

Performance Audit Report No. 48 (2013-14)

Administration of the Australian Business Register

Introduction

- 4.1 Chapter 4 discusses the Joint Committee of Public Accounts and Audit (JCPAA) review of Australian National Audit Office (ANAO) Report No. 48, *Administration of the Australian Business Register*, Australian Taxation Office (ATO), Australian Securities and Investments Commission (ASIC), Department of Industry (Industry) (2013-14). The chapter comprises:
- an overview of the report, including the audit objective, criteria and scope; audit conclusion; and audit recommendations
 - Committee review
 - Committee comment

Report overview

- 4.2 The Australian Business Register (ABR) is a database of the information provided by businesses when they register for an Australian Business Number (ABN), a unique business identifier. It was established under the *A New Tax System (Australian Business Number) Act 1999* to support the implementation of the Goods and Services Tax (GST) and to provide a single entry point for business interactions with government that could:
- support businesses to comply with regulatory requirements

- facilitate business access to information and assistance from all government agencies
 - allow business with changed details to notify multiple government agencies¹
- 4.3 Since the ABR was established, multiple reviews, including an ANAO audit in 2007-08, have found that administration of the ABR and its broader objectives could be improved.
- 4.4 The ATO and its partner agencies have established a range of additional initiatives to enhance the operation of the ABR and achieve its whole-of-government objectives. This has included the introduction of:
- an ABR Advisory Board, by the ATO, to oversee strategic planning and development of the register
 - AUSkey, an electronic authentication system managed by the ATO which supports secure access to a range of online government services, including the ABR
 - Standard Business Reporting (SBR), specialised software supported by the ATO which enables businesses to prepare and submit government forms directly from their computer to participating government agencies
 - the national Business Names Register (BNR), a register of business names managed by ASIC which replaced eight similar state and territory services (businesses must have an ABN to register a name)
 - the *ABNLookup* service, a website enabling the public to look-up businesses' ABNs which is managed by Industry on behalf of the ATO (this arrangement is scheduled to expire in January 2015)
- 4.5 The ABR, AUSkey and SBR are administered by the Business Reporting and Registration area of the ATO and are hosted by the agency's IT infrastructure. Whole-of-government objectives of the ABR are supported by the ATO in partnership with other government entities, including the ASIC and Industry. This arrangement is overseen by the Commissioner of Taxation in fulfilment of his separate and distinct role as the ABR Registrar.²

1 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, pp. 13, 16-17.

2 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 17, 100.

Audit objective, criteria and scope

4.6 ANAO Performance Audit No. 48 (2013-14) assessed the effectiveness of the administration of the ABR by:

- examining the appropriateness of governance and administrative arrangements in place, particularly within the ATO, ASIC and Industry to support the objectives of the ABR
- appraising strategies underway to improve business interaction with government and facilitate greater use of ABR across government agencies
- assessing the systems and processes used to manage, distribute and collect ABR data and ensure its integrity

4.7 Agencies within scope of the audit included the ATO, ASIC and Industry.³

Audit conclusion

4.8 The ANAO identified three key issues with the administration of the ABR and related initiatives, as discussed below.

Whole-of-government objectives of ABR

4.9 The ANAO found that ABR's whole-of-government objectives had not been achieved:

The use and applications of ABNs and ABR data, for the purposes of administering the GST and broader tax and administrative systems, are well established. However... there has been limited progress in achieving whole-of-government objectives for the ABR. There also continues to be acknowledged problems with the integrity of ABR data, particularly regarding the number of entities on the register and incomplete and inaccurate entity information on the ABR. These shortcomings undermine the operation of the ABR as providing the 'single source of truth for whole-of-government business registrations'. Accordingly, some 14 years after establishing the ABR, little real progress has been made by the ATO, in conjunction with ASIC, Industry and the Treasury, in achieving the goal of making it easier for business to deal with government through reducing business reporting and registration requirements and entry points to government.⁴

3 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 16.

4 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 17.

