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Dear Sir

STANDARD BUSINESS REPORTING for FINANCIAL REPORTING

The Institute of Certified Bookkeepers is and remains a major supporter of the concepts behind SBR. Our membership has embraced SBR lodgment through the use of SBR enabled software provided under the brand GovReports (www.govreports.com.au).

I personally have also utilised the GovReports software to lodge financial statements on behalf of a Tier2 Public Company (two lodgments during December 2012). I understand these were possibly the first successful transmission of Financial Reports with ASIC using SBR.

Introduction

We believe that a correct implementation of SBR will cause the cost of compliance to decrease and be more efficient. There are distinct and definite productivity gains possible.

Government should increase the support to develop SBR enabled solutions.

Government should enable the development of commercially available SBR software: Consider providing development funds as a "Loan" to be repaid by the software developers over the "Guarantee" period (see below), alternatively consider providing a specific Tax incentive, rebate, concession, R&D scheme to the software provider. Provide an incentive to invest in SBR, therefore providing what will be a better government interaction solution.

We believe there is a REAL possibility that the only outcome that SBR (as presented in the consultation paper) will achieve is cause the cost of compliance to increase for all businesses, which are required to provide financial statements.

We believe it is **currently** very likely that if government were to mandate SBR lodgment of financial reports, then the ONLY method available to cause such a lodgment, for the majority of relevant business, will be to RE KEY all their data into an SBR lodgment program. In effect you will create a real ISSUE in that you impose a requirement on all businesses that are required to lodge, to incur significant cost in order to provide data in a different form, so that a few potential users of only a few companies are able to utilise a small amount of that information more easily.

This is a FALSE environment. This should NOT be mandated at this time.

The correct paradigm is to consider the preparer of the Financial Statements as the MAIN priority. What is the impact on all preparers? How do we make it more efficient to lodge the financial statements for all without increasing the cost of this requirement?

Success or otherwise of SBR to date

The lack of take up of SBR lodgments with all Australian authorities IS TOTALLY ATTRIBUTABLE to the lack of SBR enabled software.

Australian business statistics show that the majority of business are "small" by most definitions. Accordingly the majority of "compliance" forms lodged are by small business. These small businesses do not typically have an ASIC reporting obligation. Accordingly in terms of a key SBR benchmark around number of lodgments: ASIC reporting will not achieve a noticeable increase in overall forms lodged.

To our knowledge only a few commercially available software packages are successfully lodging any forms using SBR: GovReports and to a smaller extent BDS and Reckon. We understand, as also reported in the Options paper, that there are many software companies "involved" with SBR however we do not see them currently delivering solutions to the Market Place. The cost of purchasing some of these solutions proposed has also been prohibitive.

SBR will be successful when the Commercially Available Software has included SBR into their solutions.

In terms of SBR, Government should ONLY be concentrating on enabling and assisting the software companies to initiate SBR reporting.

Business Efficiency

Our concept is that SBR enables "normal business process" lodgment of the required forms. Again this will only be achieved WHEN the software has the "Lodge Now" buttons included.

Also consumers (Australian Business) will increasingly demand the use of SBR, ONLY when the various government agencies provide a full "Lodgment Management functionality" as part of SBR.

In the ATO instance the SBR enabled software must be able to; add Taxpayers to the Agents client lists, manage all facets of that Agents work with the respective clients, manage their lodgment obligations, receive report from the ATO, receive status updates from the ATO. In real practical effect: the agent should not need to go to any other solution other than their SBR enabled "Lodgment" management program to facilitate all interactions with Government.

Business efficiency and intermediary (Agent) efficiency is a REQUIRED outcome of SBR.

Hence while SBR is seen as a lodgment facility, for business to embrace SBR the solutions should be two way and complete. Neither a business nor their Agents appreciate systems being implemented that require yet another software interface of a different type to interact with government in another manner.

The Submission Papers

Section 2 – The Problem

Effectiveness of Public Disclosure

Paper or PDF lodgment of financial reports IS efficient from the perspective of production of those reports. It is the most efficient means that current software allows business to produce the required information.

With the current environment, if Government was to implement compulsory SBR (XBRL data field driven) financial reporting then the “cost of compliance” and “red tape burden” would increase. This step would create a significant amount of work, by a business, to provide yet another format of their financials.

In the ideal world it would be NO MORE WORK, it would be a “Lodge Now” button.

In the ideal world the SBR gateway would simply be reading each piece of data, as labels or financial data form the Financial Statements into an XBRL field and receiving them.

