisation, guiding you toward informed decisions, cost reduction, and revenue optimisation. The ability to harness its almost-full potential is a game-changer.

Where are you on the analytics maturity model?

Data analytics is not merely about numbers; it's about unlocking the stories hidden within an organisation's data in real-time or on-demand.

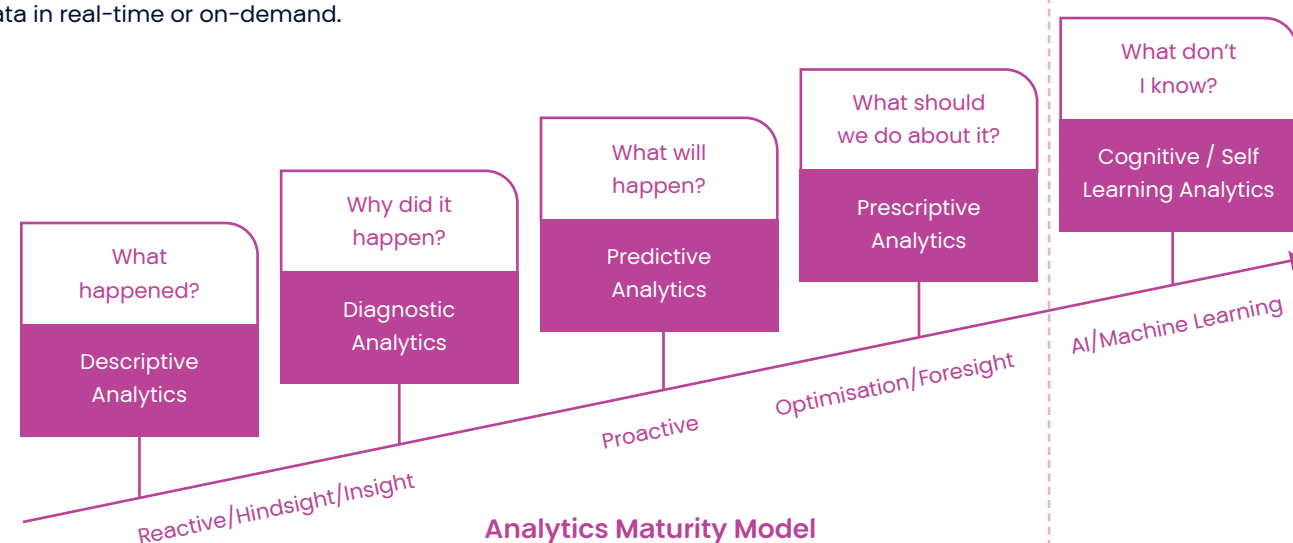
These narratives, when skillfully communicated through tools such as Power BI and Tableau, have demonstrated the ability to yield tangible business results.

This aligns with the growing trend of clients seeking expert guidance on the following matters in recent years:

- Managing reputational risk
- Fraud risk mitigation
- Leveraging data for market insights
- Detecting wage underpayment or theft
- Analysing supplier and customer behavior
- Building internal data competency.

The right questions must be posed in order to "uncover unknown unknowns" and to glean the insights required to support a business's development. The Analytics Maturity Model outlines what an effective line of questioning looks like.

In the audit sphere, the advantages of adopting data analytics over traditional auditing methodologies are substantial and include improved audit quality, effective risk assessment enabled, and therefore increased client satisfaction and retention.