Oversight and differentiation of ABR within ATO

- 4.10 The ANAO established that the Commissioner of Taxation did not receive ABR specific reports in his role as Registrar, raising 'doubts' that he is kept 'appropriately informed of the operations of the ABR'.⁵
- 4.11 The ANAO observed that ABR is not yet guided by a formal governance charter which 'assigns the roles and responsibilities of managers', despite its finding in 2007-08 that the governance structure of the ABR had 'been allowed to atrophy and be replaced by the ATO governance structure'. Additionally, executive reporting of the ABR remained insufficiently 'distinct' from the core business of the ATO and performance monitoring continued to reflect the routine management activities of the ATO and not achievement against the whole-of-government objectives of the ABR.⁶

ABR data management and integrity

- 4.12 The ANAO considered the ABR information technology (IT) system to be fragmented and complex, limiting the achievement of the register's whole-of-government objectives. Data is managed across five ATO IT systems, each accessed by different users for different purposes and each updated at different times, resulting in variations between the data held on each system. Furthermore, the backlog of IT projects relating to the ATO's other responsibilities and the current period of budgetary constraint makes it unlikely that ABR IT system reform will be prioritised and approved in the short term.⁷
- 4.13 The ANAO affirmed that the ATO had no internal service standards or agreements in place to support the IT arrangements for the ABR or the availability of services for ABR stakeholders.⁸
- 4.14 Further, the ANAO noted that management of the *ABNLookup* service is due to transition from Industry to an alternative arrangement established by the ATO from January 2015. However, there was no evidence that the ATO executive had considered the matter or that the agency was sufficiently prepared to take on management of the service.⁹
- 4.15 In the 2012 and 2013 federal budgets the ATO received additional funding to implement ongoing programs to address issues and risks relating to the accuracy of ABR data. However, as the ANAO remarked, the baseline costs

5 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 55.

6 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 19, 48, 55.

7 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 21, 70.

8 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 71.

9 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 67.

of administering the ABR had not yet been established. Therefore the ATO could not provide assurance that the activities instigated at this time would be ongoing.¹⁰

- 4.16 Lastly, the ATO had streamlined its arrangements for supplying ABR data to partner agencies through the introduction of simple terms and conditions agreements. However, while this approach reduced the compliance burden on ATO staff and partner agencies, it also provided ‘very few checks and balances on ABR partner agencies’ access to and use of ABR non-public data’. The ANAO noted that the ATO executive had endorsed a proposal to mitigate the risks associated with this approach. The ATO committed to conduct compliance reviews of up to 15 partner agencies each year to assess whether ABR data is being used appropriately.¹¹

ANAO recommendation

- 4.17 To make it easier for business to deal with government, the ANAO recommended that:

the Registrar of the ABR works with the Australian Securities and Investments Commission, the Department of Industry and the Department of the Treasury to:

- review the entry points to government
- and develop and implement the most effective and efficient delivery mechanism for businesses to meet their registration and reporting requirements, and to access information and services from government.¹²

- 4.18 All agencies agreed to the recommendation.

Committee review

- 4.19 Representatives of the following agencies gave evidence at the Committee’s public hearing on Thursday 23 October 2014:
- Australian Taxation Office
 - Department of Industry
 - Australian Securities and Investments Commission

10 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 72, 82.

11 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 87, 90.

12 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 112.

- 4.20 The Committee was principally concerned with how the ATO and its partner agencies use the ABR to make it easier for business to deal with government by providing a single entry point for interactions such as reporting and registration. Discussion at the hearing pursued this subject and also examined the following related topics: the Business Names Register, the oversight and differentiation of the ABR within the ATO, and ABR data management and integrity.

Whole-of-government-objectives of ABR

- 4.21 As previously noted, the ABR was introduced in 1999 to support the roll-out of the GST, and more broadly to make it easier for business to interact with government by introducing a single entry point for interactions.¹³
- 4.22 At the hearing the ANAO reported that, since the audit, the ATO and its partner agencies have been ‘progressing initiatives’ to realise the whole-of-government objectives of the ABR. However, it cautioned that without close cooperation between the agencies it remained unlikely that any substantial progress will be made:
- It is important for these agencies to work more closely together, as without a cohesive approach and a strong focus on the business user, it is unlikely that progress will be made in achieving whole-of-government objectives of the ABR and related services.¹⁴
- 4.23 The ATO and ASIC agreed, and reaffirmed their commitment to achieving the whole-of-government objectives of the ABR. They acknowledged that historically progress has been ‘slow’ and assured the Committee that they were now ‘working together’ to rectify this.¹⁵ Although the agencies did not have a ‘firm position’ on how best to meld the ABR and BNR to achieve a single entry point for business, the ATO did outline three options under consideration:
- A ‘virtual organisation’, where the public may apply for a business name and number through a single web-based entry point, but the management and operation of the BNR and the ABR would remain split between the ATO and ASIC.
 - An inter-agency team to provide ‘common leadership’ across the two services, which would be responsible for coordination activities and setting strategic direction.

13 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 13.

14 ANAO, *Submission 2*, p. 2.

15 Mr Mark Jackson, Deputy Registrar (ABR), Business Reporting and Registrations, ATO, *Committee Hansard*, 23 October 2014, p. 13; ASIC, *Submission 3*, p. 2.