In our current experience the Government Agency recipient of SBR enabled lodgements are requiring a different set of fields provided in a different manner or with additional data than would be required by the business if they were to lodge paper. This is NOT appropriate.

Business Usage of SBR

The voluntary lodgment of financial reports via SBR has not been successful as there is no (meaning one) commercial software available for business to use to easily facilitate the lodgement.

It is a simple fact that Government investment should be in ensuring the availability of the software solution for the consumer; not by a user driven call for development but by a Government use of funds to facilitate the commercial providers of the reporting solutions.

We are NOT a supporter of the SBR strategy to endeavour to create user demand leading to the software companies seeing a need to invest their own funds to provide the SBR lodgment facility. (Comments below in relation to Software providers)

SBR lodgment of Financial Reports WILL be the most efficient if you assist by providing the business solution to facilitate the lodgment.

International Developments

“Keeping Pace” does not seem like the logical rationale for such a project. Learning from and implementing Best Practice processes for Australian Business would be a better concept.

DISCUSSION POINTS

For providers or reports: PDF physical lodgment as there is no other quick, effective, cost-benefit justified method to provide them to ASIC.

Following the costly process of producing the financial statements in the right format, from the preparers point of view, simply getting them out the door (read “lodged”) as quickly and incidentally as possible is the priority, so that the business can move onto productive activities.

For Software Developers: The barriers include a belief that government will continue to change the SBR technology/platform/specifications. Developers will not invest the \$m's to enable the XBRL transmission until there is a guaranteed consistent platform and process required.

For Users of the information: The impediments to use PDF or Paper are as reported in the papers – the need to rekey that data into any analysis process. Please note we are talking a small sector of the overall Australian Business Market, most business does not access nor use this information. Users of the Publicly disclosed” information should NOT cause a major increase in cost of providing those reports for ALL.

Section 3 – Options

1. Mandatory

Should not be considered until Government have successfully contributed and enabled the availability of SBR software.

Following the provision of Software that business can use to facilitate the preparation and lodgment using SBR, then you may be in a position to consider the closure of all other lodgment mechanisms. The software does currently exist to prepare the required financial reports, it should now have the “Lodge Now” button to facilitate lodgment of the data through SBR.

It is Governments role to facilitate the SBR lodgment without increasing the cost of compliance to the provider of the reports BUT ALSO WITHOUT demanding the 100% investment (at risk) of the software companies.

2. Voluntary using iXBRL

The version of XBRL or iXBRL or whatever is not the issue for the preparer of financial reports. The reports will still be prepared in the formats currently required by Standards and other compliance obligations. It is then having the software to facilitate the easy lodgment of that data in the form Government wishes to receive it.

Do not increase the compliance obligation.

Provide a Decided & Committed transmission method and mechanism. The system to be committed for a period of time; say 10 years This enables business to develop a process, that will cost them, but over a 10 year period the cost-benefit analysis should make it worth the effort to develop that process.

3. Status Quo

Until Government have facilitated the availability of a lodgment mechanism that does not increase the cost of compliance on business, this is the only option.

Following the enablement of cost-effective lodgment mechanisms; that has a business efficient process and is NOT costly, business WILL AUTOMATICALLY adopt it.

This improved business process will then lead the “environment” to a position where it will be logical for government to close down other lodgment mechanisms and hence the only lodgment gateway will be SBR.

Section 4 – Analysis

1. Mandatory

Para 40 states a benefit to users: There is NO such benefit to users until there is software tools that enable them to obtain the data and then to analyse it in the way they seek. They are currently using tools to enable that analysis that is not dependant on SBR. Simply providing XBRL data is NOT the complete answer.

SBR will NOT cause greater transparency: it is simply lodgment of the same data that is now available, but in a different format.

It is the software tools that will take current reporting output and turn it into an SBR lodgment that will make this process more efficient.

SBR is a lodgment facility. Unless it is coupled with drastic overhaul to the format and lodgment data obligations upon business it will not make the preparation of financial reports process any more efficient. The financial reporting software already exists.

Para 41 refers to the analysis tools; all of which will need to be changed to accept XBRL data.

We do not support many of the concepts presented as the rationale for mandatory requirement of SBR. Paragraphs 42 to 44 are all based on business incurring significant cost to change to another system.

Discussion Points

Providers

Costs: significant as there are NO solutions available for the majority of business. Cost to develop for business is more than prohibitive.