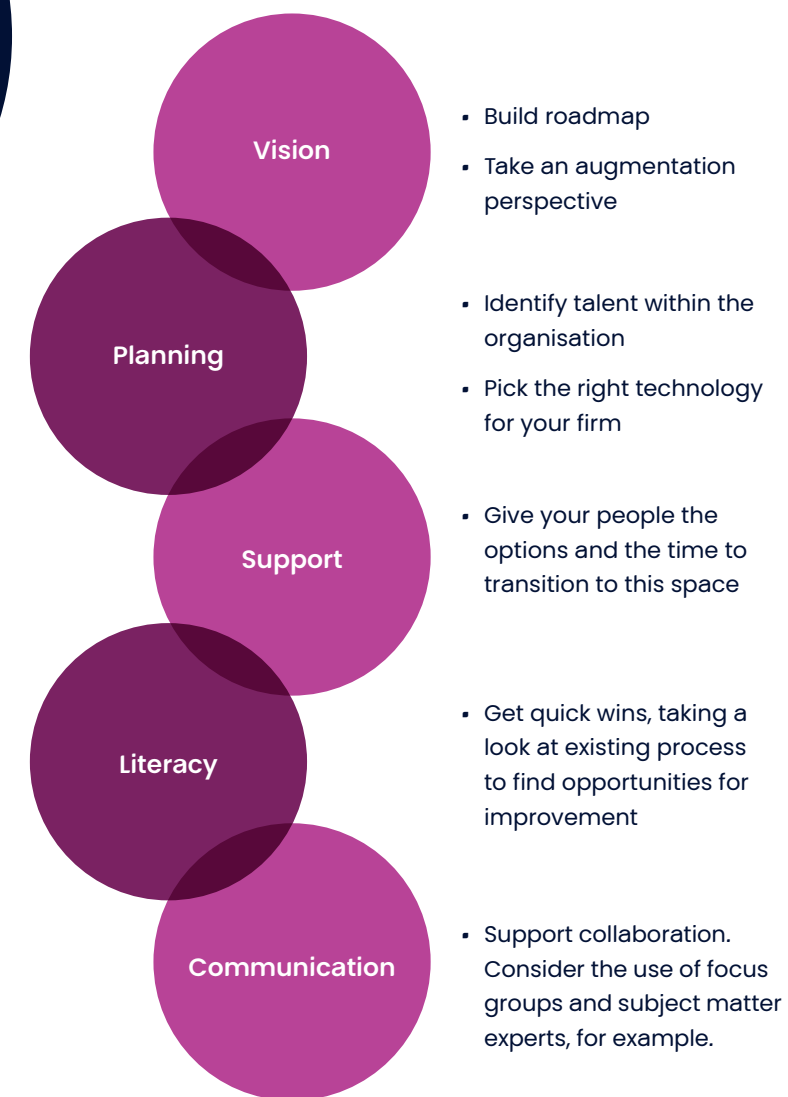
In an era of data abundance, harnessing the power of data analytics is not just an option but a competitive necessity

A bright data-driven future

Has your organisation commenced its data analytics journey? The Technology Maturity Model (TMM) can provide a useful process to apply to support your organisation's transformation.

In an era of data abundance, harnessing the power of data analytics is not just an option but a competitive necessity.

To discover the substantial value that can be gained from data analytics, contact your local PKF data analytics specialist.



Technology Maturity Model



Darren Shillington
Managing Partner

PKF Perth
dshillington@pkfperth.com.au

Building trust through ESG:

Community engagement in the mining sector

The mining industry, historically linked with significant environmental and social impacts, faces increasing pressure from stakeholders to demonstrate responsible business practices. This pressure is not just regulatory or market-driven, it comes from the very communities where these companies operate. This is where a robust Environmental, Social, and Governance (ESG) strategy comes into play, serving as an essential tool to build community trust and secure a social license to operate.

//
Transparency
is fundamental
to meaningful
engagement



Engaging communities through ESG

ESG is an essential aspect of business strategy, especially in industries such as mining. Active community engagement forms a critical part of the 'Social' pillar of ESG, facilitating open dialogue, fostering understanding, and creating shared value.

Mining companies can leverage ESG for community engagement with:

Open and transparent communication

Sharing information about the mining operations, including potential impacts and mitigation strategies, builds trust and enables informed discussions. Transparency is fundamental to meaningful engagement.

