

The Auditor-General  
Audit Report No.15 2007–08  
Performance Audit

# **Administration of Australian Business Number Registrations: Follow-up Audit**

**Australian Taxation Office**

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of Australia 2007

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Canberra ACT  
29 November 2007

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Australian Taxation Office in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit and the accompanying brochure. The report is Administration of Australian Business Number Registrations: Follow-up Audit.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

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# Abbreviations

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ABN	Australian Business Number
ABR	Australian Business Register
AIS	Australian Taxation Office Integrated System
ANAO	Australian National Audit Office
ANTS	A New Tax System
ATO	Australian Taxation Office
CM	Corporate Management
CMPI	Corporate Management Procedures and Instructions
DITR	Department of Industry, Tourism and Resources
GST	Goods and Service Tax
IT	Information Technology
MAC	Management Advisory Committee
MOU	Memorandum of Understanding
OPA	Output Pricing Agreement 2002–2005
PS	Practice Statement
QA	Quality Assurance
QMT	Quality Management Team
SBR	Standard Business Reporting
TFN	Tax File Number



# **Summary and Recommendations**



# Summary

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## Introduction

1. The Australian Business Number (ABN) is a unique 11-digit number that was created as a new identifier for business and as a key element of the Australian Government's framework for *A New Tax System*. Instituted in July 1999 by the enactment of *A New Tax System (Australian Business Number) Act 1999* (the Act), the ABN is administered by the Australian Taxation Office (Tax Office) with the Commissioner of Taxation to occupy the formal position of Registrar.
2. The Act also established the Australian Business Register (ABR) as the register for all ABNs. The ABR collects, verifies and stores basic business information<sup>1</sup> supplied by businesses with an ABN. Some of this information is available to the public.
3. The ABR is a whole-of-government initiative, primarily developed to make it easier for businesses to transact business with Australian Government agencies. An objective of the Act is to reduce the number of government registration and reporting requirements by making the system available to State, Territory and local government regulatory bodies.
4. By 30 June 2000, the Tax Office had issued approximately 2.9 million ABNs in preparation for the commencement of *A New Tax System* and the Goods and Services Tax. In June 2002, the Tax Office implemented a new ABR database separate from other Tax Office Systems to store ABNs and other business information.
5. The Australian National Audit Office commenced an audit of the administrative effectiveness of the ABN registration process and the Tax Office's implementation and management of the ABR in 2002. Audit Report No.59. 2002–03 *Administration of the Australian Business Number Registrations* was tabled in June 2003. This period of time coincided with the ABR transitioning from a project environment to a 'business as usual' environment.
6. The adoption of the ABR by other agencies is central to achieving the objectives of the Act. The previous audit noted that as of May 2003, 11 agencies

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<sup>1</sup> A complete list of information held by the ABR is available from the help pages of the ABR website <[www.abr.gov.au](http://www.abr.gov.au)>.

had signed a Memorandum of Understanding (MOU) to use the ABR and another 13 MOUs were in progress. This compares with a Tax Office target of 271 agencies participating in the ABR for 2002–03<sup>2</sup>.

## Audit scope and objective

7. The objective of this follow-up audit is to assess the Tax Office's progress in implementing the recommendations of *Audit Report No.59 2002–03, Administration of Australian Business Number Registrations*, having regard to any changed circumstances, or new administrative issues, affecting the implementation of those recommendations.

8. As the ABR has now been operating in a 'business as usual' environment for about four years, the governance framework of the ABR was also reviewed with the objective of extracting any 'lessons learnt' that may be useful in developing other whole-of-government initiatives.

## Conclusions

9. Overall, the Tax Office has substantially implemented the recommendations of the previous audit. The Tax Office's progress in implementing the recommendations is summarised in Table 1.

10. The development of the ABR within the Tax Office has resulted in the Tax Office becoming both custodian and primary user of the system. Over the last four years of the ABR's operation, the focus of attention has been on ensuring the administrative efficiency of the ABR to achieve the Tax Office's key objectives relating to the introduction of the GST.

11. However, this focus has arguably been at the expense of the other original objectives and expectations for the ABR in terms of reducing the number of government registration and reporting requirements for business, and making it easier for business to deal with Government at all levels. Notwithstanding the separate role of Registrar and the segregation of the ABR system, the management of the ABR has been largely subsumed into the Tax Office's general governance framework.

12. Three issues emerged in relation to the governance framework for the ABR in the 'business as usual' environment of the Tax Office, having regard to the Registrar's role as custodian of the register and administrator of ABNs under the Act. These are:

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<sup>2</sup> ABR Business Case dated November 2000

- Strategic and business plans for the ABR have not been developed and documented to provide a sound planning and performance measurement base for the ABR, and to provide appropriate direction to Tax Office staff.
- Limited reporting to Government of delays in the level of agency take up of the ABN as a common identifier (previous recommendations 7 and 8).
- Subsuming the ABR into Tax Office operations has reduced management attention on specific ABR outcomes.

**Table 1****Tax Office's progress in implementing the recommendations of the 2002–03 audit.**

Fully implemented	Substantially implemented	Partially implemented	Limited progress	No progress
●	◐	◑	◒	○
Recommendation			ANAO Assessment	Chapter Reference
1. The ANAO recommends that, to improve accountability in contract management, the ATO implement procedures to ensure key project decisions are adequately documented for future projects. The ANAO considers that the ATO's IT Accredited Purchasing Unit could play a key role in assisting in this regard.			◐	Chapter 2
2. The ANAO recommends that, as part of its assessment of the success of the implementation of the ABR, the ATO should review and update the ABR Business Case.			● With Qualification	Chapter 2
3. The ANAO recommends that, to enhance current registration procedures for issuing ABNs, the ATO: <ul style="list-style-type: none"> <li>• extend current up-front checking procedures to detect, for further investigation before registration, the more obvious categories of apparently ineligible applicants being identified by ATO quality assurance and data analysis initiatives;</li> <li>• review current registration procedures and ABR business rules to determine whether these are sufficient to meet the legislative requirements; and</li> <li>• if appropriate, provide advice to government on any necessary amendments to the legislation.</li> </ul>			◑	Chapter 3

Fully implemented	Substantially implemented	Partially implemented	Limited progress	No progress
●	◐	◑	◒	○
Recommendation			ANAO Assessment	Chapter Reference
4. The ANAO recommends that, to improve the effectiveness of the quality assurance function for the ABR, the Quality Management Team: <ul style="list-style-type: none"><li>be given access to the relevant ABR data required to implement fully its quality assurance program; and</li><li>once this access is provided, the Quality Management Team develop strategies to include in its quality assurance process testing of registrations that are processed automatically by the ABR system.</li></ul>			●	Chapter 3
5. The ANAO recommends that, to maintain the integrity of ABR data, the ATO ensure that, in the future before business rules are switched off, comprehensive strategies are developed and implemented to systematically identify and redress records affected.			●	Chapter 3
6. The ANAO recommends that the ATO give high priority to formalising communications and liaison arrangements across business lines to share ABR-related information with the Registry Division. This should have the benefits of achieving broader outcomes from its compliance and intelligence activities and improving the quality of ABR data.			●	Chapter 3
7. The ANAO recommends that, in order to increase Commonwealth agencies' participation in the ABR, the ATO bring to the Government's attention the delays and possible options required to achieve the whole-of-government outcome.			○	Chapter 4
8. The ANAO recommends that, to effectively implement the ABR's whole-of-government objectives, the ATO consider the benefits in establishing formal inter-governmental machinery of relevant Commonwealth and State policy-making agencies to oversee and progress the ABR as a whole-of-government register.			●	Chapter 4

13. This follow-up audit grouped the earlier recommendations into three themes with subsequent chapters discussing the Tax Office's progress in implementing the recommendations within these themes. The themes are:

- ABR Governance Arrangements (Chapter 2);
- Improving the Integrity of ABR Data (Chapter 3); and,
- Whole-of-Government Issues (Chapter 4).

14. Chapter 5 discusses the governance arrangements of the ABR, drawing on observations made in assessing the Tax Office's implementation of the previous audit's recommendations. Specifically, the chapter focuses on the planning, monitoring and reporting by the Tax Office on the whole-of-government outcomes of the ABR and highlights some matters to be considered by agencies when developing whole-of-government initiatives.

## Recommendations

15. The ANAO has made four new recommendations. Three recommendations are directed at improving the governance framework for the ABR and one at improving the uptake of the ABR by agencies in order to achieve whole-of-government outcomes.

16. The Tax Office has agreed to the four recommendations made in this report.

## Summary of agency response

17. The Tax office considers that through the use of technologies the ABR was ahead of its time as one of the first large-scale government transaction initiatives to leverage the internet. There were also expectations that other agencies, including those from the State and Territories, would be in a position to develop connections that would see them relying on the ABR as a key channel for interactions with businesses.

18. This pioneering intent has challenged the progress of the ABR and resulted in it not advancing as quickly as foreshadowed in the Tax Office's original plans. However, this is a challenge that is not limited to the Tax Office and extends to other government agencies, Federal and State.

19. Tax Office has responded to the slower than expected progress and shifted from an approach of maximising the number of agencies accessing ABR data to a more targeted approach focusing on those government agencies that will contribute most significantly to achieving the intent of the ABR. This is demonstrated by the Tax Office's continued support of whole of government service delivery projects that will benefit from connections to the ABR whilst also assisting to realise the vision of the ABR.

20. As noted in the report, the ABR has now been operating as 'business as usual' for approximately four years. The report consolidates the achievements of the ABR to date and Tax Office acknowledges that there are lessons to be learnt when developing plans to realise the strategic, whole of government objectives for the ABR.

21. While the Tax Office is pleased with the assessment that there has been substantial implementation of the recommendations from the previous audit, the ATO also acknowledges the continuing challenge to harness further whole-of-government opportunities through the ABR.

22. The Tax Office's full response is at Appendix 2.

# Recommendations

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*Set out below are the ANAO's recommendations arising for this follow-up audit with report paragraph references. The ANAO has made four recommendations, three directed at improving the governance framework for the ABR and one at improving the uptake of the ABR by agencies in order to achieve whole-of-government outcomes.*

## **New Recommendation No 1**

### **Para 2.23**

To guide future development of the ABR, the ANAO recommends that the Registrar review the status of the ABR against the intent of the original ABR Business Case and *A New Tax System (Australian Business Number) Act 1999*, and emerging whole-of-government initiatives (e.g. ABN/Business Names Project and Standard Business Reporting Project) and produce both strategic and business plans for the ABR.

*Tax Office response: Agreed.*

The Tax Office is currently partnering with other government agencies to review the strategic direction of the ABR. This work will form the basis of the ABR's new strategic and business plans. The Tax Office's commitment to the strategic positioning of the ABR is visible through our instigation and/or partnering in the Standard Business Reporting, Vanguard and ABN/Business Names projects.

**New  
Recommendation  
No 2**

**Para 4.16**

The ANAO recommends the Registrar report the low level of agency uptake of the ABR to the Government and propose targeted strategies to achieve the objectives specified in the Act.

*Tax Office response:* Agreed.

The Tax Office has recently written to the Minister for Revenue and Assistant Treasurer outlining a range of topics that are key to ensuring the ongoing success of the ABR. Advice to the Minister has noted the lower than anticipated take-up by government agencies whilst also drawing the Minister's attention to the Registrar's current work to:

- Review the strategic vision of the ABR
- Outline potential policy changes that will benefit the progression of the ABR
- Progress projects that will assist in delivering agency connectivity and the ABR intent
- Give greater focus to the reporting and governance processes of the Registrar as distinct from the Commissioner of Taxation

Further advice will be provided to government as work with other agencies evolves.

**New  
Recommendation  
No 3**

**Para 5.32**

To recognise the separation between the ABR and Tax Office governance arrangements, the ANAO recommends that the Tax Office develop business plans, monitoring programs and performance reports that are ABR specific, for presentation to the Registrar for consideration.

*Tax Office response:* Agreed.

