

ACNC IMPLEMENTATION DESIGN DISCUSSION PAPER

Discussion Questions

Responses

<p>1. Do you think that the introduction of the <i>Charity Passport</i> would reduce reporting obligations to Government? What are the obstacles to achieving one-stop shop reporting on the basis of the data being collected by the ACNC?</p>	<p>1. Yes, we support the establishment of the <i>Charity Passports</i> once it can be fully implemented. There are however a number of concerns that need to be addressed before it can be effective.</p> <p>See our detailed response to Question 5.</p> <p>While SBR is an important key to simplification for those entities that can implement it, nevertheless it will be very difficult for most Tier 1 entities and also for a significant number of Tier 2 entities to utilise.</p> <p>It is not just a matter that most of the current computer software commonly used by the Charity Sector is not SBR compatible. There are also other matters to consider, including -</p> <ul style="list-style-type: none"> • The significant issue of computer operator skills with the smaller charities. • Many smaller charities continue to utilise Excel or a manual accounting record. • Computer and Internet familiarity cannot be presumed. Many very competent people continue to have limited or no awareness or skills in these areas.
<p>2. Will the information collected by the annual information statement be adequate for the purpose of achieving the appropriate level of transparency and accountability to the public?</p>	<p>2. The annual information statement for Tier 1, Tier 2 and Tier 3 reveals that there is a very limited amount of information that will be shown on the Portal. It does not include any information that was not already available with the registration application as a charity. Therefore it seems that most of the information is required for the ACNC only. We consider this to be a wise approach in the early years of operation.</p> <p>Our response to your specific question is that we would suggest the Portal should also identify that the annual return for the appropriate financial year has been lodged.</p> <p>We have already become aware of sensitivity about identifying the names of Board members on the Portal. Yet the application for registration requires all “officers”, names and positions to be identified on the Portal. Therefore we make the following comments: -</p>

	<ul style="list-style-type: none"> • The term “officer” is not defined in the draft Bill. • The term “officers” would normally refer to the executive office bearers of the entity, e.g. president, vice-president, secretary, treasurer. If the Portal information were limited to those office bearers, we would consider that was appropriate and adequate public information. To provide details of all other Board Members we see as unnecessary – and some Board Members who are public figures would feel discouraged from continuing in that role because of the loss of privacy. There are some other sensitivities with individuals, for good reason, which suggests that identifying all Board members is unhelpful and insensitive. • The draft Bill refers to “responsible individuals” as opposed to “officers”. Reference in the application form to officers is therefore confusing. The form needs to clarify the meaning of the term. If appropriate the Bill needs to also define the term. • ACNC need to be aware that many people completing the forms will be unaware of the detailed information in the Bill – and will also not have seen information or fact sheets or the website. Therefore each form needs to have some explanatory information appended to it in some way.
<p>3. Is there any additional information that should be collected and provided to the public?</p>	<p>3. We consider the present information in the draft annual information statement is appropriate until such time as ACNC has developed some significant understandings of sensitivities versus responsibilities in this area. We would support a review of the information made public in (say) two years time.</p>
<p>4. Should the annual information statement give charities the option of providing narrative description of the outcomes achieved?</p>	<p>4. Yes. We would support giving charities the opportunity of making voluntary information available, - particularly if it would be shown on the Portal. That is voluntary reporting which we consider is a healthy way forward.</p>
<p>5. Is the SBR taxonomy an appropriate basis for the reporting of financial items to the ACNC?</p>	<p>5. The theoretical answer is YES. In practice the present answer for the majority of charities is NO.</p> <p>The issue is that the computer software suppliers commonly used by the charitable sector (and most small business as well) have been unable to provide an appropriate level of support.</p> <p>The exception is Reckon, with most of their Quickbooks advanced</p>

