

Administration of the Australian Business Register

Australian Taxation Office

Australian Securities and Investments Commission

Department of Industry

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Canberra ACT
23 June 2014

Dear Mr President
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Australian Taxation Office, the Department of Industry and the Australian Securities and Investments Commission titled *Administration of the Australian Business Register*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website—<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

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Contents

Abbreviations and Glossary	8
Summary and Recommendations	11
Summary	13
Introduction	13
Audit objective, criteria and scope	16
Overall conclusion	16
Key findings by chapter	19
Summary of agencies' responses	24
Recommendation	27
Audit Findings	29
1. Background and Context	31
Introduction	31
Whole-of-government policy context	32
The Australian Business Register	34
ATO administrative arrangements for the ABR	36
Business regulation and reporting in Australia	39
Previous audit coverage	42
Audit objective, criteria, scope and methodology	42
Structure of the report	43
2. Management Arrangements	44
Introduction	44
Organisational structures supporting the ABR	45
ABR administrative functions	49
Funding and resource allocation for the ABR	56
3. IT Systems Supporting the ABR	60
Introduction	60
ATO's IT systems and infrastructure	60
ABR data access and exchange	63
Data exchange between ABR and ASIC	69
4. Data Integrity	72
Introduction	72
Assessing the integrity of ABR data	73
ABR compliance strategy	78
Implementation of new funding programs	79
Management of non-public data	84

5. Whole-of-Government Initiatives.....	91
Introduction	91
ABR services.....	91
National business names registration scheme	100
Achieving whole-of-government outcomes	109
Appendices	113
Appendix 1: Agencies' responses to the proposed report.....	115
Appendix 2: Recommendations from the external review of the BRR business line	124
Index.....	129
Series Titles.....	130
Better Practice Guides	136
Tables	
Table 1.1: Structure of the report.....	43
Table 2.1: The ABR in the ATO's program structure, 2007–08 to 2013–14	53
Table 2.2: ATO PBS funding allocations to the ABR and ABR Program, 2010–11 to 2013–14.....	56
Table 2.3: ATO expenditure on the ABR Program, 2010–11 to 2012–13.....	57
Table 4.1: Reported ABN activity, 2007–08 to 2012–13	77
Table 4.2: ABR Risk and Assurance compliance activities, 2012–13.....	80
Table 4.3: Suppression instructions given to ABR partner agencies	89
Table 5.1: Number of searches on <i>ABNLookup</i> and bulk data extracts, 2010–11 to 2012–13, and 1 July 2013 to 31 December 2013	93
Table 5.2: ABR partner agencies, 30 June 2008 to 31 December 2013.....	95
Table 5.3: Bulk data extracts issued, 2010–11 to 2012–13	97
Table 5.4: Issues identified by ABR partner agencies.....	99
Table 5.5: National Business Names Register: key statistics, 30 June 2012 to 31 December 2013	103
Table 5.6: Number and status of business name applications, June 2012 to December 2013	104
Table 5.7: Number of business name applications pending, subject to resolution of the entities' ABN applications, as at 22 November and 31 December 2013, and 28 February 2014	105

Figures

Figure 1.1:	Public and non-public information on the ABR.....	35
Figure 1.2:	Australian Industry Group survey of CEO's priorities 2011	40
Figure 1.3:	Model for government interaction with business proposed by the Small Business Deregulation Task Force, 1996	41
Figure 2.1:	Structure of the BRR business line, as at 30 June 2012.....	46
Figure 2.2:	Structure of the BRR business line, as at February 2014.	47
Figure 2.3:	ABR Program, draft Vision, Mission and Outcomes statement, February 2014	52
Figure 2.4:	ABR Program: Costs incurred (2010–11 to 2012–13) and PBS (2013–14 to 2016–17)	59
Figure 3.1:	Position of the ABR in the ATO's IT systems and interface with external agencies, as at 28 February 2014	62
Figure 3.2:	Data exchange between ASIC and ABR as at February 2014	69
Figure 3.3:	Total planned and unplanned outages, March 2013 to December 2013	70
Figure 4.1:	Towards a Better Business Future funded projects	79
Figure 4.2:	Draft integrity framework for the ABR.....	81
Figure 4.3:	Elements of Reducing Business Costs Project One	83
Figure 5.1:	Number of ABR partner agencies, 2007–08 to 31 December 2013.....	95

