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The Secretary
Senate Economics Reference Committee
Room SG.64
Parliament House
CANBERRA ACT 2600

**RE: CALLS FOR SUBMISSIONS TO SENATE ECONOMICS
COMMITTEE ON CLERP 7 BILLS**

Good afternoon Dr. Kathleen Dermody,

We are writing in furtherance to our submission made to the Committee last week and would like to take this opportunity to further outline our position with regards to the ASIC reforms, and in particular some of the objections that may be relayed to the Committee by the wider business community potentially delaying the enactment of the Bill.

Our company provides corporate registry outsourcing services to solicitors but predominately to Accountants. In essence, we act as an agent for our clients by providing a complete electronic corporate registry maintenance and data storage service for their clients, which means we are currently lodging thousands of company annual returns and registry forms both paper and electronically. This service necessitated the writing of our in-house software.

I am prefacing my comments with the above service description for the purpose of showing we have a unique perspective concerning the work practices of corporate compliance across the industry.

It is not necessary to say that the accounting office has a tremendous workload that is compounded by constant Law changes in their core competencies. These changes have caused a shift in the Accountants role and they have become more valued commercially within our corporate structures.

Accountants have had to act more in a consultancy capacity as their clients have purchased off the shelf software for in-house book keeping. GST was a tremendous change which took a year to bed down as work practices and attitudes changed by the companies effected. The result is the Accountant is viewed as a high priority consultant as never before.

Clerp 7 is another shift in attitude about compliance of Corporations Law required by companies that Accountants can use to elevate their position with the client.

CURRENT CORPORATE COMPLIANCE WORK PRACTICES SHOWING THE NEED FOR THE ENACTMENT OF CLERP 7

The normal practice in most accounting firms is to allocate a specific time once a year for annual return preparation for their clients via available corporate registry software. 70% of the time this practice is extremely efficient because the companies have had no changes. The 30% of companies that do have changes through the year, a large proportion of them, do not inform the Accountant of the change which causes huge inefficiencies in the annual return production. To make things worse, ASIC may or may not have been notified, resulting in three (3) separate sets of details about a particular company.

80% of the time for annual return preparation is exhausted by correcting the data by ASIC staff and the accounting office caused by the client making paper lodgement of changes.

I have enclosed ASIC statistical data (Annexure A of One (1) page) supporting the following:

- 1 The large percentage of paper lodgements of changes made through the year compared with the electronically lodged annual returns. Eg forms 203 and 304
- 2 The alarming increase of data entry mistakes on both paper and electronically lodged documents.

Statistical data referring to reported and unreported company changes for one of our clients (Annexure B of one (1) page) which has resulted in the following:

- 1 The client has two (2) offices looking after the registers for 261 companies of which their clients notified them of 41 changes through the year.
- 2 There were 62 changes not reported to the accountant which resulted in data changes before annual return preparation. Only 2 annual returns were incorrectly lodged.

Our office picked up these changes because we track each company for the client and check the data for each company from ASIC's database before annual return preparation. This checking saved ASIC sending 52 paper requisitions by mail to that one accounting firm. This checking of ASIC's database is not common practice in the accounting firm.

Both the Accountants and the Software houses do not appreciate just how inefficient the current system is because they are not checking the paper requisitions sent from ASIC.

The problem is exacerbated by not efficiently informing ASIC of company changes as they happen creating data integrity problems.

Corporations Law currently requires notification within 14 days for most common changes from the date of change, compliance is not consistently met.

The in-house software prepared annual return must stop because it is compounding the problem.

This change will benefit the Accountants office because it will lift the profile of registry work causing changes to be lodged with ASIC as they happen which will result in less time wastage also less data entry mistakes.

TO ADDRESS THE SOFTWARE CODING PROBLEMS

It is human nature to resist change.

In 1998, Simplification 2 was enacted and this change was significant in that it allowed electronic lodgement of the incorporation of a company. This was an enormously creative upgrade in Corporations Law which allows a company to be created within minutes. Since nothing like this had been achieved before, breaking new ground was both extremely frustrating and an exciting time where the coding support displayed by all participants could only be described as fantastic.

It wasn't until the pilot program that we realized we were the only company ready for live testing. We were genuinely surprised because we certainly didn't have the resources of the large software houses.

Clerp 7 is another significant change but nowhere near as innovative. The changes are bulky but not hard.

The main grievances expressed by the software houses are as follows:

- 1 The form 484 requires additional information to be lodged

The additional information referred to is information normally notified on the Annual Return. Since there is no annual return it has to go on this form. There is no additional administration burden for the client it is just a form change. The burden is coding the extra tables needed for this form.

- 2 Tracking of documents received from ASIC, as apposed to forms sent to ASIC.

We have been tracking documents received from ASIC in the form of an unstructured text file since 1998. We are so pleased that we have a structured file to work with in this change.

- 3 Comparison of data in differing formats

This is referring to the Australia Post AMAS address software. The specifications for this software is available and does not create a coding problem for comparing differing formats.

- 4 The timing issues for completion of the coding.

We chose to wait until the 10th March released specifications before starting to code. We are a relatively small software provider for other service providers and yet have a large percentage of lodgements using our programme. We are not highly resourced with large numbers of programmers and analysts but we are able to claim "We can confirm that we are well under way to have our programmes compliant on time for the implementation of the CLERP 7 legislation for the 1st of July 2003".

We have now designed the specific data changes and started coding. The draft forms have now been completed ready for inclusion in the new program. We have not seen a problem that would delay our rewrite and conversion of our data.

Prime Consulting Pty Limited a retail software provider has confirmed that they will also be ready

CONCLUSION

The Chartered Accountants Association commissioned a Practice Software Report 1998 Survey Results that centered on the changing roll of the Accountant and the IT effectiveness to support this merging roll.

Quoting from that report:

“The last year has seen new player enter the market, and existing smaller players continuing to improve and enhance their products.

This year’s results show some interesting trends:

- Our market is dominated by a player that has about 40% of our market, yet in most categories it has either the lowest or second-lowest Overall Satisfaction rating.”

also

“To provide the new services required to survive, new tools are needed. The market leaders are only promising these tools. The newer players are actually delivering them.”

Although this report was concerning Tax products, the similarity to the problems with software for corporate registry work is the same. The challenge for the established software houses is to stay current. We all need to work harder over the next few months.

Clerp 7 is a very necessary piece of legislation to lead the market place into more efficiencies and better quality information.

Yours faithfully

Susan Charteris
Managing Director
Corporate Express IT Solutions Pty Limited