	<p>software. They have apparently been compliant since 2009 and it now appears to be a workable programme (they have worked on the teething problems). Their web-site gives positive comments here.</p> <p>MYOB have indicated that their new release (late December) will be compliant, but it is too early to know whether it will have initial problems, as is commonly the case. Their earlier versions are not compliant with SBR. However it appears that to operate the new version requires the use of C Drive only – it will not function on a Network at this stage. This makes it difficult to operate for most multi-user situations. No doubt this issue will be resolved in the near future.</p> <p>HandiSoft, another significant software provider, is working on making their ledger compliant. It seems clear they intend to ensure they are SBR compliant in the future. Our past experience with software providers suggest this will take more than a year from now, and then there will be the inevitable “bugs” that can only be resolved by actually getting some of their clients working with the system for a while in co-operation with the software provider. It suggests that an effective workable product for the lesser skilled operators is at least two years away.</p> <p>The related concern is that many smaller charities do not update their computer software regularly due both to the cost of the software, and the lack of significant computer skills of their personnel. Where they have paid staff they will often utilize an Excel programme for the payroll matters. Their approach is to stay with a programme that is familiar as the result will be more reliable for all concerned.</p> <p>There is little doubt that the SBR facility will be useful for those charities that are able to access it. However the ACNC need to be aware that the initial take-up will probably be small. Few charities have money to spare on software upgrades, particularly if it also requires a major change to the Chart of Accounts as well.</p>
6. Is the proposal for information collected through the annual information and	6. Tier 1 – financial information. If the entity opts for cash reporting –

<p>financial report appropriate for each tier (see Attachments B, C and D)?</p>	<p>which will be the probable basis adopted by many Tier 1 NFP entities, you need to be aware that a Balance Sheet is not possible. Cash accounting means that capital transactions are incorporated with revenue account matters in a Statement of Receipts and Payment. A conventional cash accounting report would therefore be a Statement of Receipts and Payments with a bank account reconciliation or a statement of bank account balances (following reconciliation). The form needs to be modified to allow for this. (There is also the possibility with some entities of establishing a Statement of Assets and Liabilities – which is a mere statement of opinion, not part of a reconciled double entry system.</p> <p>Government needs to understand that there are still a significant number of small NFPs that are neither using a recognized accounting software package or an Excel programme (which itself has limitations). Instead they are using a manual cashbook as this is the limit of the ability of the treasurer and is sufficient to meet the financial information needs of the entity. This is not a process that the accounting profession would in any way wish to encourage, but it is a recognition by us of the usefulness of volunteers with limited bookkeeping and financial skills.</p> <p>The Tier 1 report needs to be altered to allow for an appropriate cash report.</p> <p>Tier 2 – consistent with our response to other questions, we do not believe question B9 referring to a Risk Management Plan is appropriate. We ask that it be removed.</p> <p>Re D8 - referring to full-time equivalent volunteers, this would be unique information unavailable with many small charities and NFPs. This comment would extend to a number of Tier 3 entities also. We are aware that a number of charities keep clear record of attendance by volunteers, however much voluntary work is done that is not recorded and is not capable of being recorded – particularly when there is no established venue for an organization and voluntary work is carried out in people’s own homes. We suggest the question be reworded and some guidance be given for the provision of estimates.</p> <p>Tier 3 – similar comments to Tier 2.</p>
<p>7. The ACNC Commissioner has the discretion to vary the accounting period.</p>	<p>7. We strongly recommend that the draft Bill be modified so that there is</p>

<p>Under what circumstances should the Commissioner allow for an alternate accounting period?</p>	<p>no rigidity in respect to the accounting period. It is our submission that the accounting period needs to be appropriate to the needs of the entity. The draft Bill states that the normal reporting period will be 30 June. As identified in our submission on the draft Bill there are many NFP entities – in particular educational bodies and sporting bodies – where this is totally unworkable. Many other entities utilise an alternative accounting period to accommodate their own activities more effectively. We have also made the point elsewhere that the accounting profession could not possibly cope with the audit workload that would be imposed by a standardised 30 June balance date. The accounting profession needs to be able to work with organisations with alternative balance dates as well so that the auditing workload can be balanced over the year. To insist on a standard 30 June reporting date means enormous operational problems, and a myriad of applications to the ACNC for extensions of time for financial reports and AGMs.</p> <p>In respect to the question regarding the Commissioner allowing for an alternative accounting period, our preferred position is clearly that the Bill be amended so that an application to the Commissioner is not required. This will reduce the workload on the Commission as well as the NFP entity itself. If, on the other hand, Government insists on continuing with an initial application of a standardised 30 June balance date, we strongly recommend that there should be a simple procedure in place to enable a change to a more appropriate date. All that should be required is for the entity to be able to identify the importance of the alternative accounting period to their normal operating cycle or some similar significant issue and the Commissioner should then automatically approve the application.</p> <p>See also our comments at Items 17 and 27 of the Draft Bill.</p>
<p>8. Do the ATO practice statements provide an appropriate guide?</p>	<p>8. No. It is our view that the ATO practice statements are not helpful at all. It is very difficult to obtain permission from ATO for an alternative accounting period. Our experience, and enquiries made of others, indicates that it is invariably declined, irrespective of circumstances. Therefore it would be a singularly inappropriate guide for ACNC to apply, as it would indicate that approvals would never, or very rarely, be approved.</p>
<p>9. Are the transitional arrangements clear for new and existing charities?</p>	<p>9. No. The transitional arrangements are not yet clear. Government</p>

