

## **INTERNATIONAL INVESTMENT**

Financial management, governance and compliance

# FINANCIAL MANAGEMENT, GOVERNANCE AND COMPLIANCE IN AUSTRALIA

Australia provides a reliable, strong and safe market for business, investments and growth.

As with all foreign jurisdictions, there are compliance requirements, localised governance norms and financial management practices that promotes or inhibits success.

Any international investment should understand the history of governance, compliance and financial management practices as part of due diligence, while also reviewing go-forward practices and ensuring that these are fit for purpose.

The following pages discuss key areas of focus as part of a financial management practice due diligence.



# FOUR KEY FINANCIAL MANAGEMENT PRACTICE DUE DILIGENCE ITEMS FOR AUSTRALIAN MARKET INVESTORS



## 1 PEOPLE, PROCESSES, SYSTEMS AND INFORMATION

A key component in the delivery of a successful international operation is enabling a fit-for-purpose 'regional corporate office' that enables and aligns:

- People (roles and responsibilities)
- Policies and procedures (aligning to head office but consider appropriate tailoring of requirements to the region)
- Systems (indicatively using the same system but this is not always possible or practical)
- Information (understanding how and in what format, quality and timeliness information is reported to head office)
- Financial governance (what oversight and controls are necessary to enable operations whilst preventing undue loss of control).

## 2 FINANCE BUSINESS PARTNERING

A key element in modern and successful finance and corporate functions is quality business partnering. Business partnering is all the more important where there is an element of autonomy in operations and decision making (i.e. international operations).

The essence of business partnering is to build up the knowledge and understanding base of those not in a finance role (or financially educated) to enable them to take ownership and responsibility of financial outcomes — alongside operational outcomes. With this comes accountability which is important for head office to have confidence in performance.



## EXTERNAL FINANCIAL AUDIT READINESS

An entity or a group that carries on a business in Australia and is foreign controlled, has increased requirements regarding the preparation of audited financial statements and lodgement with the Australian Securities & Investments Commission (ASIC). If the (entity or) group is considered large, independent of the Australian operations, there will be a requirement to complete an external financial audit.

A large group in Australia is defined as:

- Consolidated revenue for the financial year of the group is \$50M or more
- The value of consolidated gross assets at the end of the financial year of the group is \$25M or more
- The group and have 100 or more employees at the end of the financial year.

If part of a small group there may still be a requirement to lodge audited financial statements unless they meet certain relief requirements. This involves ensuring certain documentation is lodged with ASIC by the required due dates.

Once you have determined the audit requirements, it will be important to understand the preparedness for an external audit, including application of accounting standards.

## KEY LEGISLATIVE FRAMEWORKS

Key legislative frameworks that will likely need to be considered when operating within in Australia and performing due diligence include:

- Corporations Act for all Proprietary Limited (Pty Ltd) Companies (this legislation may also apply to other organisational structures)
- Income tax
- Goods and services (equivalent to a sales) tax
- Fringe benefits tax
- Capital gains tax
- Payroll-related withholdings and taxes
- Transfer pricing matters for international related entities
- Payment times reporting
- Significant global entity reporting requirements.

## ABOUT US

We can help by supporting an establishment (or review of) a fit-for-purpose financial management practices that give confidence in compliance within Australia in addition to clear and insightful information reported back to head office.

When supporting clients through the readiness process, BDO's Financial Management Consulting team undertakes an efficient and detailed review of the organisation's current financial management practices. We identify the gaps in audit and IPO readiness while developing a pragmatic, fit-for-purpose readiness action plan for your organisation.

We review our client's financial management practices across a range of areas, including:

- ▶ People (roles, responsibilities, capabilities and capacities)
- ▶ Policies and procedures
- ▶ Use of systems
- ▶ Management reporting
- ▶ Financial reporting (including the adoption of AASBs)
- ▶ Key technical accounting matters and standards
- ▶ Budget and forecasts.

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