Benefits: We believe the only benefit today is for the users of financial reports that is restricted to less than 2000 entities with a reporting obligation. The costs should not be imposed on all entities for the benefits of the USERS of only a few of the entities.

Business process interruption will be significant until suitable software exists.

Users

Cost to develop or alter tools to accept the data will be real.

Interruption to business processes will be real.

Longterm benefit should exist if a consistent stable condition is developed and then maintained for a period of time.

2. Voluntary

The difference to business of NOT lodging a PDF or paper report is incidental. The financial reports are going to be prepared for other purposes anyway. Lodging with ASIC is not the biggest issue.

Discussion Points

Providers

Why use SBR? Because it is more efficient

Benefits: minimal other than if software becomes more efficient and removes steps required to lodge

Costs: if it requires us to rekey to enable lodgment then it will be significant.

Users

No change for the majority of small business: No access to the reports now, no access to the data now, the intended changes will not enable a cost-benefit improvement such that the data would be accessible nor useful. The tools don't exist.

For users of financial reporting information: It will cause a cost to develop or access the tools to be able to read the data in the new format.

PREFERRED SCENARIO

Government should

1. Decide on the SBR lodgment protocol and system.
2. Provide a confirmed software specification
3. Guarantee no change in that decision for 10 years
4. Enable the "Lodge now" SBR driven software by enabling, facilitating, funding the commercial software developments. (Consider providing the development funds as a "Loan" to be repaid by the software developers over the "Guarantee" period, alternatively consider providing a Tax incentive, rebate, concession, R&D scheme to the software provider)
5. Government agencies to proactively and positively open up the full interaction by business through SBR enabled "lodgment and obligation management" software.

Section 5 – application and implementation

Discussion points

Noting we do not support any mandatory SBR lodgment until government have enabled the available software.

In the ideal world all entities lodging public financial reports should use SBR facilitated lodgment. HOWEVER

While there may be some argument that it is the "Listed Public Companies" data that may actually be the driver for the "business analysis" arguments proposed in the paper. The rest of the 27000 businesses should not be FORCED to incur costs for the benefit of the users of information from the 1951 (Table 1) listed companies. Therefore do not mandate the requirement for Listed Public Companies until the software allows efficient business process for them to lodge their already prepared financial reports and also until the software exist for others to receive the XBRL or iXBRL data.

Many of the "Public companies limited by guarantee" we expect are becoming subject to the ACNC reporting and other obligations. We believe that it is essential all elements of the Charity reporting environment are developed with SBR facilitated lodgment and business processes. Therefore we believe any such SBR requirement should not be applied to those entities subject to any ACNC related obligations until all such obligations are developed, known and efficient business process software exists to prepare and then SBR lodge those reports. Noting this solution should be comprehensive in enabling full "Lodgment & Obligation management".

We are hesitant to suggest the obligation be placed upon the Proprietary companies without a key driver. Business efficiency would be a driver but this must be facilitated by the software. We are not convinced (without further data) that there is an "information user" argument applicable to this sector.

Implementation period

In our understanding of today's environment we would suggest a 3 year implementation period. If the ideal software existed to enable the efficient business process to lodge the financial reports in XBRL/iXBRL then we would suggest a 2 year period.

We would suggest that all entities subject to ACNC related obligations be exempt until software exists to facilitate meeting all their obligations in an efficient manner.

OTHER STAKEHOLDERS

It is the role of "Intermediaries" (Bookkeepers, BAS Agents, Tax Agents, Accountants) in many instances who meet the compliance obligations, in particular reporting obligations, of business. The software tools should facilitate Intermediaries efficiently interacting with the business and the Government agencies.

Business processes of Intermediaries will be significantly impacted by the change of systems. Ideal development of the existing software solutions to move to SBR enabled lodgment and management of obligations would be preferred.

A correct implementation of the SBR gateway to lodge would be within the software such that the Intermediaries are primarily unaware of any change to the "behind the scenes" change from ELS etc. to SBR.

Software Developers

We believe it is the commercial software developers who have the most to lose in the move towards SBR / XBRL / iXBRL adoption.

The Commercial software developers should be supported financially, provided with certainty, encouraged in order to achieve the outcomes that SBR should be able to achieve.

Please contact me if you require any clarification or further information in relation to this submission or SBR.

I personally and We, ICB, are supporters of SBR and look forward to the efficiencies it should bring to Business to Government interactions.

Yours faithfully



Matthew Addison
Executive Director