Abbreviations and Glossary

ABA	Australian Business Account
ABLIS	Australian Business Licence and Information Service
ABN	Australian Business Number
<i>ABNLookup</i>	The public search facility for ABR information
ABR	Australian Business Register
ANZSIC	Australian and New Zealand Standard Industrial Classification
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AUSkey	The electronic authentication system that allows business access to participating government online services
BNR	Business Names Register
BRR	Business Reporting and Registration
CAS	Client Account Services
COAG	Council of Australian Governments
EST	Enterprise Solutions and Technology
Industry	Department of Industry (previously the Department of Industry, Innovation, Science, Research and Tertiary Education)
Partner agency	A local, state or Australian government agency that has entered into agreement with the ABR for the provision of non-public ABR data

Registered business name	A name or title of a business as registered in the Business Names Register
Registrar	The Registrar of the ABR (also the Commissioner of Taxation)
SBR	Standard Business Reporting
Trading name	A name that a business entity trades under, which may differ from the entity's legal name

Summary and Recommendations

Summary

Introduction

1. In July 1999, *A New Tax System (Australian Business Number) Act 1999* (the ABN Act) introduced a new single business identifier—the Australian Business Number (ABN)—as part of the (then) Government’s Tax Reform Package that established the Goods and Services Tax (GST).¹ The ABN was to be, among other things, the public registration number for the GST. The legislation also provided for the establishment of the Australian Business Register (ABR), a consolidated database of the information provided by businesses when they register for an ABN; and for the appointment of the Commissioner of Taxation as the Registrar of the ABR. The Australian Taxation Office (ATO) would create and maintain the ABR.

2. While the immediate priority in establishing ABNs was to support the implementation of the GST and tax compliance, the longer-term policy objectives of the ABN Act were to²:

introduce a new unique business identifier for all Commonwealth purposes to facilitate business being able to meet its regulatory obligations and access information and assistance through the business entry point to government.

To achieve this, the ABR would be available to ‘State, Territory, and local government bodies to facilitate single entry point arrangements for all government dealings’.³

3. As at 7 May 2014, the ABR held information relating to 10.8 million ABNs⁴, of which 7.7 million were active. Some of this information is publicly available through the *ABNLookup* service⁵ (managed by the Department of Industry (Industry) on behalf of the Registrar), while other non-public information can be provided to local, state, territory and Australian

1 *A New Tax System (Goods and Services Tax) Act 1999*.

2 *A New Tax System (Goods and Services Tax) Act 1999* Explanatory Memorandum, p. 2.

3 *A New Tax System (Australian Business Number) Bill 1998* Explanatory Memorandum.

4 The total includes the details of active, inactive and cancelled ABNs. Inactive ABNs are maintained on the register as they may be re-activated by the entity, and data in relation to cancelled ABNs provides useful statistical information.

5 The *ABNLookup* is a web-based service that holds information relating to ABN holders. The service may be used by the public for a variety of purposes, for example: allowing businesses and consumers to verify the identity of entities they deal with, including their GST status; and for charities and non-profit organisations, their government endorsed status.

government agencies that enter into a partnership agreement with the Registrar. The ABR is managed through the ATO's information technology (IT) systems, and ABR data is used by the ATO in the administration of the tax and superannuation systems.

4. In recent years, the ATO has received additional funding to improve aspects of the operation of the ABR, particularly the accuracy and currency of the information held on the register.⁶ Concerns about ABR data integrity have featured prominently in ATO management reports, and in the annual reports of the Registrar, undermining the operation of the ABR in providing the 'single source of truth for whole-of-government business registrations'⁷, including for tax administration purposes.

5. The ABR is one of several initiatives aimed at making it easier for businesses to deal with government, and to reduce the number of government registration and reporting requirements. Two of the other initiatives, AUSkey and the Standard Business Reporting (SBR) program, were included in the Registrar's responsibilities in 2010:

- AUSkey is an electronic 'key' or common authentication system that enables secure access to the ATO's services, including the Business Portal⁸, and is promoted for use by other government agencies to support secure online service delivery; and
- SBR is an initiative to reduce the business reporting burden, focusing on standardising financial reporting from business to government. Under SBR, Australian businesses are able to use SBR-enabled software to prepare and lodge key government forms, and provide financial information, directly to the agencies participating in the SBR program.

