



Acquittal and Return Guide For ECEC Grant Funded Service Providers

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1.0 Overview

Early Childhood Education & Care (ECEC), Department of Education and Communities is committed to working with service providers to improve service accountability and simplify grants administration.

The implementation of this administration will take place through the Early Childhood Contract Management System (ECCMS).

The purpose of the Guide is to assist service providers to complete their organisation's annual financial acquittal in accordance with the Funding Agreement. The first section of the Guide will take you through information that you need to know before you start to complete your acquittal. The second and third parts provide guidance relevant to the type of acquittal that you are completing. The final part provides information on frequently asked questions that may emerge as you complete the acquittal.

1.1 The Acquittal Package

The Guide should be used alongside the other documents included in the Acquittal Package. Your Acquittal package contains the following items:

- ECEC Statement of Expenditure (including notes)
- Checklist
- Acquittals Fact Sheet

Please ensure you keep a copy of all submitted documents for your own records. Should you require an extension on the due date please contact the infoline (1300 755 426).

1.2 Service Level/Funding Specification Acquittals

Your acquittal has to report by individual services / Funding Specifications. As a result, there must be a separate Statement of Expenditure for each funded service / Funding Specification. This approach has been implemented to better align your organisation's acquittal with your funded programs.

1.3 Financial Statements

Associations and Public Companies limited by guarantee should only provide Audited Financial Statements if they are required to have them prepared under the NSW Government Associations Incorporation Act 2009, the Associations Incorporation Regulation 2010 or the Corporations Act 2001.

These statements should be for the service provider as a whole and must be audited by a qualified auditor. Associations not required to prepare audited financial statements can submit unaudited Profit and Loss Statements and a balance sheet (including statement of equity). ECEC does not require audited financial statements from Shire or Municipal Councils, Local Health Districts, Universities or TAFEs.

Where Audited Financial Statements are required they must comply with Australian Accounting Standards and should encompass the operations of your entire organisation. The Audited Financial Statements should include as a minimum:

- Statement of Financial Position (Balance Sheet) as at the end of the period
- Statement of Comprehensive Income for the period
- Statement of Changes in Equity for the period
- Statement of Cash Flows for the period:
 - Notes comprising a summary of significant accounting policies adopted by the service provider and other explanatory information
 - A signed declaration from the directors or committee members, attesting to the accuracy of the financial accounts
 - An independent Audit Certificate that provides an opinion as to the truth and fairness of the financial statements of your organisation, printed on your auditor's letterhead (or as part of your Annual Report) and signed by an appropriately qualified auditor.

A qualified auditor must be independent of the service provider, must not have any financial interest in the service provider and must be a member of one of the following:

- The Institute of Chartered Accountants in Australia
- Australian Society of Certified Practising Accountants
- A company auditor who is registered with the Australian Securities and Investment Commission (ASIC)
- A person with "prescribed practical experience in auditing" under Regulation 9.2.01 of the Corporation Regulation 2001

These documents must be submitted to the Department within four months of the end of approved funded provider's Financial Year. Where approved funded provider's end of Financial Year is 30 June all required documents must be submitted to the Department's representative by the following 31 October. Where approved funded provider's End of Financial Year is 31 December documents must be submitted by 30 April of the following calendar year.

2.0 Financial acquittals

Please refer to the tables below to determine if you are required to submit financial statements and are a Tier 1 or Tier 2 service provider.

2.1 Information Requirements

Tier 1 Service Providers	Acquittal Requirements
<ul style="list-style-type: none">■ Associations with a total income greater than \$250,000 (excluding Shire or Municipal Councils, Local Health Districts, Universities and TAFEs); or■ All public companies limited by guarantee; or■ Any service provider that is not a Tier 2 service provider	<ul style="list-style-type: none">■ Audited Financial Statements for the end of the funded provider's Financial Year (please refer to Section 1.3)■ Profit and Loss Statement (if not identifiable in the Audited Financial Statement)■ ECEC Statement of Expenditure■ Asset Register (if required)
Tier 2 Service Providers	Acquittal Requirements
<ul style="list-style-type: none">■ Associations with a total income of less than or equal to \$250,000; or■ Shire or Municipal Councils, Local Health Districts, Universities and TAFEs	<ul style="list-style-type: none">■ ECEC Statement of Expenditure■ Profit and Loss Statement■ Statement of Income■ Balance Sheet (including Statement of Equity)■ Asset Register (if required)

2.2 Profit and Loss Statement

A Profit and Loss Statement is required for each service / Funding Specification. The Statements should show the overall financial activity of each of service / Funding Specification being funded. This would include ECEC and non-ECEC income and related expenditure.

The Profit and Loss Statement is the basis from which your ECEC Statement of Expenditure is completed and should clearly agree with the figures reported in any Audited Financial Statements.

The Profit and Loss Statement disclosed is required to be for the end of the funded provider's Financial Year. Statements from previous years can also be submitted if you have surplus funds from previous years required to be reported in your annual acquittal. This information would normally be generated from your organisation's accounting system or from your Financial Statements.

Service providers that can demonstrate that the Profit and Loss Statements for each service / Funding Specification is identifiable in their audited Financial Statements will not need to provide additional separate Profit and Loss Statements.

2.3 ECEC Statement of Expenditure

A ECEC Statement of Expenditure is required for each service / Funding Specification. If you report an overall nil balance or deficit for each ECEC service / Funding Specification no further action is required. If you report a surplus please see Section 3 Management of Surplus Funds.