Community involvement in decision-making

Including community representatives in key decision-making processes fosters a sense of ownership and mitigates the risk of disputes. This could involve decisions around land use, environmental conservation, or community development initiatives.

Shared value initiatives

Developing programs that benefit both the community and the business, such as local workforce training or community infrastructure development, can help bridge the gap between corporate objectives and community welfare.

Matthew Hall, Executive Director of PKF Perth, shares his insight: "Successful community engagement is not about managing community reactions, it's about involving the community in the ESG journey. By integrating their insights into ESG strategies, mining companies can turn potential obstacles into shared successes."

The power of trust and social license to operate

The social license to operate (SLO) extends beyond regulatory compliance. It is an unwritten social contract, a trust earned from the community, which allows the mining operation to function harmoniously within its environment. Here's why this trust is crucial:

Risk mitigation

Community opposition can lead to costly delays and reputational damage. Building trust through ESG practices helps to reduce these risks and fosters a supportive relationship with the community.

Enhanced reputation

Being recognised as a responsible and community-focused entity strengthens the company's image, both locally and globally. It can attract investors and partners who value responsible business practices.

Long-term success

A social license to operate ensures ongoing community support, essential for the longevity of mining

projects. It aligns the company's goals with community welfare, promoting sustainable growth.

As Peter Sinclair, Partner of PKF Perth, puts it: "In the mining industry, community trust is a currency that's as valuable as the resources being extracted. It's about building relationships that last, through transparent and responsible actions."

Building a future together

The mining sector's relationship with communities is evolving, driven by a shared commitment to responsible and sustainable growth. Through strategic ESG practices, mining companies can build trust, secure their social license to operate, and forge lasting partnerships with communities.

Matthew Hall concludes: "Building trust through ESG is about community partnership. It's the path towards a more sustainable mining industry, and a more inclusive and responsible business environment."

By aligning corporate goals with community well-being, mining companies can turn potential challenges into shared triumphs, shaping a future where everyone has a stake and everyone benefits.

Contact your local PKF advisor to explore how we can support your resources project, at every stage of its asset lifecycle, to deliver integrated and sustainable solutions for your business.



Dawn Alexander
Partner

PKF Goldsmith Fox, New Zealand
dawn@pfkgf.co.nz



Case study: Agriculture

ESG – the future of reporting

In our continued exploration of better practice in Environmental, Social, Governance (ESG) reporting, our focus turns to the agricultural sector.

We hope this case study provides guidance and insight to support you on your own ESG journey.

There are significant benefits to be gained by reporting on ESG factors, however, it's important to appreciate that these benefits are only realised when reporting is undertaken properly and accurately. Stakeholders may question management on disclosures made, so it is vital that companies fully understand and provide supportable evidence for the figures and statements provided in annual disclosure statements. This will ensure you are not exposed to potential claims for misrepresentation.

Please contact your local PKF office for further insights.

Fieldays' approach to ESG

Fieldays is the Southern Hemisphere's largest agricultural event and the ultimate launch platform for cutting-edge technology and innovation. An iconic event owned and operated by the NZ National Fieldays Society Inc. Fieldays is held at Mystery Creek near Hamilton in June hosting over 1,000

exhibitors and around 130,000 visitors over the 4-days each year.

This year Fieldays has introduced the Fieldays Sustainability Hub which aims to provide visitors with easy access to accurate information and resources about sustainability and the environment.

New Zealand National Fieldays Society recognises the importance of sustainability as a concern amongst event attendees and stakeholders and as such, for the past ten years has incorporated sustainable event management into their planning and execution, showing their commitment to environmentally responsible business.

This commitment considers the four governing principles of Sustainable Development, namely:

- Inclusivity
- Integrity
- Stewardship
- Transparency.

For each principle, there is a practice in place.

The Society has partnered with Instep, which has supported the design and implementation of the Fieldays sustainability programme and reporting.