	needs to advise in more detail what those transitional arrangements are. Government also needs to advise what additional time would be provided to a charity to meet the new arrangements in the event that they are found lacking during the transitional period.
10. What assistance could the ACNC provide to support the sector's use of online engagement?	<p>10. Provide subsidies to charities that need to upgrade computer software to be SBR compatible.</p> <p>Subsidise the provision of appropriate computer training courses through the TAFE network in Australia, and also publicising its availability through the peak bodies.</p> <p>To provide direct educational support to the Sector.</p>
11. Are there barriers to online reporting or registration? How can the ACNC ensure that it is effective?	11. Yes. There are a still a large number of Australians whose access to Internet is limited, or alternatively, their Internet skills are limited to receipt and transmission of e-mails. A large number of the volunteer force within the charitable sector comes from older Australians many of whom remain computer illiterate. This will limit the utilising of online reporting and registration in those cases. However, we would anticipate that many NFPs would be able use online engagement either adequately or competently. See also our comments at Questions 1, 5 and 10.
12. Are there barriers to the AUSkey as the ACNC online authentication tool?	12. From enquiries made there is still limited use of AUSKey currently. It seems a beneficial way forward with limited take-up, except with quite large entities. We would anticipate that there would be a very slow take-up by the Sector in respect to the use of AUSKey.
13. Are these proposed principles guiding the ACNC's role in providing an education function appropriate?	<p>13. It would be our view that the ACNC approach to education is most inadequate. The changes for the Sector are major. In paragraph 112 you identify the need for registered charities to understand the requirement of ACNC. In your introductory paragraph to Section 6, you state that education is a core role. However nowhere in this document, in the draft Bill or other information made available is there any indication that ACNC will provide introductory face-to-face training seminars. It is essential that face-to-face seminars be provided with substantial opportunity for attendees to request clarification and expansion in respect to matters raised.</p> <p>Paragraph 114 infers that ACNC will provide broad general advice,</p>

	<p>online fact sheets and links to material on other websites. There is a statement in paragraph 112 that ACNC will look to peak bodies and professional bodies to “supplement” advice. We interpret this as meaning ACNC will leave face-to-face training to professional bodies and peak bodies with the Sector bearing the cost.</p> <p>We submit this is a totally inadequate approach leaving the Sector struggling with inadequate information and having to bear the cost of its own learning needs in the face of a Government imposed major change. We request that the peak bodies be provided with funding to enable such training to proceed. We also ask for assurance that the training thus organised will be given support by the availability of key ACNC personnel in the planning and development of such change.</p> <p>Add-Ministry Inc. offers to be actively involved in the provision of such training. This is a role we are equipped to provide, subject to appropriate resources being made available.</p> <p>When the GST changes occurred in 2000, there was a significant educational programme provided by the GST Start-Up Office. This was very helpful. The NFP Sector had special issues and needed special training. This was well handled through the peak bodies and funded by the GST Start-Up Office. We consider a similar approach is needed with ACNC.</p>
<p>14. What should be the scope of the ACNC’s education role?</p>	<p>14. Refer to our comments at 13.</p>
<p>15. Is it appropriate for the ACNC to endorse education and guidance material provided by other entities (for example, peak bodies)?</p>	<p>15. Yes – we would warmly support ACNC being actively involved in the assistance for peak bodies and professional bodies in developing appropriate educational material. In fact we believe such support from ACNC is essential if such training is to be effective.</p>

N E Harding
Chairman
Add-Ministry Inc.

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