- A 'structural organisation', completely amalgamating the ABR with the BNR.¹⁶
- 4.24 When specifically questioned regarding the timeframes for this work the ATO stated that a way forward and real progress should be evident within approximately twelve months:
- There are all sorts of questions to be asked and answered. I would anticipate that, within twelve months or so, we would not only have a pretty clear position on where we are going but we would be well down the track of doing things.¹⁷
- 4.25 In the meantime, the ABR remains one of several business entry points to government. The ATO is endeavouring to reduce the requirement for businesses to provide the same information to multiple government agencies by promoting the use of ABR data by other public entities. It is working with a number of state and territory governments interested in adopting the register as their primary source of business registration and is assisting the New Zealand Department of Innovation to develop a New Zealand business number. The two agencies are investigating the possibility of 'cross-recognition of registration' so that companies registered in Australia would not have to re-register to trade in New Zealand and vice versa.¹⁸
- 4.26 In addition, Industry advised the Committee that they are contributing to an investigation into e-governance and the digital economy in relation to achieving the ABR's whole-of-government objectives. The investigation is being managed by the Department of Prime Minister and Cabinet and is examining how the affairs of individuals and businesses converge online.¹⁹

Business Names Register

- 4.27 On 13 May 2014, the Australian Government announced a scoping study to investigate future ownership options for ASIC's registry functions, including the Business Names Register (BNR).²⁰ The Department of Finance is managing the study in collaboration with the Department of

16 Mr Jackson, ATO, *Committee Hansard*, 23 October 2014, p. 13.

17 Mr Jackson, ATO, *Committee Hansard*, 23 October 2014, pp. 15-16.

18 Mr Jackson, ATO, *Committee Hansard*, 23 October 2014, p. 15.

19 Ms Sue Weston, Deputy Secretary, Department of Industry, *Committee Hansard*, 23 October 2014, p.15.

20 Minister for Finance, *Delivering a smaller, more rational government*, http://www.financeminister.gov.au/media/2014/mr_2014-36.html (retrieved 05/11/2014).

Treasury and is expected to report to government in time for findings to be considered in the context of the 2015-16 federal budget.²¹

- 4.28 ASIC reported that it is engaged with the scoping study team and has provided advice in relation to the linkages and data sharing arrangements in place between the BNR, the ABR and other government initiatives and agencies. It considers there to be 'substantial benefits' associated with commercialising ASIC's registry functions:

Our Chairman did not actually suggest that it needed to be privately owned, but he did suggest that there would be benefits in commercialising this business... From a government budgeting point of view, the implementation of technology can be very expensive. We see that there are substantial benefits in this type of business being focussed on as a business, which is to officially register companies and businesses and make that information available – in our case, primarily for public identification purposes, not just for government purposes.²²

- 4.29 The ATO did not consider the possible commercialisation of the BNR to be a major impediment to realising a single entry point for business interactions with government. However, it refrained from speculating on how this arrangement could operate as the parameters and issues have not yet been clarified by the scoping study:

Until we are clear on what the boundaries might be, how the systems might work or whether there are issues that are going to cause a problem, it is quite hard to say... There is nothing that stands out to me as being unsolvable but it is a little unclear at the moment.²³

Oversight and differentiation of ABR within ATO

- 4.30 In its opening statement the ANAO repeated concerns raised in its audit report regarding the adequacy of ABR reporting to the Registrar and the differentiation of the register within the ATO:

...there was also scope to strengthen the planning, reporting and resource allocation supporting the ABR to enable appropriate

21 Mr Greg Tanzer, Commissioner, ASIC, *Committee Hansard*, 23 October 2014, p. 17; Department of Finance, *Scoping Study: Terms of Reference*, <http://www.finance.gov.au/procurement/scoping-studies/scoping-study-terms-of-reference-australian-securities-and-investments-commission-asic-registry-business/> (retrieved 05/11/2014).

22 Mr Tanzer, ASIC, *Committee Hansard*, 23 October 2014, p. 17.

23 Mr Jackson, ATO, *Committee Hansard*, 23 October 2014, p. 18.

differentiation from the ATO's administration of the tax and superannuation systems.²⁴

- 4.31 The ATO responded that both the Registrar and the Minister are 'pretty comfortable' with current reporting mechanisms and consider them sufficient to provide satisfactory oversight of the ABR.²⁵ It explained that the Commissioner of Taxation is briefed on the operation of the ABR, both as part of the agency's normal governance process and in relation to the ABR Advisory Board:

...the Registrar is briefed several times a year in preparation for the ABR Advisory Board to lay out the key issues that are emerging in the operation of the register, things we intend to put forward to the Advisory Board for comment and review, and to allow the Registrar to bring his personal perspective to bear and to include in that process. I think between the normal and natural governance processes of the organisation and the particular meetings around the Advisory Board and its meetings and the preparation, the minutes and the other advice that is provided directly to the Registrar from time to time, he is kept very well informed of the operation of the register.²⁶

- 4.32 Following on from the ANAO's concerns, the Committee questioned whether it remained appropriate for the Commissioner of Taxation to perform the role of ABR Registrar. The ANAO replied that 'different organisational models could be part of the solution'; however a review of the current arrangements would be necessary to identify the structure best suited to government and business interests.²⁷ The ATO observed that efficiencies underpinning the current arrangements would be lost if the two roles were separated:

...it is a decision of practicality, avoiding duplication and multiplicity of agencies, but also recognising there is a tight link between this business registration activity and the interaction between business and the tax system, which is a fairly significant part of business interaction with government.²⁸

- 4.33 The ATO acknowledged that managing the ABR from within the agency does bring the register into proximity with tax administration; however it argued that this does not necessary preclude adequate differentiation

24 ANAO, *Submission 2*, p. 2.

25 Mr Jackson, ATO, *Committee Hansard*, 23 October 2014, p. 12.

26 Mr Jackson, ATO, *Committee Hansard*, 23 October 2014, p. 12.

27 Mr Ian McPhee, Auditor-General, ANAO, *Committee Hansard*, 23 October 2014, pp. 13-14;

28 Mr Jackson, ATO, *Committee Hansard*, 23 October 2014, p. 13.

between the register and the agency's other functions. Moreover, the ATO pointed out that since the audit it has further distinguished the ABR by refining the strategic direction of the area which administers it. The Business Reporting and Registration area has adopted four new key performance indicators (KPIs) focused beyond the processes that support the administration of tax and towards the realisation of outcomes for business. The KPIs include:

- a complete and single source of business information for government planning and service delivery
- improved business productivity and competitiveness through reducing business costs
- streamlined online interactions between business and government, including a single business entry point
- consistent information exchange standards for business, including digital data across government²⁹

ABR data management and integrity

4.34 Enduring issues with the management and integrity of ABR data were also examined by the Committee during the hearing. The ANAO reported that 'there continues to be problems with the integrity of ABR data, particularly regarding the number of entities on the register and incomplete and inaccurate entity information'.³⁰

4.35 The ATO acknowledged that 'more work could be done about the accuracy of the register' but explained that the maintenance of ABR data is a complex and resource intensive process. It reported that approximately 704,000 entities were registered in 2013, a further 530,000 registrations were cancelled and the details of approximately 4.5 million entities were updated. The ATO summarised the issue as follows:

The register is, though, a fairly large activity if I could call it that... Keeping all this information up to date, making sure that people who need a registration can get one efficiently and that those who should not have one no longer have it is an activity that does consume a fair bit of our effort.³¹

4.36 Nonetheless, the ANAO stated that 'more needs to be done to strengthen the operation of the ABR'. It reiterated its audit finding that prior to 2012-13 the ATO 'had undertaken only limited assurance activity to assess if ABN holders were compliant with requirements for registering or

29 Mr Jackson, ATO, *Committee Hansard*, 23 October 2014, p. 16.

30 ANAO, *Submission 2*, p. 2.

31 Mr Jackson, ATO, *Committee Hansard*, 23 October 2014, pp. 13-14.

maintaining their ABN status' and as a result 'incomplete or inaccurate entity information' remains in the register.³²

4.37 The Committee also considered the following three issues of interest, although they were not discussed at length during the hearing:

- the protection of suppressed ABR data
- the future of ABR IT infrastructure
- the future of the *ABNLookup service*

4.38 In its audit report, the ANAO encouraged the ATO to consider a review of its processes for safeguarding the confidentiality of suppressed ABR data:

There would be merit in the ATO reviewing the administration of ABNs where information has been suppressed, to provide confidence that any risk associated with ABR partner agencies not being notified has been appropriately managed.³³

4.39 The Committee noted this finding in the context of evidence presented by the ATO that more than 450 agencies regularly or periodically receive ABR data sets which they use for everything from policy development, infrastructure planning, service delivery and emergency responses.³⁴

4.40 Further, the Committee recognised the ANAO's conclusions concerning the future of IT supporting the ABR. The ANAO reported that, while the tax office has begun work to improve these systems, it remains unclear how they will be developed in future:

While recent system changes have improved aspects of the register, the limited strategic planning... means there has been no clear direction for systems planning and development... As there is already a significant backlog of IT projects relating to the ATO's revenue collection and other responsibilities, it will be difficult for further system changes to the ABR to gain priority and approval in the near term.³⁵

4.41 The ANAO also noted that the ATO has no service standards in place to support IT arrangements for the ABR or the availability of services to partner agencies.³⁶

4.42 In contrast, ASIC provided evidence that it has amended its own IT systems to 'mitigate the impact of unscheduled ATO system outages' on the businesses' access to the BNR. It also reported that it is working with

32 ANAO, *Submission 2*, p. 2.

33 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 22.