The Instep Sustainable Event Programme (ISEP) follows international standard ISO 20121 which includes monitoring of sustainability metrics and calculation of greenhouse gas (GHG) emissions, or a carbon footprint as it is commonly referred to. Fieldays is currently an ISEP certified Sustainable Event.

Benchmarking between past Fieldays events is now a well-established way to gauge each event's progress against New Zealand National Fieldays Society's best practices for sustainability.

ENVIRONMENTAL IMPACT AREAS MONITORED

Various Environmental Impact Areas (EIAs) were identified at the Fieldays event in order to set objectives and monitor progress. Data was then gathered on-site by independent staff utilising meter readings, calculations and surveying. This was followed by post-event data collection.

The Environmental Impacts of Fieldays were separated into the following areas:

Environmental impact area	Measure
Energy	Electricity meter readings, LPG invoices, petrol and diesel usage.
Waste and recycling	Landfill waste weight, and the percentage diverted from landfill through either recycling or composting via a waste sorting regime.
Transport	All visitors, exhibitors and event staff transport monitored via survey samples, odometer readings.
Suppliers and materials	Any emissions involved in the manufacturing of materials – handbooks and flier, for example.
Water	Consumption measured from metering sites.
Greenhouse gas emissions	Transport emissions measured. The activity data and calculations were assessed according to the five principles of Greenhouse Gas Accounting and Reporting Standards, which covers; <ul style="list-style-type: none">• Relevance• Completeness• Consistency• Transparency• Accuracy.

All information is used to calculate a carbon footprint for the event, assess whether objectives have been achieved, and recommend initiatives for environmental improvement in future.

We have to commend New Zealand National Fieldays Society as a leader in sustainable event management.





Garry Mathoda
Tax Director

PKF Sydney and Newcastle
gmathoda@pkf.com.au



Tax governance matters

Taxation in Australia is both complicated and constantly changing. Public interest in the tax system is arguably at an all-time high. Politically there is a desire to increase tax transparency for larger businesses and high net worth individuals to provide community confidence that 'the bigger end of town' is paying their fair share of tax.



Tax governance means having clear processes and procedures in place in a documented corporate governance framework to support tax decision making and manage tax risks.



Subsequently the Australian Taxation Office (ATO) has an ever-increasing focus on tax governance. In the view of the ATO, when an organisation has good governance in place then the ATO can have confidence that they are meeting their tax obligations and paying the right amount of tax.

Tax governance means having clear processes and procedures in place in a documented corporate governance framework to support tax decision making and manage tax risks.

Accordingly, it is more important than ever for an organisation to have tax governance documentation in place that is both fit for purpose and commensurate with their tax risk appetite.

The ATO is committed to providing better tailored, less exhaustive and less frequent reviews/audits of taxpayers that have tax governance practices which meet ATO expectations for taxpayers of a similar type and size.

Furthermore, organisations that do not have an appropriate tax governance framework in place will not be able to meet the ATO benchmark of 'Justified Trust'. Per the ATO, achieving Justified Trust will generate a tangible change in the organisation's experience with the ATO resulting in lower compliance costs due to a reduction in ATO review intensity.

In short, effective tax governance should result in less time spent managing future ATO reviews and audits.

Documenting tax governance practices can also provide additional practical benefits for your business, such as:

1. Ensuring accurate financial reporting and reinforcing the integrity of business records
2. Supporting business planning and decisions through expert advice and transparent decision making – which helps business stability and avoids unwelcome surprises
3. Retention of organisational knowledge which could otherwise be lost with the departure of key personnel
4. Ensures that new personnel understand their roles and responsibilities and how the group interacts with its advisors when minimising risk.

The 7 principles of effective tax governance are as follows:

1. Accountable management and oversight
2. Recognition of tax issues and risks
3. Seeking advice as appropriate
4. Integrity in reporting
5. Professional and productive working relationships
6. Timely lodgments and payments
7. Ethical and responsible behaviours.

The ATO expects taxpayers to ensure that the core elements below are present across each of these seven principles:

Core element 1 – Existence:

Does the organisation have a tax governance framework and is it documented?