6. Other initiatives with a similar or related purpose to that of the ABR are the:

- Business Names Register, established in May 2012 as part of the national business names registration scheme and administered by the

6 Additional funding was provided through the: *Towards a Better Business Future* program that provides \$68.5 million over four years, 2012–13 to 2015–16, to improve the operation of the ABR and the quality and currency of its data; and *Reducing Business Costs* program that provides \$80.2 million over four years, 2013–14 to 2016–17, to strengthen upfront checks for issuing an ABN and for related purposes.

7 Australian Government, *Report of the Registrar 2012–13*, p. 17.

8 The ATO Business Portal is a secure website providing businesses with access to ATO online services.

Australian Securities and Investments Commission (ASIC). The Business Names Register replaced eight state and territory registers, allowing businesses to register names with a single national register;

- Australian Business Account, which is administered by Industry and has been available since July 2011 to assist businesses to manage their ongoing transactions with all levels of government; and
- Australian Business Licence and Information Service, also administered by Industry and available since August 2012, is a free online service that provides business licence and information from all levels of government.

Previous audits and reviews

7. The ANAO has conducted two previous audits of the ABR.⁹ Recommendations in both audits were aimed at: achieving the register's whole-of-government objectives; improving the governance framework for the ABR; and maintaining the integrity of ABR data. The ATO advised that the recommendations from these audits had been fully implemented by March 2009, with additional measures to improve the administration of the ABR implemented since 2010.

8. Notwithstanding the work undertaken by the ATO in recent years, an external review commissioned by the ATO in September 2013 made wide-ranging recommendations for the administration of the whole-of-government programs under the responsibility of the Registrar, including the organisation and governance of these programs; and the corporate and IT services supporting them. The recommendations in the review are aimed at supporting the ABR (in conjunction with AUSkey and the SBR program) to meet the policy intent of the programs.

9. Other reviews commissioned in 2013–14 included: a Gateway Review¹⁰ commissioned by the (then) Department of Finance and Deregulation on the development and implementation of the national business names registration

9 ANAO, Audit Report No. 53, 2002–03, *Administration of Australian Business Number Registrations*. ANAO, Audit Report No. 15, 2007–08, *Administration of Australian Business Number Registrations Follow-up Audit*.

10 Gateway reviews involve short, intensive reviews at critical points in the project's lifecycle by a team of reviewers not associated with the project. This provides an arm's length assessment of the project against its specified objectives, and an early identification of areas requiring corrective action.

scheme; and a review by Industry of the Australian Business Account. These reviews drew attention to shortcomings in the development and implementation of these initiatives, and concluded that the aims of the initiatives, to streamline services to business and reduce reporting and registration requirements, including through linkages with the ABR, had not been met.

Audit objective, criteria and scope

10. The objective of the audit was to assess the effectiveness of the administration of the ABR. To form a conclusion against this objective, the ANAO adopted the following high level criteria:

- appropriate and effective governance and administrative arrangements were in place to support the ABR in achieving its objectives, both within the ATO and across other agencies that administer, or had a key role in business registrations that interact with, the ABR—particularly Industry and ASIC;
- strategies were developed to encourage broader use of the ABN and ABR in support of whole-of-government initiatives, including to improve business-to-government dealings; and
- systems and processes were developed to effectively manage data and provide assurance of the integrity of the information held on the ABR, including that ABNs were only issued to eligible businesses.

11. The ANAO designated the ATO, ASIC and Industry as the agencies subject to this audit, and sought input from the Department of the Treasury (the Treasury) and the Department of the Prime Minister and Cabinet, in relation to the Government's deregulation agenda.¹¹

Overall conclusion

12. An ABN was intended to be a unique business identifier, used to support the implementation of the GST, and more broadly to make it easier for businesses to deal with all levels of government. In establishing the ABR, the whole-of-government objectives were: to allow business to comply with regulatory requirements; to have a single entry point or as few entry points as possible, for business to gain information and assistance from all government

11 In January 2014, the Australian Government implemented a deregulation agenda with a net red-tape reduction target of at least \$1 billion per annum, divided among portfolios.