The Tax Office made a number of changes to internal and external reporting arrangements during the course of the follow-up audit and is currently progressing further changes that will advance the separation of ABR reporting, governance and administrative arrangements, within the framework of the Tax Office. These changes have been tested with key agency partners to ensure their appropriateness.

**New  
Recommendation  
No 4**

**Para 5.39**

To support Tax Office efforts to achieve whole-of-government outcomes, the ANAO recommends that the Registrar consult with the Departments of the Treasury, Prime Minister and Cabinet and Industry, Tourism and Resources on arrangements to work collaboratively with the Tax Office to encourage agencies to adopt the ABR.

*Tax Office response:* Agreed.

The Tax Office has and will continue to work with the Treasury and the Department of Industry, Tourism and Resources to encourage agencies to adopt the ABR. Further consideration will be given to working with other departments of state that may be able to assist in progressing the ABR.



# **Audit Findings and Conclusions**



# 1. Background & Context

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*This chapter provides an overview of:*

- *the Australian Business Number and the development and administration of the Australian Business Register by the Australian Taxation Office.*
- *the recommendations of Audit Report No.59 2002–03, Administration of Australian Business Number Registrations, and*
- *the audit objective and methodology.*

## Introduction

1.1 In 1996, *Time for Business – Report of the Small Business Deregulation Task Force* (the Bell Report) recommended that:

- each business have a unique identifier that would be used for all government purposes;
- there be one, or as few entry points as possible for businesses to gain information and assistance from all government agencies; and
- businesses be able to notify changes of details to one government agency and other agencies would share that information.

1.2 The Australian Business Number (ABN) and the development of business.gov.au (previously known as the Business Entry Point) represents, in part, the Australian Government's response to the Bell Report. The ABN is a unique 11-digit number that became a new identifier for business and is a key element of the Australian Government's framework for *A New Tax System*. Instituted in July 1999 by the enactment of *A New Tax System (Australian Business Number) Act 1999* (the Act), the ABN is administered by the Australian Taxation Office (Tax Office) on behalf of the Registrar.

1.3 The Act also established the Australian Business Register (ABR) as the register for all ABNs and the Commissioner of Taxation as the Registrar. The ABR collects, verifies and stores basic business information<sup>3</sup> supplied by businesses with an ABN. Some of this information is available to the public.

1.4 The business.gov.au website is an online government resource for the Australian business community and is a primary access point for entities

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<sup>3</sup> A complete list of information held by the ABR is available from the help pages of the ABR website <[www.abr.gov.au](http://www.abr.gov.au)>.

wishing to apply for an ABN. By using [business.gov.au](http://business.gov.au), businesses are also able to access a wide range of services and information about start-up, taxation, licensing and legislation, as well as significant transactions such as ABN Lookup, taxation compliance and licence applications<sup>4</sup>. The website is administered by the Department of Industry, Tourism and Resources.

1.5 The ABR is a whole-of-government initiative, with the Act stating:

(1) The main object of this Act is to make it easier for businesses to conduct their dealings with the Australian Government. This is done by establishing a system for registering businesses and issuing them with unique identifying numbers so that they can identify themselves reliably:

- (a) in all their dealings with the Australian Government; and
- (b) for all other Commonwealth purposes.

(2) Without limiting paragraph (1)(b), the main object of this Act includes allowing businesses to identify themselves reliably for the purposes of taxation laws.

(3) The objects of this Act also include reducing the number of government registration and reporting requirements by making the system available to State, Territory and local government regulatory bodies<sup>5</sup>.

1.6 Both the Tax Office and the Department of Treasury advised that the ABN/ABR was not solely viewed as a tool for government and business to simplify identification and reporting requirements of business for government. A significant role of the ABN was to be its use in the administration of the Goods as Services Tax (GST). To summarise, whilst the Registrar and the Tax Office administer the ABN/ABR system, the ABR must also be accessible by agencies to simplify the identification of businesses when dealing with government. The ABR also has to be easily accessible by the Tax Office as a fundamental part of the administration of the GST while remaining at 'arm's length' from other Tax Office functions.

1.7 Audit Report No.59 2002–03, *Administration of Australian Business Number Registrations* assessed the administrative effectiveness of the ABN registration process and the Tax Office's implementation and management of the ABR. The audit particularly focussed on the strategic planning, operational and information technology aspects of the ABN functions and the ABR.

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<sup>4</sup> <<http://www.business.gov.au/Business+Entry+Point/About+business.gov.au> dated 27 August 2007>.

<sup>5</sup> *A New Tax System (Australian Business Number) Act 1999: Part 1, Division 2, Section 3*

**1.8** The audit was conducted between July 2002 and June 2003 when the ABR was transitioning between a project environment to a 'business-as-usual' environment. As a consequence, the audit largely focussed on the ABR Project, i.e. the administration of the activities to issue ABNs to businesses prior to the commencement of A New Tax System and the activities to establish the ABR. The audit report made eight recommendations. The Tax Office agreed with six recommendations and agreed in principle to the remaining two.

**1.9** This follow-up audit grouped the earlier recommendations into three themes (Figure 1.1.) with subsequent chapters discussing the Tax Office's progress in implementing the recommendations within these themes. The themes are:

- ABR Governance Arrangements (Chapter 2);
- Improving the Integrity of ABR Data (Chapter 3); and,
- Whole-of-Government Issues (Chapter 4).

A brief discussion of each is provided below.

**Figure 1.1**

## Audit themes

### ABR Governance Arrangements

#### Recommendation No. 1

The ANAO recommends that, to improve accountability in contract management, the ATO implement procedures to ensure key project decisions are adequately documented for future projects. The ANAO considers that the ATO's IT Accredited Purchasing Unit could play a key role in assisting in this regard.

#### Recommendation No. 2

The ANAO recommends that, as part of its assessment of the success of the implementation of the ABR, the ATO should review and update the ABR Business Case.

### Improving the Integrity of ABR Data

#### Recommendation No. 3

The ANAO recommends that, to enhance current registration procedures for issuing ABNs, the ATO:

- extend current up-front checking procedures to detect, for further investigation before registration, the more obvious categories of apparently ineligible applicants being identified by ATO quality assurance and data analysis initiatives;
- review current registration procedures and ABR business rules to determine whether these are sufficient to meet the legislative requirements; and
- if appropriate, provide advice to government on any necessary amendments to the legislation.

#### Recommendation No. 4

The ANAO recommends that, to improve the effectiveness of the quality assurance function for the ABR, the Quality Management Team:

- be given access to the relevant ABR data required to implement fully its quality assurance program; and
- once this access is provided, the Quality Management Team develop strategies to include in its quality assurance process testing of registrations that are processed automatically by the ABR system.

#### Recommendation No. 5

The ANAO recommends that, to maintain the integrity of ABR data, the ATO ensure that, in the future before business rules are switched off, comprehensive strategies are developed and implemented to systematically identify and redress records affected.

#### Recommendation No. 6

The ANAO recommends that the ATO give high priority to formalising communications and liaison arrangements across business lines to share ABR-related information with the Registry Division. This should have the benefits of achieving broader outcomes from its compliance and intelligence activities and improving the quality of ABR data

### Whole-of-Government Issues

#### Recommendation No. 7

The ANAO recommends that, in order to increase Commonwealth agencies' participation in the ABR, the ATO bring to the Government's attention the delays and possible options required to achieve the whole-of-government outcome.

#### Recommendation No. 8

The ANAO recommends that, to effectively implement the ABR's whole-of-government objectives, the ATO consider the benefits in establishing formal inter-governmental machinery of relevant Commonwealth and State policy-making agencies to oversee and progress the ABR as a whole-of-government register.

Source: Adapted from Audit Report No.59: 2002–03

## ABR governance arrangements

1.10 The Registrations Branch<sup>6</sup> of the Tax Office has retained the function of administering and developing the ABN and ABR on behalf of the Registrar. Registrations Branch is responsible for:

- issuing ABNs;
- maintaining and ensuring the integrity of the ABR;
- establishing and maintaining partnerships with other agencies that are using or are planning to use the ABR; and
- further developing and implementing the ABR system's functionality.

1.11 Registrations Branch is also responsible for issuing tax file numbers (TFN), maintaining the TFN register (Client Account Register) and is the custodian of registers for Tax Office regulated superannuation funds.

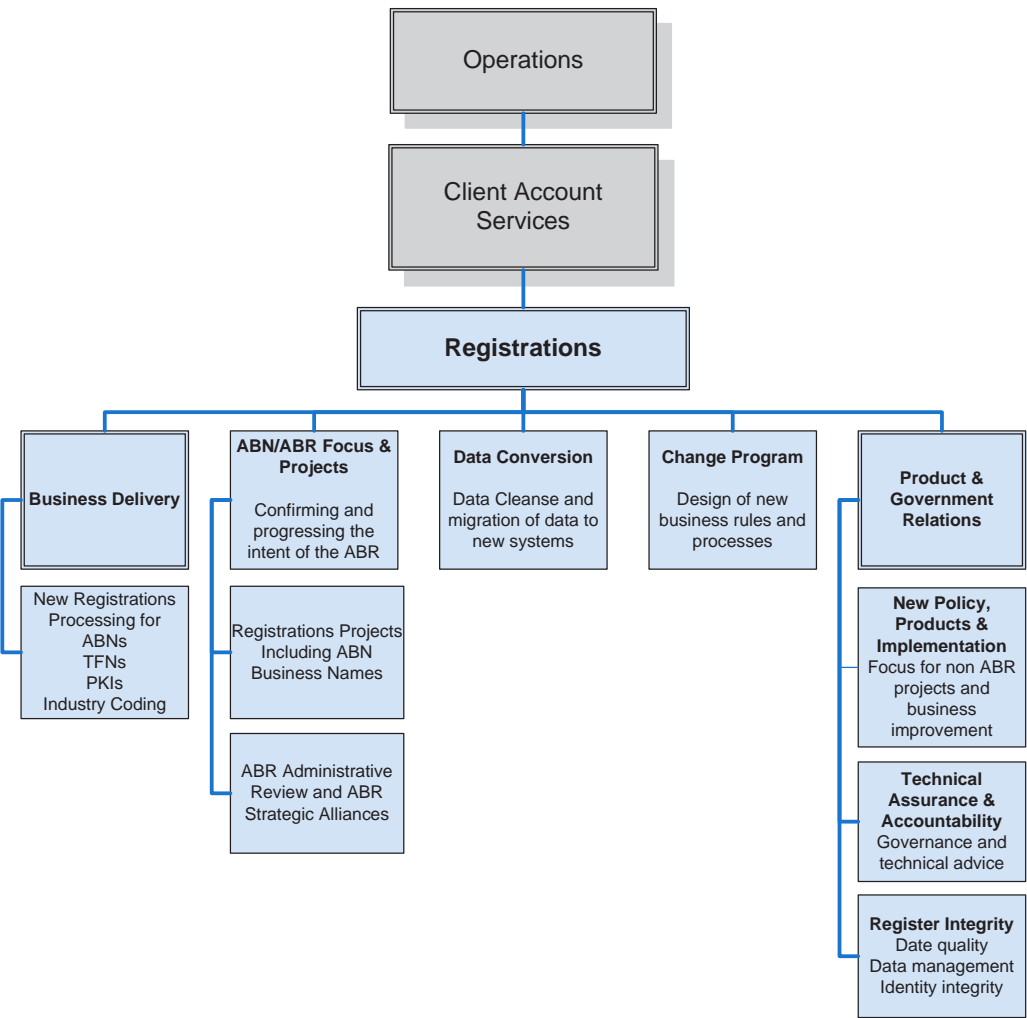
1.12 Figure 1.2 shows an overview of the current operational structure for Registrations and the overall Tax Office context within which it operates. Implemented in June 2007, the majority of ABN/ABR functions remain integrated into the operational structure of Registrations and while there have been some changes in names and functions of some areas since the previous audit, there are no substantive changes to the integrated nature of the operational structure. Of note is the temporary establishment of the ABN/ABR Focus & Projects Directorate. This Directorate reflects, in part, the Registrar's and Tax Office's recent increased focus on the ABR and their actions to re-invigorate other agencies' interest in the ABR.