Core element 2 – Design effectiveness:

Has the framework, processes or procedures in the framework been designed effectively?

Core element 3 – Operational effectiveness:

Are the framework, processes and procedures operating effectively?

The PKF Audit & Assurance team works closely with PKF tax specialists. Together, we can assist you in achieving the ATO standard of Justified Trust.



Cameron Bradley
Partner

PKF Brisbane
cameron.bradley@pkf.com.au



Taming the trail: Risk mitigation in mountain biking and business

As a new convert to mountain biking it didn't take me long to realise that riders face an array of obstacles that can send you tumbling down a hill faster than a stock market crash. But what I soon learnt is that the secrets to risk mitigation in mountain biking also apply to the world of business.

Buckle up as I share a few words of wisdom on the winding trail of risk management.

Gear matters

Mountain bikers know that the right gear can be the difference between a graceful descent and an unplanned somersault. In business, your gear might not include a helmet, but it certainly includes technology and tools. Invest wisely, or you'll be left scratching your head, wondering why your company's website just crashed during the biggest sale of the year. And remember, a good helmet is like robust cybersecurity – it may not be attractive, but it's absolutely necessary.

Training is key

In mountain biking, learning how to properly tackle obstacles is essential. In business, it's no different. Invest in training for your team. Sure, it won't help them jump a fallen log, but it will certainly help them navigate the tricky terrain of corporate compliance and industry regulations. Plus, you'll all get a good laugh out of those team-building trust falls.

Risk assessment

Before bombing down a trail, a smart mountain biker assesses the risks. In business, you should do the same. Consider potential hazards, like market fluctuations or competition. Just as you wouldn't attempt a double-black diamond trail on your first day, don't dive headfirst into a new market without careful planning.

Adapt and pivot

In both mountain biking and business, the ability to adapt is crucial. When you suddenly find yourself headed for a tree, you better be quick to pivot – on your bike or in your business strategy. Being stuck in the same rut isn't going to get you anywhere. Change direction and keep pedalling forward.

Know when to bail

Sometimes, no matter how skilled you are, things go south fast. In mountain biking, you might have to bail off your bike to avoid a gnarly crash. In business, there are times when you need to cut your losses and move on. That project that's haemorrhaging money? Sometimes it's better to say "adios" and focus your efforts elsewhere.

Support network

Every mountain biker knows the value of a good support network. In business, it's no different. Surround yourself with experts and mentors who can help you navigate the rocky terrain. Just as a buddy can help you out of a ditch on the trail, a mentor can guide you through the intricacies of a complex business deal.

Celebrate the wins

Finally, in both mountain biking and business, it's essential to celebrate your victories. Whether it's conquering a tough trail or closing a big deal, take a moment to revel in your success. Pop a bottle of champagne or pour a glass of your favourite craft beer and remember that all the risks and challenges were worth it.

So, there you have it – the surprisingly similar worlds of mountain biking and business risk mitigation. Whether you're dodging rocks on a downhill descent or navigating the twists and turns of the corporate world, the lessons are clear:

be prepared, stay adaptable, and don't forget to enjoy the ride. After all, life is an adventure, and both on the trail and in the boardroom, the bumps and bruises are just part of the journey.



PKF brings clarity to business problems with simple, effective and seamless solutions that break down barriers for sustainable growth.

PKF is a global community where dynamic business and wealth advisors can belong, grow, and thrive. Together, we create powerful opportunities to propel the success of our clients, our people, and our communities.

PKF Australia is a member of PKF Global, the network of member firms of PKF International Limited, each of which is a separately owned legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s). Liability limited by a scheme approved under Professional Standards Legislation.

Adelaide

Brisbane

Canberra

Gold Coast

Hobart

Melbourne

Newcastle

Perth

Port Stephens

Rockhampton

Sydney

Tamworth

Townsville

Upper Hunter

Walcha

pkf.com.au