34 Mr Jackson, ATO, *Committee Hansard*, 23 October 2014, p. 14.

35 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 71.

36 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 71.

the ATO to improve the integrity of data held on the BNR. This year ABNs were added to more than 350,000 of the records grandfathered to ASIC in 2012 from the state and territory registers it replaced. According to ASIC, this measure 'increased the total number of ABNs in the BNR to 1.3 million, or around 65 per cent of total registrations'.³⁷

- 4.43 Lastly, the Committee notes the ANAO's finding that the ATO has not undertaken sufficient planning for the future of the *ABNLookup* service:

The ATO is not sufficiently prepared to transition the *ABNLookup* service from Industry to ATO management by January 2015, and there is no evidence that the ATO Executive has considered the matter...Given that the *ABNLookup* service is an integral part of the ABR services to the public and business community, there would be merit in the ATO better defining its position on the future management of the service, including allowing for an appropriate lead-in time for a transition to other arrangements.³⁸

- 4.44 At the hearing, Industry noted that the cost of managing the *ABNLookup* service has increased as 'inflation and other costs' rise; however, the future of this service was not discussed in detail.³⁹

Committee comment

- 4.45 The Committee is disappointed that, some 14 years after the introduction of the ABR, its whole-of-government objectives are still far from being achieved. The ABR has not been developed to provide a single entry point for business interactions with government and there is no evidence to indicate that the register has, either directly or indirectly, reduced entry points to government.⁴⁰

- 4.46 As the agency responsible for the operation and management of the ABR, the Committee believes ATO leadership will be critical to realising a single entry point to government and reduced reporting and registration requirements for business. The Committee notes there are a number of options under consideration to achieve a single entry point for business. It considers the Commissioner of Taxation in his role as Registrar as central to this and therefore notes with some concern the ANAO's 'doubts' that

37 ASIC, *Submission 3*, p. 2.

38 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, pp. 67-8.

39 Mr Graham Tanton, General Manager, Department of Industry, *Committee Hansard*, 23 October 2014, p. 12.

40 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 23.

the Registrar is 'kept appropriately informed of the operations of the ABR'.⁴¹ In light of this, the Committee supports the ANAO's finding that 'reporting mechanisms for the ABR to the Registrar could be strengthened'.⁴²

- 4.47 However, the Committee also acknowledges that the ATO has begun taking steps to better align administration of the ABR with the register's original whole-of-government objectives. New key performance indicators adopted by the Business Reporting and Registration area responsible for the ABR prioritise improved outcomes for business, and the Committee commends the ATO for this achievement.
- 4.48 The Committee notes that little evidence was provided at the hearing regarding the ability of the ATO's IT infrastructure to continue to support the operation of the ABR and achieve its broader objectives into the future. Further, the Committee notes that data management and integrity issues pose a risk to public confidence in the register.
- 4.49 The Committee appreciates that the complex and resource intensive nature of the current arrangement is, in some measure, a legacy issue arising from the varied requirements of the different agencies accessing the ABR. However, the Committee considers it essential that the ATO monitor the performance of its infrastructure to ensure it can continue to facilitate the ABR's whole-of-government objectives and does not become an impediment to these goals. This will require the ATO to work more closely with Industry and ASIC to affirm that the complementary services operated by these partner agencies remain well supported by the ATO's systems.
- 4.50 While all organisations are clearly committed to making it easier for business to deal with government, they need to work more closely together to coordinate their efforts to reduce entry points, reporting and registration requirements. The Committee deems it is essential that the ATO foster closer working relationships with its partner agencies.

41 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 54.

42 ANAO, Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, p. 20.

Recommendation 7

- 4.51 **The Committee recommends that the Australian Taxation Office work more closely with the Australian Securities and Investments Commission, the Department of Industry and the Department of Treasury on the administration of the Australian Business Register (ABR), to make it easier for business to interact with government by:**
- **reducing entry points to government**
 - **developing and implementing registration and reporting mechanisms that are efficient and convenient for business**
 - **simplifying business access to information and services offered by government**
 - **reviewing and updating the information technology supporting the ABR**