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<sup>6</sup> While the information technology systems are owned by ATO Business Solutions and Information & Communications Technology sections, Registrations Branch are the operators and therefore the main catalyst for changes and developments.

Figure 1.2

Registrations operational structure



Source: Depiction of Tax Office information

1.13 Chapter 2 of this report discusses the Tax Office’s progress in implementing recommendations one and two of the previous audit relating to the ABR governance arrangements. A number of new findings from this follow-up audit, which highlight emerging issues regarding the governance structures supporting the operation of the ABR in a ‘business as usual’ environment, are discussed in Chapter 5.

## Improving the integrity of ABR data

1.14 The previous audit made four recommendations aimed at improving the integrity of the ABR. Broadly, these recommendations address procedures to reduce the number of entities incorrectly receiving an ABN when not entitled, improving the effectiveness of data quality assurance processes, ensuring changes to the register do not corrupt data holdings and ensuring consistency in the Tax Office's actions associated with ABNs and the ABR.

1.15 These recommendations were largely in response to issues associated with the ABR Project's need to get businesses registered as quickly as possible to meet the 1 July 2000 commencement of *A New Tax System*, and the re-work associated with the need to cleanse 'bad' data<sup>7</sup> in the ABR and cancel the ABNs of those entities incorrectly registered.

1.16 The quality of data held by the ABR is critical to establishing and maintaining the reputation of the ABR as a high quality register. As such, the quality of data is a key determinant in achieving whole-of-government outcomes. Without confidence in the ABR, other agencies are unlikely to adopt the ABR as their business registration vehicle.

1.17 Chapter 3: Improving the Integrity of ABR Data discusses the Tax Office's progress in implementing recommendations three to six of the previous audit.

## Whole-of-government issues

1.18 The adoption of the ABR by other agencies is central to achieving the objectives of the Act (para. 1.5). The previous audit noted that as of May 2003, 11 agencies had signed a Memorandum of Understanding to use the ABR and another 13 MOUs were in progress. This compares with a Tax Office target of 271 agencies participating in the ABR for 2002–03<sup>8</sup>.

1.19 While the Registrar and the Tax Office are the administrators of the ABR and are responsible for promoting and facilitating the uptake of the ABR to other agencies, as a whole-of-government initiative, the responsibility for the uptake of the ABR by agencies is not solely the responsibility of the Tax Office. Rather, the responsibility for the delivery on the whole-of-government

<sup>7</sup> Data that was incorrectly formatted, corrupted during processing, mis-stated or did not correctly reflect the GST and other tax role aspects of ABN applications.

<sup>8</sup> ABR Business Case dated November 2000

outcomes of the ABR is shared between the Registrar and the Tax Office as the administrators, and other agencies that have the potential to adopt the ABR.

**1.20** The ANAO also recognises that there are also several impediments for agencies to take up the ABR. These may include:

- costs associated with integrating the ABR into an agency's existing IT systems;
- policy decisions and supporting legislation that allow for alternative identifiers;
- costs associated with client education and communication strategies;
- costs associated with reviewing publications and forms to accommodate the ABN.

**1.21** The previous audit made two recommendations that aimed to advance the uptake of the ABR by agencies. Chapter 4 of this report discusses the Tax Office's progress in implementing these recommendations.

## **Governance of whole-of-government initiatives**

**1.22** The ABR is a relatively early and complex example of a whole-of-government initiative principally delivered through electronic media. The financial expenditure and expected savings relating to the implementation of the ABR are not significant in Australian Government terms<sup>9</sup>. However, the number of agencies expected to participate in the ABR was very large (over 1000 agencies according to the original ABR Business Case) and encompassed Federal, State & Territory and local governments, and the expectation was that businesses would derive significant benefits from the ABN/ABR implementation.

**1.23** In light of recent publications<sup>10</sup> and the increase in whole-of-government initiatives being pursued by the Australian Government, this audit also draws out a number of issues from the ABR to be considered by agencies developing future whole-of-government initiatives. These are discussed in Chapter 5.

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<sup>9</sup> The ABR Business Case (2000) calculated the implementation cost to government to be \$58.24 million with savings of \$80.38 million over the first 10 years.

<sup>10</sup> Management Advisory Committee (MAC) Report No. 4: *Connecting Government: Whole of Government Responses to Australia's Priority Challenges* (2004) and the ANAO Better Practice Guide, *Public Sector Governance*, July 2003.

## Audit objective and methodology

1.24 The objective of this follow-up audit is to assess the Tax Office's progress in implementing the recommendations of *Audit Report No.59 2002–03, Administration of Australian Business Number Registrations* having regard to any changed circumstances, or new administrative issues, affecting the implementation of those recommendations.

1.25 The audit was undertaken using a combination of documentation reviews and interviews with agency officers from the Tax Office, the Office of Small Business, Department of Industry, Tourism and Resources (DITR) and the Department of the Treasury (Treasury). Treasury and DITR were also consulted on the extent of their roles in promoting, monitoring and reporting on the ABR.

1.26 This audit was undertaken in conformance with ANAO auditing standards and cost \$202 500.

## 2. ABR Governance Arrangements

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*This chapter discusses the ANAO's findings against recommendations 1 and 2 of the previous audit <sup>11</sup>. These recommendations relate to the recording of project decisions and updating the ABR Business Case.*

### Introduction

**2.1** Governance, be it private or public sector, has been variously defined. The ANAO Better Practice Guide: *Public Sector Governance* (July 2003) further developed ANAO's earlier definition that was adopted by the Department of Prime Minister and Cabinet's publication, *Requirements for Annual Reports*. The guide adopted the definition:

Public sector governance has a very broad coverage, including how an organisation is managed, its corporate and other structures, its culture, its policies and strategies and the way it deals with its various stakeholders. The concept encompasses the manner in which public sector organisations acquit their responsibilities of stewardship by being open, accountable and prudent in decision-making, in providing policy advice, and in managing and delivering programs.

**2.2** The objective of public sector governance is 'to ensure that an organisation achieves its overall outcomes in such a way as to enhance confidence in the organisation, its decisions and its actions.'<sup>12</sup> The Better Practice Guide goes on to observe that,

Good governance therefore means that the organisation's leadership, its staff, the Government, the Parliament and the population can rely on the organisation to do its work well with full probity and accountability.

Good governance generally focuses on two main requirements of organisations:

**performance**, whereby the organisation uses its governance arrangements to contribute to its overall performance and delivery of its goods, services or programs; and

**conformance**, whereby the organisation uses its governance arrangements to ensure it meets the requirements of the law, regulations, published standards and community expectations of probity, accountability and openness.

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<sup>11</sup> Audit Report No.59 2002–03, *Administration of Australian Business Number Registrations*.

<sup>12</sup> ANAO Better Practice Guide: *Public Sector Governance* (July 2003): pp. 6

It is in this context, that the ANAO assessed the Tax Office's progress in implementing recommendations 1 and 2 of the original audit report.

## Original Recommendation 1

*The ANAO recommends that, to improve accountability in contract management, the Tax Office implement procedures to ensure key project decisions are adequately documented for future projects. The ANAO considers that the Tax Office's IT Accredited Purchasing Unit could play a key role in assisting in this regard.*

**Tax Office Response:** *Agreed. It is noted that IT Accredited Purchasing Unit was involved in establishing the contract.*

**2.3** The previous audit identified a number of issues with documenting project decisions made during the ABR Project. Of particular concern were those project decisions that led to change orders being initiated against the original contract and therefore had consequences for managing the contract. The report recommended that the Tax Office implement procedures to ensure key project decisions are adequately documented.

**2.4** In assessing Tax Office's progress in implementing this recommendation, ANAO noted that both the Tax Office's Internal Audit Report: *Administration of ABN Registrations v1.0 – Follow-up Review of ANAO Report No. 59* and the draft self-assessment provided on 8 February 2007 focussed on contract management processes and procedures rather than the broader discipline of project management. This emphasis suggests the Tax Office has tended to concentrate on implementing this recommendation through Practice Statements<sup>13</sup> that relate specifically to procurement and contract management processes/documentation, rather than on improving project management practices more generally.

## Contract management

**2.5** The ANAO noted that the Tax Office has implemented a comprehensive set of policies<sup>14</sup> and procedures<sup>15</sup> to record procurement actions and contract management activities. The Tax Office provides further support to staff to assist in the recording of key contract decisions by recording all contracts on the Procurement Register. While the current Procurement

<sup>13</sup> Practice Statements are the Tax Office's vehicle for providing staff policy guidance on a range of subjects.

<sup>14</sup> Tax Office Procurement Framework (PS CM 2005/18)

<sup>15</sup> Contract Management Manual

Register is able to record contract variations, the Tax Office advised this functionality will be enhanced by the proposed Procurement Register Redevelopment Project.

## **Project management**

**2.6** The Tax Office provides guidance to staff on project management through a series of policy documents. The parent policy document, Project Management<sup>16</sup>, sets governing principles and provides the context and reference to other policy documents to guide staff on specific issues. In relation to guidance on project information and documentation, the Project Management Practice Statement refers to two corporate documents, CMPI 2003/05/03 Guidance for Recording Key Project Information and PS CM 2005/27 Record Keeping.

**2.7** The Guidance for Recording Key Project Information describes the minimum information that is required to be recorded in a Project Register. While allowance is made for the status of a project to be recorded, there is no requirement to record key project decisions through the life of project in this register.

**2.8** Staff referring to the practice statement on Record Keeping are provided with a general policy statement on the Tax Office's requirements when creating, storing, managing and disposing of records. The policy states,

All Tax Office personnel must create records for all work performed by them on behalf of the Tax Office to provide evidence or justify their actions and make information available.

However, there is no specific reference to recording key project decisions.

**2.9** The Tax Office also has a number of policy documents that are subordinate to the Practice Statement on Project Management. These subordinate documents provide Tax Office staff with guidance on the project management requirements for projects of different sizes or complexity. During the course of the audit, the Tax Office updated its Tier 2 Project Management method including introducing a new Change Control Theme. This Change Control Theme introduces a Change Log to the project management methodology that captures both changes to, and progress of, a project, including key project decisions that change the direction or scope of a project. However, the Tax Office does not maintain a corporate database of projects (a

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<sup>16</sup> Practice Statement PS CM 2003/05

Corporate Project Register) to assist future projects refer to key decisions of previous projects.

## Conclusion

**2.10** The ANAO acknowledges that the Tax Office has implemented a number of initiatives to ensure contract and project decisions are adequately recorded. However, the ANAO found that procedures have not been implemented that support key project decisions being documented for future projects to reference. Therefore, the ANAO concludes that the Tax Office has substantially implemented this recommendation. The ANAO suggests that the Tax Office should consider the benefits in establishing a Project Register similar to that which it has adopted for the Contract Register.

**2.11** The Tax Office provided clarification on this recommendation in its response (Appendix 2).

## Original Recommendation 2

*The ANAO recommends that, as part of its assessment of the success of the implementation of the ABR, the Tax Office should review and update the ABR Business Case.*

*Tax Office Response: Agreed. Work to review and update the ABR Business Case is currently in progress and is well advanced.*

**2.12** The Tax Office completed a comprehensive review of the ABR Business Case in March 2003. The Review<sup>17</sup> aimed to:-

- identify changes (if any) made to the ABR strategy and vision;
- identify factors that influenced ABR outcomes;
- classify and test assumptions made in the business case for validity and impact on ABR outcomes; and
- present findings that could be used to assist the preparation of an updated ABR Business Case.

**2.13** The Review made 38 findings on a number of subjects across three areas: 1) Business Case, 2) ABR Vision and 3) ABR Progress. These findings resulted in 14 recommendations, with six, five and three recommendations distributed across the three subject areas, respectively.

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<sup>17</sup> Australian Business Register Business Case Review – Version 1.0, dated 28 March 2003.

**2.14** The first of these recommendations was that the Business Case be transformed into a Business Plan to assist the ongoing planning, management and governance of the ABR. Consequently, the ABR Business Plan 2003–2005 was completed in the second quarter of 2003.

