

## **Report of ACOSS consultation on national standard chart of accounts**

The national standard chart of accounts (SCOA) is a tool to be used in the management of financial information. It has been developed by the Business, Regulation and Competition Working Group (BRCWG) as part of the National Reform Agenda of the Council of Australian Governments. It will be introduced by all government departments from 1 July 2010 but its adoption is voluntary for not-for-profit organizations. The standard chart of accounts and supporting material can be found at:

<https://wiki.qut.edu.au/display/CPNS/Standard+Chart+of+Accounts>

In February 2010 the Better Regulation Office of the NSW Department of Premier and Cabinet, as a member of the BRCWG, contacted ACOSS to participate in a consultation process about the SCOA. In response, ACOSS consulted with our national member organisations (NMO); the Councils of Social Service in each state and territory; and COSS members at the state and territory levels. This is a report of the feedback provided to ACOSS in its consultation with these social and community service organizations.

### **Positive about the initiative**

The feedback from those who have already used the SCOA was generally positive. Many organizations support the idea to standardize the reporting requirement on not-for-profit organizations for external reporting purposes. The following comment from an ACOSS member was indicative of the positive experience of those already using it.

While there has been a period of adjustment during the implementation process, [our] Governing Committee, Executive Director and the staff have found SCoA simple and easy to use. As intended, it has streamlined our processes and we have found it to be effective, efficient and suited to our needs. Overall, thus far we have had positive experience with SCoA and will continue to use it (Member response to ACOSS consultation on SCOA, 2 March 2010).

### **Concerns about the contents**

There were a number of concerns raised about the SCOA from participants in the consultation process. Some reflected an inadequacy of information received by organizations about the SCOA. Others reflected concerns about the appropriateness of the SCOA for their organizational needs.

The main concern raised with ACOSS came from larger organizations in the sector that had already spent significant money setting up agency-wide charts of accounts and data systems. These organizations were concerned about the cost of implementing a new SCOA. Other organizations also expressed concern as to whether a standard chart of accounts would be suitable for the diversity of programs and range in size of not-for-profit organizations, including small, medium, large, state-based, inter-jurisdictional and national organizations.

In relation to the process of introduction, there was some concern as to whether and how government departments will change the way they request financial information from sector organizations in such a way as to reduce the sector's financial reporting burden. Organizations are seeking information about the planned changes in the way information will be requested to address this.

ACOSS appreciates that the SCOA is voluntary on sector organizations and that its intention is to reduce reporting requirements on the sector for the long-term. However these comments indicate ongoing uncertainty across the sector about the extent to which the opportunities for greater efficiency in grant administration and reporting will outweigh any cost and resource implications in adopting the SCOA or adapting existing systems to it. Further information about the process of implementation and its implications on reporting processes would be useful in this regard.

One participant commented that the SCOA was insufficient to reduce the reporting burden placed by governments on not-for-profit organizations, because the degree of that burden was determined by the size of an agency and its financial expertise. This organization suggested that governments align their reporting requirements with the size of an agency and its financial expertise to reduce the burden place on nonprofits.

This comment reflects the ongoing concerns across the sector about the level of reporting requirements placed by governments on the sector, particularly in the absence of any return on those reports, such as data or analysis. ACOSS expects that governments would be unwilling to redesign their reporting requirements to meet the needs of not-for-profit organizations as determined by their size or financial capacity. Nevertheless it is important to maintain progress towards the reduction of red tape and to recognize the impact that overly burdensome processes have on the sector's capacity to deliver services and to support communities.

There was also concern expressed about insufficient numbering spaces for small organizations that set their accounts by the standard model. There was resistance to the assumption that organizations should not have to map from an internal to an external chart of accounts but that this would be the consequence of the limited space available in the SCOA. Illustrating this concern were the examples of an organization wanting to track individual motor vehicle costs; or the fact of only ten bank lines included in the SCOA. To remedy this problem, it was recommended that an extra digit be added to the right of the charts' codes to make them 6 digits, such as in the following example: 6-05010 MV Fuel and Oil. Alternatively, the code could be expanded to ensure appropriate reporting capacity for small organizations.

A further concern about space available related to sub-accounts. In particular, the restrictions on some of the account code ranges were considered inadequate, such as the Recurrent Commonwealth Grant Income account 4-1010 to 4-1019 that restricts the number of such grant accounts to 9. One participant wanted to know whether account numbers could have recognizable sub-accounts, as this would pose a potential solution to the problem.

There were a number of concerns expressed about the appropriateness of specific account codes. One organization reported that its discrete business units perform a number of activities that are reflected by individual line items in the SCOA, for example client services and support and fundraising activities. These business units utilize a comprehensive chart of accounts in conducting their activities and a full range of income and expense accounts apply, identifiable against each business unit by means of unique cost centre codes (as distinct from account codes).

Organizations working in the area of aged care argued that the SCOA should include some expenses that are specific and essential to those services, such as enteral feeding and oxygen expenses. They also felt that the costs associated with compliance have been overlooked in the chart. While this concern was raised specifically in relation to aged care services, it is likely to be a relevant factor for other services including but not limited to child protection and disability services. Associated concerns were that the income received from residents' fees and residents' bonds (that is interest earned and retention allowances) should be given a separate account; and that the liability to repay the bond needs to be addressed in the SCOA.

There was a suggestion that, as the cost of broadband ADSL and other internet connection costs are becoming significant expenses to service providers, these costs should not be hidden in other costs but should be allocated their own account. It was also suggested that including GST Receivable as a reduction of liabilities is "bad" accounting: it should be included as a sundry debtor or a prepayment, in the Current Assets. Finally, there was concern at dissecting investments into Franked and Unfranked dividends and a suggestion that this information is better dealt with outside of the chart of accounts.

### **Concern about the process**

The main concern raised with ACOSS related to the timeframe provided for consultation and the availability of information on the SCOA. While the development of the SCOA has been underway for almost a year, the sector's main sources of information about its development have been informal, including from colleagues involved in the development of standard charts at the state level. For ACOSS and our COSS colleagues acting as peak representative bodies, this has limited our capacity to consult adequately and to have meaningful input into the process. For our members, this has led to some frustration due to the lack of clarity surrounding this much-anticipated initiative. Most importantly, when the time for formal consultation arrived, it was insufficient for the sort of consultation that many of our members would have welcomed. A number reported that they would have liked the opportunity to go through the SCOA with their management committees, treasurers or finance staff, had time permitted. Many also sought reassurance that the SCOA would not change significantly, once it has been implemented.



As both governments and the sector are working on improving relationships between each other and processes for working together, adequate time for consultation is an important issue. In the event that short timeframes for consultation are unavoidable, not-for-profit organizations would benefit from the provision of information at earlier stages in the process, so that they are well-briefed and prepared to respond when the opportunity arises.

ACOSS appreciates that the NSW Better Regulation Office has been coordinating this consultation process on behalf of the BRCWG, which is in turn working to the Council of Australian Governments. We make these comments about improving consultation for the benefit of all parties engaged in the COAG reform agenda.