Non-ECEC income from other agency grants should be reported. Service user contributions should also be acquitted. Please refer to Section 4.2 for further information.

Please note:

- The amounts shown in your ECEC Statement of Expenditure should be clearly identifiable on, or clearly reconciled to, your Profit and Loss and Financial Statements.
- Adjustments to the acquittal may be made if incorrect items are included in the ECEC Statement of Expenditure. The adjustments will be substantiated and will be available for review.

2.4 Asset Register

An Asset Register showing ECEC and non-ECEC funded assets is required to be submitted if any depreciation, capital expenditure or sale of assets has been reported in your acquittal.

3.0 Management of surplus funds

If you have any surplus ECEC grant funds, these must be returned to the Department.

3.1 Transfer/Reallocation

Surplus funds cannot be transferred across programs.

3.2 Recovery of Funds

Under the Funding Agreement service providers are required to return any unexpended funds to ECEC. Unexpended funds arise when the ECEC grant has not been fully spent.

If you have any surplus funds to be recovered or returned to ECEC please contact the Partnerships & Program Team to discuss the return of surplus funds. ECEC will advise you, after reviewing your acquittal, whether these funds will be recovered by offset or should be returned to the Department by cheque.

3.2.1 Offsets Against Future Payments

In some cases a surplus will be recovered by ECEC by offsetting grant payments. Money owed to ECEC will be taken off the next payments due to your organisation until the entire surplus is recovered. Service providers are expected to make adjustments to their accounts to transfer the surplus funds to the operational account where the grant payment would have been deposited.

3.2.2 Return of Funds by Cheque

In some cases an offset cannot be used to recover the surplus, for example, where a service provider no longer receives ECEC funding or has closed and has no payments to offset. In this case the funds must be returned by cheque.

If you are required to return funds by cheque you will receive a written request from the Department. This will detail the amounts and the services for which you are required to return funds. You should then send a cheque for the requested amount to the Department.

4.0 Additional information

The following information should be referred to when completing your acquittal.

4.1 Standard Chart of Accounts

A Standard Chart of Accounts may be submitted on a voluntary basis by funded service providers. This can assist providers to produce more relevant financial reports and organise their financial transactions in an easily understood structure. The acquittal package reflects the Standard Chart of Accounts Data Dictionary.

Information about the Standard Chart of Accounts can be found on the Standard Chart of Accounts website: <https://wiki.qut.edu.au/display/CPNS/National>.

4.2 Service User Contributions

Contributions from those who use the early childhood education and care service you provide must be reported on your ECEC Statement of Expenditure. This includes fee income for enrolled users of the funded program activities.

4.3 Depreciation

Depreciation is the only exception to the cash accounting rule in your ECEC acquittal. Service providers with assets that contribute to the provision of the service and which are recognised on the Statement of Financial Position (Balance Sheet) can have their depreciation expenses included as expenditure against ECEC recurrent funding. If you are claiming depreciation against ECEC funding in your ECEC Statement of Expenditure please refer to the Depreciation and Assets Fact Sheet for further information.

4.4 Matching Principle

Please adopt the matching principle when completing your acquittal. This means that expenditure should be reasonably apportioned to the income you receive and you should only include expenses that are associated with your ECEC income.

4.5 Provision for Bad Debts

Most service providers will not have such a provision but if you have provided for bad debts the amount should be included as other operating costs. It should only be claimed if the debts relate to income previously recognised as income on a ECEC Statement of Expenditure for that service.

4.6 Employee Salaries and Wages

When reporting salaries and wages in your ECEC Statement of Expenditure you would typically include: salaries and wages, allowances, penalties, group tax, sustenance and bonuses, superannuation contributions, workers' compensation premiums, long service leave, annual leave (including loading) and staff training and development costs.

4.7 Provisions

When recognising expenses for provisions, ECEC requires compliance with Australian Accounting Standards.

4.8 Accounting for Consumables

AASB 102 requires that inventories held for distribution be shown on your Statement of Financial Position (Balance Sheet) and recognised as an expense when used. Accordingly, the cost of consumables, including publications, claimed against your ECEC Acquittal should reflect only the cost of consumables actually used during the funded period.

4.9 Cross-Subsidisation

Service Providers cannot automatically transfer grant funding between services from different grant programs.

4.10 Funding Deficits from Previous Years

If a service has incurred a deficit in prior years, this deficit cannot be carried forward.

4.11 Administration Fees

As a general principle, all expenses incurred in providing ECEC services can be shown on the acquittal with a clearly detailed method of allocation. Please refer to the Internal Administration Fees Fact Sheet for further information.

5.0 ECEC review of acquittals

Upon receipt of your acquittal, ECEC will follow the process as outlined below:

- Your acquittal and accompanying financial statements will be reviewed by ECEC.
- The acquittal may then be referred to an external auditor engaged by ECEC. The review process may lead to adjustments to your acquittal.
- If any adjustments have been made to your acquittal you will have the opportunity to clarify decisions and request a review of the adjustment.
- If there are any non-compliance issues, ECEC will contact your service.

6.0 Appeals

If your organisation is seeking a review of an acquittal decision by ECEC a formal request should be made to:

Early Childhood Education and Care

Director, Partnerships and Programs
Department of Education and Communities
Locked Bag 53, Darlinghurst NSW 1300

Any formal request will be acknowledged in writing within five days of receipt.