**2.15** The ANAO considers the decision to transform the business case into a business plan was soundly based as the ABR had, by 2003, commenced the transition from a project environment into a ‘business as usual’ environment. However, analysis of the business plan and the Tax Office’s business planning and reporting of ABR issues reveal a number of shortcomings. These are discussed below.

### **ABR Business Plan 2003–2005**

**2.16** The ABR Business Plan 2003–2005 provided an overview of progress to date (2003) in implementing the original business case and articulates the ABR vision, direction and strategies. It identified six challenges and the strategies and performance indicators Registrations could use to demonstrate progress in meeting them. The ANAO noted that many of the challenges and the strategies adopted to address them were long-term in nature, well beyond the two year timeframe implied by the title of the plan.

**2.17** The Business Plan did not provide specific and measurable targets against defined timeframes. Therefore, the ANAO considers the title of the ABR Business Plan 2003–2005 to be inconsistent with its intent as this document has many of the hallmarks of a strategic plan and few characteristics expected of a business plan.

**2.18** While the Business Plan was relatively comprehensive as a strategic plan, analysis of the Business Plan shows that it did not capture some of the recommendations made by the review of the ABR Business Case. Two recommendations of particular note are:

1. In light of the complex and changing environment in which the ABR operates, the new ABR business plan should be reviewed every year with the likelihood of it undergoing significant changes every two years.<sup>18</sup>
2. The business plan needs to identify targets and methods to measure the ongoing success of the ABR. . . .<sup>19</sup>

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<sup>18</sup> Australian Business Register–Business Case Review Version 1.0–Recommendation 2

<sup>19</sup> Australian Business Register–Business Case Review Version 1.0–Recommendation 5

## Adoption of the ABR Business Plan

2.19 The ANAO noted that the Business Plan was completed in time for adoption in the 2003–04 financial year. Elements of the plan appear to have been included in the Registrations Process Tactical Plan 2003/2004 with specific targets developed and identified against individual tasks.

2.20 This philosophy of including ABR in Registrations', and consequently Client Account Services' and Operations', business plans has continued through to the current Registrations Branch Plan. However, it is not evident where the strategic direction for the ABR is originating as the ABR Business Plan 2003–2005, as a discrete document, has not been reviewed or revised since its acceptance by Registrations in 2003. Further, the Tax Office advised that no subsequent business plans have been drafted to replace it after 2005.

2.21 While elements of the ABR Business Plan 2003–2005 have been reflected in Tax Office business plans, the ANAO considers that its adoption by the Operations Sub Plan has not been as effective as it could have been. This was demonstrated by senior Registrations staff having limited knowledge of the plan and acknowledging that the plan was not used for planning purposes beyond 2003–04.

## Conclusion

2.22 The ANAO found that the Tax Office has implemented Recommendation 2 of the original audit by conducting a review of the ABR Business Case and producing the ABR Business Plan 2003–2005. However, the Tax Office has not used the 2003–2005 Plan to provide strategic direction for the ABR, nor updated the Plan either on its expiry in 2005 or annually, as recommended by its own review.

## New Recommendation No.1

2.23 To guide future development of the ABR, the ANAO recommends that the Registrar review the status of the ABR against the intent of the original ABR Business Case and *A New Tax System (Australian Business Number) Act 1999*, and emerging whole-of-government initiatives (e.g. ABN/Business Names Project and Standard Business Reporting Project) and produce both strategic and business plans for the ABR<sup>20</sup>.

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<sup>20</sup> The implementation of this recommendation should be in the context of the discussion of issues and new recommendation no. 3 in Chapter 5.

### *Tax Office response*

The Tax Office is currently partnering with other government agencies to review the strategic direction of the ABR. This work will form the basis of the ABR's new strategic and business plans. The Tax Office's commitment to the strategic positioning of the ABR is visible through our instigation and/or partnering in the Standard Business Reporting, Vanguard and ABN/Business Names projects.

**2.24** During the course of this audit, the ANAO noted that the Registrar and the Tax Office were increasing their activity in relation to the governance and planning of the ABR. This has included combined planning meetings with Treasury and DITR that, in part, is consistent with working towards new recommendation no. 1.

### **ABR governance**

**2.25** As outlined in Chapter 1, the ABN/ABR is a whole-of-government initiative that is meant to be accessible by agencies to simplify the identification of businesses when dealing with government, and accessible by the Tax Office while remaining at 'arm's length' from other Tax Office functions.

**2.26** While this is largely the case for the electronic systems, the inclusion of ABR business planning into Tax Office's governance structure has tended to erode the separation between the ABR and Tax Office. This issue and its consequences are discussed in Chapter 5.

## 3. Improving the Integrity of ABR Data

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*This chapter discusses the ANAO's findings against recommendations three to six of the previous audit. These recommendations endeavour to improve the integrity of ABR data through improvements to registration and maintenance procedures, and cross business line cooperation.*

### Introduction

3.1 The data integrity of the ABR is integral to:

- the success of the ABN in being regarded as the single business identifier in Australia;
- achieving the whole-of-government objective of making it easier for business to interact with government; and
- the participation of businesses in *A New Tax System* (ANTS).

3.2 The failure to maintain high levels of data integrity will negatively impact on the reputation and reliability of the ABN/ABR. The consequence of such a failure would be a reduction in support for the ABN/ABR by the business sector and other government agencies, and impede the efficiency and effectiveness of ANTS.

3.3 Audit Report No.59 2002–03, *Administration of Australian Business Number Registrations* highlighted a number of issues regarding the initial ABN registration procedures and the early operation of the ABR. The Tax Office's progress in implementing the resulting recommendations is discussed below.

## Original Recommendation 3

*The ANAO recommends that, to enhance current registration procedures for issuing ABNs, the Tax Office:*

- *extend current up-front checking procedures to detect, for further investigation before registration, the more obvious categories of apparently ineligible applicants being identified by Tax Office quality assurance and data analysis initiatives;*
- *review current registration procedures and ABR business rules to determine whether these are sufficient to meet the legislative requirement; and*
- *if appropriate, provide advice to government on any necessary amendments to the legislation.*

*Tax Office Response: Agreed in principle. A review of the ABN registration process is planned, it will include a focus on actively seeking opportunities to enhance the registration process.*

**3.4** The previous audit considered that there was some question over the Registrar fulfilling his legislative obligation under the Act in regard to establishing the eligibility of an applicant to be issued an ABN. This question arose because applicants self-assessed their eligibility to receive an ABN rather than the Tax Office performing the assessment itself or actively checking eligibility before registration.

**3.5** The Tax Office noted that the Act presents the Registrar with a particular difficulty when assessing eligibility of applicants. That is, under the Act, the Registrar must register an applicant if, among other things,

... the Register is satisfied that you are entitled to have an ABN or are likely to be entitled to have an ABN by the date specified in your application.<sup>21</sup>

Therefore, the Registrar is required to assess if an applicant may be entitled to an ABN by the date specified by the applicant: a difficult prospect.

**3.6** Since the previous audit, the Tax Office has implemented several changes to the registration process. To assist applicants, the Tax Office issued Miscellaneous Tax Ruling 2006/1<sup>22</sup> on 13 December 2006 to provide assistance to entities on assessing their entitlement to an ABN. Further enhancements,

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<sup>21</sup> A New Tax System (Australian Business Number) Act 1999. Part 2 Division 4 Section 10 (1bii).

<sup>22</sup> Miscellaneous Tax Ruling 2006/1: The New Tax System: the meaning of entity carrying on an enterprise for the purposes of entitlement to an Australian Business Number

designed to improve the rigour in assessing an applicant's eligibility for an ABN, are also programmed.

## **Business form enhancement**

3.7 On 30 January 2004 the Tax Office initiated a project to review and enhance the design of business registration forms. This project is seen by the Tax Office to be, in part, its first response to this recommendation. The intent was to improve the client experience in line with *Making it Easier to Comply*: to make the forms easier for clients to complete.

3.8 The business case for the project<sup>23</sup> states as one of the drivers for business forms to undergo this process, that 15% of applications for an ABN were submitted by persons not entitled to register. The philosophy behind the Business Form Enhancement Project in relation to this recommendation was to enable applicants to better self-assess their eligibility for an ABN.

3.9 The Tax Office advised that the project was implemented by April 2005 and that user testing revealed that the new ABN Registration Form for Companies, Partnerships, Trusts and Other Organisations was able to be completed by applicants in less time and with greater confidence.

## **Eligibility tools**

3.10 The Tax Office has developed one, and is in the process of developing a second, on-line eligibility tool. The first tool is an Employee/Contractor decision support tool designed to assist the Building and Construction Industry to determine whether they engage a worker under an employment or contract arrangement for tax purposes.

3.11 The ABN Eligibility Tool is the second eligibility tool and is currently being developed by the Tax Office. The project to develop and implement this tool is to be delivered in two phases. The intent of Phase 1 is to produce an online voluntary questionnaire for applicants to work through to assist them establish their entitlement to an ABN. Phase 1, however, will not stop an applicant from applying for an ABN.

3.12 Phase 2 is expected to integrate the tool into the ABN registration process so that the questionnaire is compulsory and may refuse an ABN registration. This refusal will result from the responses provided by the applicant indicating they are not entitled to an ABN.

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<sup>23</sup> Form Enhancement – Business Registration Forms, Business Case dated 30 January 2004.

**3.13** The ANAO considers that the implementation of Phase 2 will meet the requirements of this recommendation with respect to providing up-front checks of an applicant's eligibility for an ABN.

**3.14** The Tax Office advised that both Phase 1 and Phase 2 of the Eligibility Tool project are included in the IT Program of Work with Phase 1 being approved to proceed and Phase 2 on hold pending the outcome of a review of the ABN/ABR.

### **Current procedures and business rules**

**3.15** The Tax Office advised that the registration procedures and business rules are subjected to ongoing internal review and that this review is conducted against an internal interpretation of the Act. Any identified updates to procedures and business rules are made internally and published electronically on the Tax Office's intranet.

**3.16** The Tax Office noted that the legislation was untested and there was little motivation for a more formal review to be conducted. Accordingly, the Tax Office advise that as at 30 March 2007, there were no proposed amendments to the legislation.

### **Conclusion**

**3.17** The ANAO found that the Tax Office has partially implemented this recommendation through the improvements made to tools designed to assist applicants assess their own eligibility. However, complete implementation will not occur until these tools are integrated into the ABN application process to be delivered in Phase 2 of the Eligibility Tool project.

## **Original Recommendation 4**

*The ANAO recommends that, to improve the effectiveness of the quality assurance function for the ABR, the Quality Management Team (QMT):*

- *be given access to the relevant ABR data required to implement fully its quality assurance program; and*
- *once this access is provided, the Quality Management Team develop strategies to include in its quality assurance process testing of registrations that are processed automatically by the ABR system.*

*Tax Office Response: Agreed. However, as allowing the Quality Management Team to directly access production data would contravene our security and access guidelines, other access that meets their needs will be provided.*

**3.18** As was the situation at the time of the previous audit, samples for quality assurance of the ABR are drawn from the Tax Office Integrated System (AIS) rather than directly from the ABR. The ANAO in the previous audit viewed the use of AIS to draw quality assurance samples as an interim solution. However, the Tax Office advised that samples are unable to be drawn directly from the ABR as this would unduly restrict the performance of the ABR. Therefore this practice is set to continue.

**3.19** The quality assurance tests are performed on transactions, which can include ABR and Tax Office data. Therefore, if the records were extracted from the ABR, the data for each record would represent a subset of data from the entire transaction. Consequently, the Tax Office advised that the integrity of the sample is maintained as the AIS records entire transactions and these records are used in the quality assurance process.

**3.20** The Tax Office advised that quality assurance samples are drawn from all transactions, including registrations that are processed automatically, therefore meeting the requirement of the recommendation.

## Conclusion

**3.21** The ANAO found that the QMT has been provided access to ABR data, and although this access is via the AIS, the ANAO considers that the Tax Office has implemented this recommendation.

## Original Recommendation 5

*The ANAO recommends that, to maintain the integrity of ABR data, the Tax Office ensure that, in the future before business rules are switched off, comprehensive strategies are developed and implemented to systematically identify and redress records affected.*

*Tax Office Response: Agreed. The Tax Office will continue to follow this process for any alteration of business rules including discontinuation.*

**3.22** The ANAO found that the Tax Office has implemented a formal change process to ensure the integrity of the ABR. This change process requires rigorous testing and evaluation of proposed changes on test data prior to implementing the change on the production system.

3.23 Further, the Tax Office advised that all changes to records are recorded on the activity log for that record. These activity logs can be searched for changes should any unintended changes occur and corrective action undertaken.

## Conclusion

3.24 The ANAO considers that the Tax Office has implemented this recommendation.

## Integrity of the ABR

3.25 The previous audit noted that during Phase 1 of the ABR Project several business rules built into the IT system to provide assurance on the integrity of the process were not applied, or were turned off, to facilitate the registration of almost 2.9 million applicants before the start of *A New Tax System*. This decision caused significant re-work for the Tax Office in terms of post-registration measures to provide assurance on the integrity of the ABR.

3.26 Since the establishment of the ABR, the Tax Office has undertaken two programs to improve the integrity of the ABR. The first program is an ongoing 'refresh' of ABR records by surveying ABN holders and updating any changes in data.

3.27 The second program comprises several activities directed towards the cancellation of ABNs that have been identified as not entitled or no longer entitled. In 2003 and 2004, the Tax Office ran a letter campaign designed to target clients that were potentially not entitled to an ABN. The letters instructed clients to contact the Tax Office if they no longer required or were no longer entitled to be registered for an ABN. The Tax Office advise that 357 000 ABNs were cancelled as a result of the 440 000 letters that were sent to clients.

3.28 Following this campaign, the Tax Office advised that it has implemented changes to system functionality that supports the identification and subsequent cancellation of ABNs of clients who are identified as not entitled or no longer entitled to an ABN. Groups targeted by these processes have been:

- deceased individuals;
- companies deregistered with ASIC;
- early access superannuation schemes; and

- individuals lodging income tax returns and reporting no business income.

This initiative has resulted in a further 123 000 ABNs targeted for cancellation.

**3.29** The Tax Office advised that plans are being developed to send a questionnaire to a sample of new ABN registrants. The questionnaire is designed to gather information on the behaviours of applicants that led to inappropriate registrations. It is also hoped that this knowledge will inform other initiatives such as the Online ABN Entitlement tool and the Registrar Initiated Cancellations to make the ABR more robust.

## Original Recommendation 6

*The ANAO recommends that the Tax Office give high priority to formalising communications and liaison arrangements across business lines to share ABR-related information with the Registry Division. This should have the benefits of achieving broader outcomes from its compliance and intelligence activities and improving the quality of ABR data.*

*Tax Office Response: Agreed.*

**3.30** The Tax Office conducts a number of fora based on product lines and market segments. Registrations is a permanent member of several of these fora. The ANAO noted from a small sample of recent minutes of meetings, ABN and ABR issues were discussed or were an integral component of activities being discussed. The ANAO also noted that Registrations liaise directly with other business lines on specific issues that impact on the ABR.

**3.31** In addition to these product or market segment focussed fora, the Tax Office is currently implementing a Registrations Policy Forum that will have the specific focus on existing, new and proposed registration matters.

## Conclusion

**3.32** The ANAO found that the Tax Office has implemented formal communication and liaison arrangements across business lines to share ABR-related information and considers that the Tax Office has implemented this recommendation.

## 4. Whole-of-Government Issues

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*This chapter discusses the Australian Taxation Office's (Tax Office) progress in implementing recommendations seven and eight of the previous audit. These recommendations relate to progressing the uptake of the ABR by Federal, State and local government agencies to realise the Australian Government's intent of making it easier for businesses to interact with government.*

### Introduction

**4.1** The Business Case<sup>24</sup> for the Australian Business Register (ABR) Project, in presenting the benefits of establishing the register, emphasised that the savings to be derived by both business and government would be facilitated by government agencies participating in the ABR. The responsibility for promoting and facilitating this participation by other agencies is with the Registrar as the general administrator of the Act.

**4.2** The Business Case and the Output Pricing Agreement 2002–05 (OPA) provided targets to be achieved in the number of participating<sup>25</sup> agencies to achieve the whole-of-government outcome. Table 4.1 shows the projected number of agencies participating in the ABR and the actual number of agencies participating in the ABR that was achieved for financial years 2001–02 to 2006–07.

**4.3** The definition of 'participating in the ABR' changed significantly between the ABR Business Case and the OPA. While this is discussed in detail in Chapter 5, in summary the definition changed from agencies actively using the ABR data and having a signed Memorandum of Understanding<sup>26</sup> (MOU) to, agencies being contacted about entering into a MOU.

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<sup>24</sup> Australian Business Register Project: ABR Business Case & Value Realisation Plan

<sup>25</sup> For a discussion of the definition of 'participating agency' see Chapter 5.

<sup>26</sup> The MOU is an agreement between an agency and the Registrar, setting out the agency's entitlement, obligations and level of access to ABN data. All agencies that wish to obtain ABN data (both public and non-public) will be required to enter into a MOU with the Registrar. The Tax Office advised that agencies have had difficulties with some aspects of the MOUs.

**Table 4.1****Projected number of participating agencies**

Financial Year	Business Case Projection <sup>27</sup>	Output Pricing Agreement <sup>28</sup>	Contacted	MOUs Signed
2001–02	57	50		
2002–03	271	240	266	14
2003–04	546	500	446	23
2004–05	1107	1000(650) <sup>29</sup>	556	58
2005–06	1385			74
2006–07	1688			(76) As at 8 Feb 07

Source: Derived from Tax Office information.

4.4 The Tax Office advised that initial impediments to agency uptake of the ABR were agencies' concerns regarding the MOU, technology mis-matches<sup>30</sup> and legislated restrictions on agencies ability to share information<sup>31</sup> or use another identifier. A further impediment to agencies taking up the ABR is the requirement for those agencies to absorb the IT costs to update their systems.

4.5 As at 8 February 2007, 76 MOUs were in operation. These comprised 14 MOUs with Commonwealth agencies, 48 with State and Territory agencies and 14 with local government agencies.

<sup>27</sup> The Australian Business Register Project: ABR Business Case & Value Realisation Plan, 10 November 2000. Numbers are derived from ABR Participation Data (pp. 49) and includes categories of new agencies excluding 'retailers'.

<sup>28</sup> The Output Pricing Agreement 2002–05 states these targets in section 60.2.1.2 (F) as 'expected agency participation'. The ANAO noted that these figures resemble the ABR Participation Data of one category of new agencies in the ABR Business Case.

<sup>29</sup> In November 2004, the OPA target of 1000 was reduced to 650.

<sup>30</sup> The Tax Office advised that some agencies that expressed an interest in participating in the ABR were unable to do so due to their IT systems being unable to interact with the ABR.

<sup>31</sup> Some agencies' parent legislation did not allow for the sharing of information, i.e. these agencies could not update the ABR.

## Original Recommendation 7

*The ANAO recommends that, in order to increase Commonwealth agencies participation in the ABR, the Tax Office bring to the Government's attention the delays and possible options required to achieve the whole-of-government outcome.*

*Tax Office Response: The Tax Office is currently undertaking a review of the ABR Business Case and the strategies used to engage agencies. A revised strategy will then be put in place with a range of options for achieving increased participation across Government agencies including at the cross agency Chief Information Officer Committee (CIOC). The Tax Office will consider raising this to Government level once the work outlined above has been undertaken. It is noted that current legislative frameworks and existing co-operative arrangements have allowed participation by various key agencies (for example, by the ABS through existing arrangements between the Commissioner of Taxation and the Australian Statistician under taxation legislation) while the Tax Office has been working towards formalising MOUs, therefore the operation of the ABR has not been hindered in the interim.*

**4.6** The previous audit report noted that the Tax Office initially expended a considerable effort to encourage the uptake of the ABR by other agencies with little result<sup>32</sup>. Under the OPA, this effort continued through to 2004–05 as shown by the number of agencies contacted during subsequent years (Table 4.1). Table 4.1 also notes the number of MOUs signed during this period. During 2002–03 and 2003–04, the rate of MOUs signed was approximately 5% of the number of agencies contacted. This rate increased in 2004–05 with 10.4% of agencies contacted having signed MOUs.

**4.7** The ANAO acknowledges that the Tax Office revised its strategies to engage agencies. It did so by targeting 'higher value' agencies and agencies that would play a lead role within their jurisdiction (e.g. State Revenue Offices). The Tax Office also revised the MOUs which has improved the take-up of the ABR as seen in the improved rate of agencies signing MOUs in 2004–05.

**4.8** More recently, the Registrar and the Tax Office has looked at other opportunities to raise the Government's options for developing the ABR as a whole-of-government register. These include the ABN-Business Names and Standard Business Reporting initiatives. While the exact role of the ABR is yet to be determined for these initiatives, they will rely heavily on ABNs and

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<sup>32</sup> As at May 2003, 198 agencies contacted had resulted in only 11 signed MOUs with an additional 13 MOUs in progress.

consequently the ABR. The ANAO acknowledges the Tax Office's contribution to these proposals and notes that, while these proposals have been put to Government, the submissions did not include advice on the slow uptake of the ABR by agencies.

**4.9** Despite the Tax Office's revised strategies to engage agencies and a focus towards other initiatives in which the ABR is likely to play an important role, the number of agencies signing a MOU with the Registrar continues to be significantly fewer than projected in the ABR Business Case (Table 4.1). This continues to cause a delay in the delivery of benefits to both business and government.

**4.10** The Registrar and the Tax Office are not entirely responsible for the poor uptake of the ABR by agencies as there is no legislation to mandate the adoption of the ABN. Therefore, the Registrar and the Tax Office are unable to guarantee or enforce the use of the ABR.<sup>33</sup> However, the Registrar and the Tax Office, as the lead agency, are responsible for facilitating the uptake of the ABR by agencies and informing Government of the progress of the initiative.

**4.11** In assessing the Tax Office's progress in implementing this recommendation, the ANAO considered the Tax Office's reporting responsibilities in regard to this issue. The Tax Office decided it only needed to advise Treasury, because Treasury is the Portfolio Department. In contrast, the ANAO considers, in this case, that such advice should also have gone to the responsible Minister as the Tax Office is the lead agency and is required to report annually on the working of the Act to the Minister<sup>34</sup>.

**4.12** The ANAO found that the Tax Office made two reports to Treasury that included information on the ABR. One report provided Treasury with an update on the activities being undertaken by the Tax Office to encourage the uptake of the ABR by State Government agencies.

**4.13** The second report was the Report to Treasury on OPA 2002–05 that reported on all aspects of the OPA for the period of the agreement. The ANAO considers the detail included in both reports was insufficient to meet the requirements of this recommendation in regard to bringing the issue to the Government's attention.

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<sup>33</sup> The issues of responsibility is discussed in Chapter 5.

<sup>34</sup> *A New Tax System (Australian Business Number) Act 1999*. Part 3 Division 11 Section 29.

## Conclusion

4.14 The ANAO found that the Tax Office has not advised Government of the delays in uptake of the ABR or provided possible options to achieve the ABR whole-of-government outcome. Accordingly, the ANAO considers that the Tax Office has not implemented this recommendation.

4.15 The ANAO further considers the continuing delay in informing the Government of these delays and strategies to address the slow progress to date does not reflect well on the governance arrangements for the ABR. Governance arrangements for the ABR are discussed in Chapter 5.

## New Recommendation No.2

4.16 The ANAO recommends the Registrar report the low level of agency uptake of the ABR to the Government and propose targeted strategies to achieve the objectives specified in the Act.

### *Tax Office Response*

The Tax Office has recently written to the Minister for Revenue and Assistant Treasurer outlining a range of topics that are key to ensuring the ongoing success of the ABR. Advice to the Minister has noted the lower than anticipated take-up by government agencies whilst also drawing the Minister's attention to the Registrar's current work to:

- Review the strategic vision of the ABR
- Outline potential policy changes that will benefit the progression of the ABR
- Progress projects that will assist in delivering agency connectivity and the ABR intent
- Give greater focus to the reporting and governance processes of the Registrar as distinct from the Commissioner of Taxation

Further advice will be provided to government as work with other agencies evolves.

## Original Recommendation 8

*The ANAO recommends that, to effectively implement the ABR's whole-of-government objectives, the Tax Office consider the benefits in establishing formal inter-governmental machinery of relevant Commonwealth and State policy-making agencies to oversee and progress the ABR as a whole-of-government register.*

*Tax Office Response: Agreed. The Tax Office has already established the ABR Policy Advisory Committee as part of its governance structure. The future of this committee is currently being reviewed and discussed with agency representative.*

4.17 The ABR Policy Advisory Committee (PAC) represented a significant inter-governmental forum during the development of the ABR. However, since the implementation of the ABR and the operations of the ABR Project transitioning into a 'business as usual' environment, the PAC struggled to widen its scope and membership<sup>35</sup> to facilitate whole-of-government outcomes. This was still the case in April 2005 when Tax Office Internal Audit also recommended that the PAC should redefine its role and direction.

4.18 The PAC last met on 30 November 2004, effectively bringing to an end the only inter-governmental forum specifically focused on the ABR. The Tax Office advised that the PAC ceased operation as a result of declining participation and input of agencies, the full policy and systems agenda already being pursued by the Tax Office on behalf of the Government, and budget constraints. The ANAO considers the inability to revise the role of the PAC and reinvigorate its membership, reflects the lack of focus by the Tax Office on the original whole-of-government objectives and expectations for the ABR.

4.19 However, the Tax Office does use several bilateral and multi-lateral fora to advance the development of the ABR and encourage its uptake by agencies. These fora include:

- Australian Tax and Revenue Offices (Tax Office and State Revenue Offices);
- Australian Bureau of Statistics - Tax Office;
- Tax Office – Department of Industry, Tourism and Resources; and
- GST Policy Group Meeting.

The Tax Office advised that these fora have provided significant benefit to the management and progress of the ABR.

4.20 As noted previously, the Registrar and the Tax Office have recently increased their focus on the ABR. One area that has seen a significant increase in activity is cross-agency liaison and planning. For example, the Registrar and the Secretary of Department of Industry, Tourism and Resources jointly

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<sup>35</sup> Audit Report No.59 2002–03, Administration of Australian Business Number Registrations. pp. 105.

sponsored an ABR Accelerated Solution Environment workshop that included participants from the Tax Office, DITR and Treasury. The goal of this workshop was to establish a common understanding of the ABR Program and mechanisms for change.

4.21 The Tax Office advised that both supporting and arising from this activity is the establishment of a Whole-of Government Steering Group that has as one of its aims to promote the uptake of the ABR by other agencies.

## **Conclusion**

4.22 The ANAO found that the Tax Office has substantially implemented this recommendation, largely as a result of recent inter-agency activity. The ANAO encourages the Registrar and the Tax Office to continue to pursue the cross-agency forum to complete its implementation of this recommendation and that ideally it be at the 'head of agency' level.

## 5. Segregation of the Tax Office and ABR Governance Structures

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*This chapter discusses the governance arrangements of the Australian Business Register, drawing on observations made in assessing the Tax Office's implementation of the previous audit's recommendations. Specifically, this chapter focuses on the planning, monitoring and reporting by the Tax Office on the whole-of-government outcomes of the ABR and highlights some matters to be considered by agencies when developing whole-of-government initiatives.*

### Introduction

Some of the most challenging policy choices faced by government are those that cross the traditional boundaries between Cabinet ministers' portfolios and between the Australian, State and Territory levels of government. . . (T)asks that run well beyond the remits of individual ministers . . . are whole of government problems and their resolution requires a long-term strategic focus, a willingness to develop policy through consultation with the community and a bias towards flexible delivery that meets local needs and conditions.<sup>36</sup>

5.1 The Prime Minister's words reflect the challenge of the ABR in crossing Portfolio boundaries and between the three levels of government and in requiring a long-term strategic focus. Indeed, the ABR Business Case (November 2000) projected that over 1000 agencies across the three levels of government would participate in the ABR over the ten year implementation period.

### ABR corporate structure

5.2 The previous audit provided an outline of the business framework that the ABR would operate in when it transitioned into a 'business as usual' environment<sup>37</sup>. To summarise, the previous report noted that Registrations was custodian of the ABR, Registrations had an established strategic and business planning framework, corporate governance reports followed this framework, the Tax Office had sought and received additional funding under

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<sup>36</sup> The Hon. John Howard, MP, Prime Minister, *Strategic Leadership for Australia: Policy Directions in a Complex World*, November 2002. Sourced from Management Advisory Committee Report 4: *Connecting Government: Whole of Government Responses to Australia's Priority Challenges*, 2004 pp. 2.

<sup>37</sup> It should be noted that the previous audit was concluding at the time the ABR was entering a 'business as usual' status and therefore did not assess the governance arrangements for the ABR post the conclusion of the ABR Project.

the Output Pricing Agreement 2002–05 (OPA) to develop the ABR and that the benefits / savings quoted in the OPA were extracted from the ABR Business Case that was dated November 2000<sup>38</sup>.

5.3 It was in this context that the previous audit report recommended that the Tax Office review and update the ABR Business Case (Recommendation 2) so the Tax Office's performance in implementing the ABR could be assessed. Chapter 2 describes the Tax Office's review and transformation of the business case into the ABR Business Plan 2003–2005.

5.4 Therefore, in June 2003, upon transition of the ABR from a project to a 'business as usual' environment, Registrations was equipped with a corporate structure, a strategic plan<sup>39</sup> and a functioning ABR to manage.

5.5 Figure 5.1 shows the corporate structures for the Tax Office (Registrations) and the ABR. Where roles align horizontally, they are performed by the same person. Where no role is identified, the governance structure suggests there is no role for the incumbent of the corresponding position to play in the governance of the ABR.

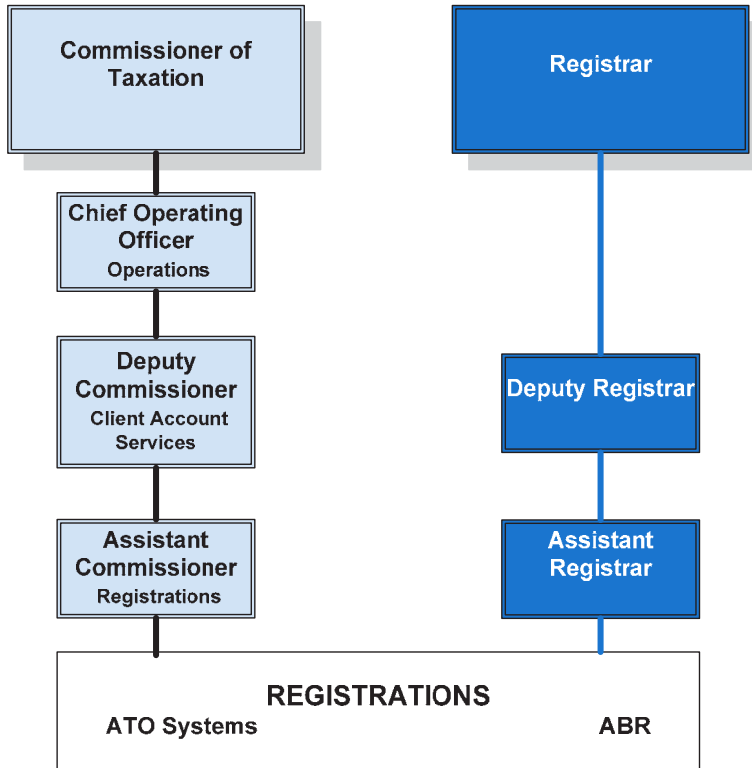
5.6 The key characteristic of the ABR governance structure is that it fosters the separation of the ABR from the Tax Office by identifying roles specific to the ABR. A benefit of this structure is that it avoids the need to create a novel regime in that it reflects the existing Tax Office corporate structure while maintaining an ABR identity.

5.7 The ANAO considers this corporate structure to be consistent with the intent of keeping the ABR at 'arm's length' from other Tax Office functions. However, while assessing the Tax Office's implementation of the previous audit's recommendations, the ANAO noted several key corporate functions where the separation between the ABR and Tax Office systems have not been maintained.

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<sup>38</sup> Audit Report No.59 2002–03, *Administration of Australian Business Number Registrations*. Chapter 3 (pp. 48–55).

<sup>39</sup> The strategic plan referred to here is the ABR Business Plan 2003–2005 that Chapter 2 argues is more representative of a strategic plan despite its title.

**Figure 5.1****Corporate structures for Tax Office and ABR**

Source: Developed from Tax Office information.

5.8 The ABR corporate functions that ANAO considers have failed to maintain adequate separation from Tax Office functions are:

- strategic and business planning;
- performance reporting; and
- governance.

### Strategic and business planning

5.9 Chapter 2 describes the Tax Office's actions to implement Recommendation 2 of the previous audit. Briefly, the Tax Office conducted a review of the original ABR Business Case and subsequently developed the ABR Business Plan 2003–2005<sup>40</sup>.

<sup>40</sup> The ABR Business Plan 2003–2005 is more characteristic of a strategic plan rather than a business plan. This is discussed in Issue Paper 2.

5.10 The ANAO noted that the Business Plan was completed in time for adoption in the 2003–04 financial year. Up to this point, the separation between the ABR and Tax Office governance systems had been maintained. However, as discussed in Chapter 2, elements of the Business Plan were included in the Registrations business plan for 2003–04<sup>41</sup>. This inclusion was done without referencing the ABR Business Plan or the ABR Business Case but did include a variety of performance measures.

5.11 The ANAO acknowledges that the inclusion of ABR tasks in the Registrations business plan would contribute to the overall assessment of resources and total workload of the Branch. However, to do so without an explicit reference to the ABR Business Plan puts at risk the necessary level of separation between the ABR and Tax Office.

5.12 A review of business plans for subsequent years shows a decline in the level of detail for performance targets and activity associated with developing the ABR as a whole-of-government register. There is a marked decline in the description of performance targets associated with whole-of-government outcomes after the conclusion of the OPA and its associated monitoring and reporting requirements. This is a clear indication that both strategic guidance and business planning associated with the ABR has been largely subsumed to Tax Office activities.

### *Participating in the ABR*

5.13 This lack of strategic planning for the ABR has allowed the development of the ABR to drift without clear and explicit consideration of the consequences of certain decisions. Of particular concern is the change in the definition of ‘participating in the ABR’ between the ABR Business Case and subsequent planning and reporting, and that the Tax Office did not inform Government of this change.

5.14 In the ABR Business Case, agency participants are divided into six categories. The definitions of all six categories are given in Appendix 1. These definitions indicate that the Tax Office defined ‘agency participation’ to be agencies actively using the ABR. The ANAO considers this to be a good definition as it is through agencies participating in the ABR that the whole-of-government outcomes can be achieved.

5.15 However, subsequent planning and reporting documents define ‘agency participation’ as agencies being contacted with the view to signing a

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<sup>41</sup> Operations Tactical Plan – Registrations Process 2003-2004 Registrations

Memorandum of Understanding. For example, the ABR Business Plan reviewed the number of agencies that should be targeted to **participate** in the ABR and revised the number from 1000 in the business case down to 705 being **contacted**<sup>42</sup>. The reasoning was to preferentially target agencies that would provide the most benefit to ABR outcomes. Subsequent to this, 1000 agencies were to be **contacted** according to the Operations Sub Plan Report 2004–05 that was then reduced to 650 agencies **contacted**<sup>43</sup>.

**5.16** There appears to be no business case or plan to support these changes or highlight the impact on the whole-of-government policy or benefits of the ABR. A paper that articulates a proposed organisational change to the Operations business line presents a brief justification for the reduction in target to 650<sup>44</sup>. However, there was no acknowledgement of the ABR Business Case target and no discussion of the impact on the whole-of-government outcomes.

**5.17** The ANAO considers that ineffective ABR business planning has led to this change in definition. As a consequence, the actual progress of the uptake of the ABR by agencies has been obscured by the Tax Office reporting the successful achievement of targets for the number of agencies contacted rather than agencies failing to adopt the ABR.

## Performance Reporting

**5.18** Performance reporting of the ABR has followed the Tax Office governance structure since the ABR transitioned to a 'business as usual' environment. A consequence of this reporting framework is that the ABR is reported on, together with all other Registrations functions. This report is then distilled for inclusion into a performance report for Client Account Services, which is further distilled for inclusion into a report on the Operations Sub Plan. It is this Sub Plan report that is presented to the Tax Office Executive.

**5.19** The ANAO understands that the Commissioner of Taxation would therefore receive reports that cover all of the Operations Sub Plan activities. The Commissioner therefore needs to distil from the report the performance information for the ABR in order to fulfil his Registrar role.

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<sup>42</sup> ABR Business Plan 2003–2005: pp. 22

<sup>43</sup> The reduction to 650 agencies was justified on the basis of the number of agencies amalgamating and closing. However, the ABR Business Plan 2003–2005 identified 2435 agencies with the potential to participate in the ABR.

<sup>44</sup> Operations Relationship Management and Marketing, dated 29 October 2004.

5.20 The Tax Office advised that no separate reports on the performance of the ABR, either in terms of the function of the ABR or the uptake of the ABR by other agencies, are produced for the attention of the Registrar.

5.21 The ANAO considers that because performance reporting of the ABR has been largely subsumed into the Tax Office governance arrangements, the Registrar has little opportunity to monitor the progress of the ABR.

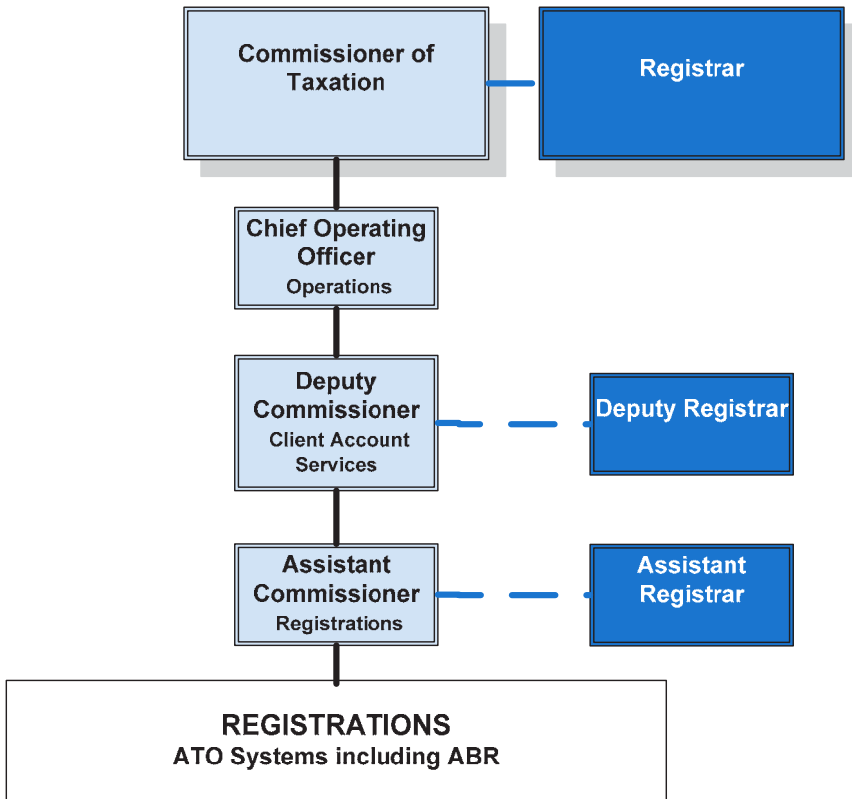
5.22 During the course of this audit, the Tax Office has instituted several changes to its reporting of ABR operations to differentiate ABR related functions from other activities. The Tax Office advised that further changes to performance reports are envisaged as the separation of ABR reporting advances.

## **Governance**

5.23 While Figure 5.1 shows the corporate structure for the ABR and Tax Office as it relates to Registrations, the governance structure as represented by managerial responsibility, planning, reporting and funding is reflected in Figure 5.2.

5.24 Figure 5.2 shows that the roles of Registrar, Deputy Registrar and Assistant Registrar are performed by Senior Executive Service (SES) Tax Office officers and that the performance of these roles is dependant on Tax Office structures. This dependence is such that there is one SES Tax Officer interposed between the Registrar and Deputy Registrar that appears not to have a defined role in the governance of the ABR.

5.25 The ANAO noted that there is no Governance Charter for the ABR that defines or assigns the roles and responsibilities of managers. The ANAO considers the governance structure of the ABR was allowed to atrophy and be replaced by the Tax Office governance structure.

**Figure 5.2****ABR governance**

Source: ANAO interpretation of Tax Office information.

**Summary**

**5.26** Governance of the ABR both follows, and is integrated into, the Tax Office governance structure. That is, while the ANAO considers a governance structure for the ABR that reflects the Tax Office structure to be satisfactory, the integration of ABR planning, reporting and funding into the Tax Office functions fails to meet the intent of keeping the ABR at arm's length from other Tax Office systems.

**5.27** The ANAO also considers this integration to be at the expense of visibility and accountability of Tax Office officers in their role in the operation of the ABR.

## Governance structures for whole-of-government initiatives

**5.28** The vision for the ABN as a unique identifier for business and the ABR as a whole-of-government register for businesses to assist with their interactions with all three levels of government is an early example of a whole-of-government initiative. As such, it is not unreasonable to expect that there will be experiences gained that would be of benefit to other agencies with similar responsibilities. This section highlights a number of lessons and makes recommendations to assist the Tax Office in its custody of the ABR and highlights some matters to be considered by agencies when developing whole-of-government initiatives.

### Separation of governance structures<sup>45</sup>

**5.29** The original intent of the ABR, as communicated to the ANAO by the Tax Office and Treasury, was that the ABR was to remain separate from Tax Office systems. However, two of the most influential measures that could be used to ensure this separation, i.e. business performance frameworks (planning, monitoring and reporting) and funding<sup>46</sup>, was subsumed by the Tax Office. Without these as discrete elements, the whole-of-government initiatives become subject to competition with other Tax Office priorities. This competition has led to some elements of a proposal to be pursued with less vigour (e.g. promoting agency uptake of the ABR) where they less closely align with the Tax Office's other priorities. This was particularly the case in instances of funding or resource pressures.

**5.30** The Tax Office is both the ABR's custodian and its primary user. Over the last four years of the ABR's operation, the Tax Office has focussed attention on ensuring the administrative efficiency of the ABR has achieved the Tax Office's key objectives relating to the introduction of the GST. However, this focus has arguably been at the expense of the other original objectives and expectations for the ABR in terms of reducing the number of government registration and reporting requirements for business and making it easier for business to deal with Government at all levels.

**5.31** The intention to separate the whole-of-government 'entity' (e.g. ABR) and the Tax Office would best be supported by discrete business planning,

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<sup>45</sup> The Tax Office provided comment on this section in its response (Appendix 2).

<sup>46</sup> ANAO understands that with the exception of the OPA 2002–05 funding, all other funding for the ABR is through departmental funding of the Tax Office.

monitoring and performance reporting to enable the ABR to secure resources within the context of other Tax Office priorities. That said, the planning and performance reporting arrangements should be fit for purpose and benefit from the Tax Office's broader planning framework.

## New Recommendation No.3

5.32 To recognise the separation between the ABR and Tax Office governance arrangements, the ANAO recommends that the Tax Office develop business plans<sup>47</sup>, monitoring programs and performance reports that are ABR specific, for presentation to the Registrar for consideration.

### *Tax Office Response*

The Tax Office made a number of changes to internal and external reporting arrangements during the course of the follow up audit and is currently progressing further changes that will advance the separation of ABR reporting, governance and administrative arrangements, within the framework of the Tax Office. These changes have been tested with key agency partners to ensure their appropriateness.

5.33 The Tax Office advised that as part of an increased focus on the ABR, the Registrar has commissioned a review of the administrative arrangements for the ABR. The Registrar is considering re-establishing the separation of the ABR from Tax Office governance systems, including monitoring programs and performance reports. The degree of separation is yet to be determined.

## Role of portfolio departments

5.34 On behalf of the Registrar, the Tax Office, in addition to initially issuing ABNs, then establishing and administering the ABR, was also given the responsibility for promoting the ABR to other agencies to achieve whole-of-government outcomes. While the ABN is integral to the collection of the Goods and Services Tax, the whole-of-government benefits of the ABR are incidental to the Tax Office's role as custodian of the ABR, i.e. maintain and develop the data and IT systems that comprise the ABR.

5.35 More generally, whole-of-government initiatives encompass features that are of interest to, or within the areas of responsibility of, a number of agencies. However, by their very nature, whole-of-government initiatives are likely to have features which extend beyond the specific interest of all agencies.

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<sup>47</sup> Aligns with New Recommendation 1, Chapter 2

Therefore, an important role in the implementation of whole-of-government initiatives is liaising with and coordinating participating agencies.

**5.36** Portfolio departments are well placed to perform this role due to their extensive networks used to develop policy and advise Government. For example, two key strategies of the Department of the Treasury that are applicable are:

- maintaining effective liaison with portfolio Ministers and their offices and with other government departments; and
- maintaining extensive contact with other levels of government, research institutes and interest groups.

**5.37** Similarly, the Department of Prime Minister and Cabinet has a role to ensure that the Prime Minister receives the best possible advice on matters requiring his attention as Australia's head of government and the chairman of Cabinet. In that role, the department aspires to facilitate cooperation within the Australian Public Service (APS) and with other governments<sup>48</sup>. DITR, with its responsibilities for industry and small business, could likewise play an influencing role with other agencies.

**5.38** One of the challenges for the Tax Office in not being a portfolio department is that, understandably, it has not had the network of contacts or frequency of contact that portfolio departments generally have. This has inhibited the uptake of the ABR by other agencies. The ANAO considers that the likelihood of success for this whole-of-government initiative will be enhanced, if greater promotion of the ABR is undertaken by portfolio departments.

## New Recommendation No.4

**5.39** To support Tax Office efforts to achieve whole-of-government outcomes, the ANAO recommends that the Registrar consult with the Departments of the Treasury, Prime Minister and Cabinet and Industry, Tourism and Resources on arrangements to work collaboratively with the Tax Office to encourage agencies to adopt the ABR.

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<sup>48</sup> Department of Prime Minister & Cabinet website (24 August 2007) <[http://www.pmc.gov.au/annual\\_reports/2005-06/overview/about\\_the\\_portfolio.cfm](http://www.pmc.gov.au/annual_reports/2005-06/overview/about_the_portfolio.cfm)>.

### *Tax Office Response*

The Tax Office has and will continue to work with the Treasury and the Department of Industry, Tourism and Resources to encourage agencies to adopt the ABR. Further consideration will be given to working with other departments of state that may be able to assist in progressing the ABR.

### **Future governance arrangements**

**5.40** Governance reporting frameworks and funding arrangements are important controls in ensuring proper accountability and transparency within agencies. Analysis of the administration of the ABR shows that where these key control measures are eroded, i.e. governance and funding arrangements were largely subsumed into Tax Office structures, there is a consequent risk to the visibility and accountability of actions inside and outside of the Tax Office, pertaining to the ABR.

**5.41** The ANAO noted that the Department of the Treasury established a unit in 2004 that is responsible for policy and legislation relating to taxpayer information (including ABNs and Tax File Numbers) and tax payer interactions with the Tax Office. This unit received one report on the ABR prior to a second report that was provided to Treasury on the Output Pricing Agreement 2002–05. As discussed previously, this level of reporting is insufficient to meet the requirements of original recommendation no. 7. Given the often complex arrangements and stakeholder interests in whole-of-government initiatives, the ANAO considers this lack of oversight to be a contributing factor in the limited progress of uptake of the ABR.

**5.42** In developing future whole-of-government initiatives, consideration should be given to appointing a sponsoring portfolio department to champion or co-champion the initiative, i.e. promote it to other agencies and monitor its progress for both implementation and ongoing operation. The involvement of portfolio agencies could bring a level of influence and network contacts that may not easily be accessed by individual agencies in promoting whole-of-government initiatives.



Ian McPhee  
Auditor-General

Canberra ACT  
29 November 2007



# Appendices



## Appendix 1: Agency Participants - Definitions

1. The ABR Business Case defines six types of agency participants in the ABR. These are:

<b>Service User – online</b>	And agency which receives data from the ABR through an established technical interface. No reverse updates.
<b>Service User – dial up</b>	An agency that is able to 'log in' and receive real-time updates as needed.
<b>Service User – offline</b>	And agency which receives/buys an ABR CD (or similar device) which includes ABR data. No reverse updates to ABR.
<b>Service Provider (Large)</b>	A large agency which integrates its services (through aggregation) into the ABR and provides two-way updates of data. For example, Tax Office, ASIC and ACS. Also includes large state based organisations such as NSW Office of State Revenue (OSR).
<b>Service Provider (Small)</b>	A small agency which integrates its services (through aggregation) into the ABR and provides two-way updates of data. For example, smaller OSRs.
<b>Retailer</b>	Agencies or enterprises offering intentions based services through portals, shop fronts, or other channels such as phone or business software (e.g. MYOB or Quicken)

Source: Australian Business Register Project: ABR Business Case & Value Realisation Plan, dated 10 November 2000. pp 17

## Appendix 2: Agency Response



**Australian Government**  
**Australian Taxation Office**

COMMISSIONER OF TAXATION

Mr David Crossley  
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Performance Audit Services Group  
Australian National Audit Office  
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Telephone: (02) 6216 2368  
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Issue date: 22 October 2007

Dear Mr Crossley

**Re: AUSTRALIAN NATIONAL AUDIT OFFICE PERFORMANCE AUDIT ON  
ADMINISTRATION OF AUSTRALIAN BUSINESS NUMBER REGISTRATIONS:  
FOLLOW UP AUDIT.**

Thank you for the opportunity to provide comments on the proposed audit report on the Administration of Australian Business Number Registrations: Follow-up Audit.

The Tax Office acknowledges the assistance of the ANAO in working with us to identify the key challenges.

The Tax Office agrees to all four recommendations and it is important to understand the multifaceted role the Tax Office has in administering the ABR.

The report does acknowledge some key contextual matters about the Australian Business Register (ABR):

- The ABR was introduced essentially as a whole-of-government initiative, intended to make it easier for business to conduct their dealings with the Australian Government;
- A concurrent and equivalent objective of the applicable legislation was to support the taxation laws, in particular the Goods and Services Tax (GST); and
- The legislation was to be administered by the ATO and the Commissioner of Taxation was entrusted with the separate role of Registrar of the ABR.

In this context, the Tax Office has performed well in providing the community with ABNs in a timely and accountable manner, and in maintaining a high integrity register that is available to government agencies and the business community and in promoting the use of the ABN as a key business identifier.

Conversely, the role of overseeing the delivery of the whole of government intent for the ABR has proven challenging as a result of a number of environmental factors.

The Tax Office considers that through the use of technologies the ABR was ahead of its time as one of the first large-scale government transaction initiatives to leverage the internet. There were also expectations that other agencies, including those from the State and Territories, would be in a position to develop connections that would see them relying on the ABR as a key channel for interactions with businesses. This pioneering intent has challenged the progress of the ABR and resulted in it not advancing as quickly as foreshadowed in the Tax Office's original plans.

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The Tax Office has responded to the slower than expected progress and shifted from an approach of maximising the number of agencies accessing ABR data to a more targeted approach focusing on those government agencies that will contribute most significantly to achieving the intent of the ABR. This is demonstrated by the Tax Office's continued support of whole of government service delivery projects that will benefit from connections to the ABR whilst also assisting to realise the vision of the ABR.

The dual roles of the Commissioner/Registrar is unique and critical to the evolution of the ABR to this point. It has generated distinct advantages in the administration and governance of the ABN Act. In particular, it has provided access to the business population and to established governance arrangements that have both supported the introduction of the GST, and provided an organisational infrastructure for planning, funding and reporting. At the same time however, this arrangement has the potential to blur the distinction between the roles of the Commissioner and the Registrar. Our challenge is to take advantage of the close alignment of the ABR with the Tax Office whilst embracing new organisational and governance arrangements that more clearly recognise the role of other government agencies.

As noted in the report, the ABR has now been operating as 'business as usual' for approximately four years. The report consolidates the achievements of the ABR to date and Tax Office acknowledges that there are lessons to be learnt when developing plans to realise the strategic, whole of government objectives for the ABR.

While the Tax Office is pleased with the assessment that there has been substantial implementation of the recommendations from the previous audit, the ATO also acknowledges the continuing challenge to harness further whole-of-government opportunities through the ABR.

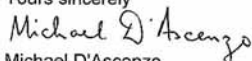
Work has commenced to develop business plans, monitoring programs and performance reports that are ABR specific to be presented to the Registrar for consideration. Given the integrated and complex budgeting, reporting and assurance framework and the extended lead times to institute changes, work will be ongoing throughout the year to continue to move forward the separation of ABR operations and reporting.

As requested:

- Appendix A: provides Tax Office comments on the ANAO audit report,
- Appendix B: provides Tax Office responses to each of the ANAO recommendations, and
- Appendix C: provides a short summary of Tax Office comments.

If you require further information or clarification on any matter please contact Paul Southwell, Assistant Commissioner, Registrations, on (02) 6216 2368.

Yours sincerely



Michael D'Ascenzo  
Registrar, Australian Business Registrars and  
Commissioner of Taxation

Cc: Mr Craig Shaw (ANAO)

## **Appendix A**

### **Tax Office Comments regarding the ANAO report**

The following comments relate to specific areas of the report where the ATO believes the content will benefit from some clarification.

#### *Original Recommendation 1 – paragraphs 2.3 to 2.10*

The Tax Office understands the intent behind the suggestion to establish a project register similar to that adopted for the Contracts Register as a means of providing guidance for future project managers. As part of our project management improvement program, we have considered establishing a central 'lessons learnt' database (or decisions register). However, at this point in time, we believe that our existing measures are adequate and there are other areas of higher priority for improving our project management performance.

As noted in the audit report, the Tax Office documents key project decisions through our approval documents and the change control process in our project management methods. In addition, for significant or major projects, lessons learnt are documented as part of the post implementation review process. These lessons are used in a number of ways which meet the intent of the ANAO suggestion:

- Lessons learnt are reviewed by governance bodies which can provide direction to future projects
- The post implementation review documentation is held by Project Management Offices (PMOs) for reference by other projects,
- PMOs serve as a repository of corporate knowledge and can provide project managers with advice on previous similar projects, and
- Lessons learnt are used as part of a continuous improvement process to revise the methods

In line with our improvement program, as our level of project management capability matures and we move to introduce more automated support for project managers and project management offices, we will review how we capture and disseminate project decisions and lessons learnt.

#### *Separation of Governance Structures – paragraphs 5.28 to 5.31*

While the Tax Office agrees that we have not fully realised the intent of the ABR we do not agree that the "focussed attention on ensuring the administrative efficiency of the ABR" has been "at the expense of the other original objectives and expectations for the ABR..." (Refer paragraph 5.30). The Tax Office has implemented a number of changes to the ABR that, in alignment with the intent of the ABR, have streamlined business registration and verification processes. Whilst centred largely around taxation obligations, such as charitable endorsements, Superannuation complying status searching, taxation concessions, the changes have continued to move the ABR closer to achieving it's vision.

**Appendix B**

**Performance Audit – Australian Taxation Office – Administration of Australian Business Number Registrations: Follow Up Audit.  
Tax Office Response to ANAO Recommendations**

Rec No:	ANAO Recommendation:	Agency Response:
1	To guide future development of the ABR, the ANAO recommends that the Registrar review the status of the ABR against the intent of the original ABR Business Case and A New Tax System (Australian Business Number) Act 1999 and emerging whole-of-government initiatives (e.g. ABN/Business Names Project and Standard Business Reporting Project) and produce both strategic and business plans for the ABR.	<p><b>Agreed</b></p> <p>The Tax Office is currently partnering with other government agencies to review the strategic direction of the ABR. This work will form the basis of the ABR's new strategic and business plans. The Tax Office's commitment to the strategic positioning of the ABR is visible through our instigation and/or partnering in the Standard Business Reporting, Vanguard and ABN/Business Names projects.</p>
2	The ANAO recommends the Registrar report the low level of agency uptake of the ABR to the Government and propose targeted strategies to achieve the objectives specified in the Act.	<p><b>Agreed</b></p> <p>The Tax Office has recently written to the Minister for Revenue and Assistant Treasurer outlining a range of topics that are key to ensuring the ongoing success of the ABR. Advice to the Minister has noted the lower than anticipated take-up by government agencies whilst also drawing the Minister's attention to the Registrar's current work to:</p> <ul style="list-style-type: none"> <li>• Review the strategic vision of the ABR</li> <li>• Outline potential policy changes that will benefit the progression of the ABR</li> <li>• Progress projects that will assist in delivering agency connectivity and the ABR intent</li> <li>• Give greater focus to the reporting and governance processes of the Registrar as distinct from the Commissioner of Taxation</li> </ul> <p>Further advice will be provided to government as work with other agencies evolves.</p>

Rec No:	<u>ANAO Recommendation:</u>	<u>Agency Response:</u>
3	To recognise the separation between the ABR and Tax Office governance arrangements, the ANAO recommends that the Tax Office develop business plans, monitoring programs and performance reports that are ABR specific, for presentation to the Registrar for consideration.	<p><b>Agreed</b></p> <p>The Tax Office made a number of changes to internal and external reporting arrangements during the course of the follow up audit and is currently progressing further changes that will advance the separation of ABR reporting, governance and administrative arrangements, within the framework of the Tax Office. These changes have been tested with key agency partners to ensure their appropriateness.</p>
4	To support Tax Office efforts to achieve whole-of-government outcomes, the ANAO recommends that the Registrar consult with the Departments of the Treasury, Prime Minister and Cabinet and Industry, Tourism and Resources on arrangements to work collaboratively with the Tax Office to encourage agencies to adopt the ABR.	<p><b>Agreed</b></p> <p>The Tax Office has and will continue to work with the Treasury and the Department of Industry, Tourism and Resources to encourage agencies to adopt the ABR. Further consideration will be given to working with other departments of state that may be able to assist in progressing the ABR.</p>

### **Appendix C**

#### **Short Summary of Tax Office's comments for use in report brochure.**

The Tax office considers that through the use of technologies the ABR was ahead of its time as one of the first large-scale government transaction initiatives to leverage the internet. There were also expectations that other agencies, including those from the State and Territories, would be in a position to develop connections that would see them relying on the ABR as a key channel for interactions with businesses.

This pioneering intent has challenged the progress of the ABR and resulted in it not advancing as quickly as foreshadowed in the Tax Office's original plans. However, this is a challenge that is not limited to the Tax Office and extends to other government agencies, Federal and State.

Tax Office has responded to the slower than expected progress and shifted from an approach of maximising the number of agencies accessing ABR data to a more targeted approach focusing on those government agencies that will contribute most significantly to achieving the intent of the ABR. This is demonstrated by the Tax Office's continued support of whole of government service delivery projects that will benefit from connections to the ABR whilst also assisting to realise the vision of the ABR.

As noted in the report, the ABR has now been operating as 'business as usual' for approximately four years. The report consolidates the achievements of the ABR to date and Tax Office acknowledges that there are lessons to be learnt when developing plans to realise the strategic, whole of government objectives for the ABR.

While the Tax Office is pleased with the assessment that there has been substantial implementation of the recommendations from the previous audit, the ATO also acknowledges the continuing challenge to harness further whole-of-government opportunities through the ABR.

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