agencies; and to allow business to notify a change of details to one government agency that would be shared across other agencies. The ATO created and is responsible for maintaining the ABR, and the Commissioner of Taxation is the Registrar of the ABR, although with a separate and distinct role. While the operation of the ABR is dependent on the ATO's administrative and information technology systems, meeting whole-of-government objectives requires coordination with other key agencies, particularly ASIC and Industry, with oversight by the Treasury. In 2012–13, the ATO reported expenditure of \$105 million on the ABR, accounting for approximately three per cent of the ATO's total expenditure of \$3.4 billion.¹²

13. Since its inception in July 2000, a number of reviews, including an ANAO audit in 2007–08¹³, identified scope for the ABR to better meet its whole-of-government objectives. This largely required: an increased focus on the broader objectives of the ABR, beyond the ATO's use of ABR data for tax administration purposes; improved visibility of the ABR within the ATO's administrative systems and structures; and better delineation of the roles and responsibilities of the Commissioner and of the Registrar. In response, initiatives implemented by the ATO from 2008–09 included the establishment of an ABR Advisory Board in 2009, and the creation of the new Business Reporting and Registration business line in 2010, to administer the ABR with other whole-of-government programs under the responsibility of the Registrar.¹⁴

14. The use and applications of ABNs and ABR data, for the purposes of administering the GST and broader tax and administrative systems, are well established. However, despite the implementation of the above mentioned initiatives commencing from 2008–09, there has been limited progress in achieving whole-of-government objectives for the ABR. There also continues to be acknowledged problems with the integrity of ABR data, particularly regarding the number of entities on the register and incomplete and inaccurate entity information on the ABR. These shortcomings undermine the operation of the ABR as providing the 'single source of truth for whole-of-government business registrations'. Accordingly, some 14 years after establishing the ABR,

12 Australian Government, *Report of the Australian Business Registrar 2012–13*.

13 ANAO, Audit Report No. 15, 2007–08, *Administration of Australian Business Number Registrations Follow-up Audit*.

14 Expansion of the Registrar's responsibilities include Standard Business Reporting and AUSKey.

little real progress has been made by the ATO, in conjunction with ASIC, Industry and the Treasury, in achieving the goal of making it easier for business to deal with government through reducing business reporting and registration requirements and entry points to government.

15. Rather than being the unique identifier for business to meet regulatory obligations, and to reduce business registration requirements and entry points to government as intended when introduced in 1999, a number of initiatives with similar purposes have subsequently been established.¹⁵ As potential efficiencies provided by these schemes have not been achieved, businesses are required to provide the same information to different agencies, or different parts of the same agency.

16. More also needs to be done to strengthen the operation of the ABR. Prior to 2012–13 the ATO had not developed a formal ABR compliance strategy, and had undertaken only limited assurance activity to assess if ABN holders were compliant with the requirements for registering or maintaining their ABN status. The ATO has subsequently used specific funding provided by the 2012 and 2013 Commonwealth Budgets to improve the accuracy and completeness of ABR data, in order to increase confidence in the ABN as a trusted identifier of Australian businesses. However, the ATO does not expect the benefits of these measures to improve the integrity of ABR data to be fully achieved until 2014–15. There is also scope to strengthen the planning, reporting and resource allocation supporting the ABR to enable appropriate differentiation from the ATO's administration of the tax and superannuation systems, and to provide the Registrar with sufficient knowledge of the strategies, operations and outcomes of the ABR.

17. Against this background, the Deputy Registrar commissioned a review of the operations and governance of the Business Reporting and Registration business line in September 2013, which found significant shortcomings in the administration of the ABR and other whole-of-government programs administered by the business line.¹⁶ While implementation of the recommendations of this review has the potential to improve the administration of these programs, the Government's deregulation agenda may

15 The Business Names Register has been administered by ASIC since May 2012, and the Australian Business Account and the Australian Business Licence and Information Service administered by Industry since May 2011 and July 2013 respectively.

16 The review made six wide-ranging recommendations for change relating to four key themes: strategic; organisation and governance; processes and enablers; and people and services.

provide a platform for broader review of the entry points to government and the efficient and effective delivery of business services.¹⁷ In any event, effective implementation of measures to make it easier for business to deal with government requires: a clear focus on the objectives for the ABR and initiatives with a similar purpose; greater alignment between the ATO, ASIC, Industry as well as the Treasury portfolio department on implementation strategies; and more open communication between these key agencies. Without a cohesive approach and a strong focus on the business user, it is likely that limited progress will continue to be made in achieving the whole-of-government objectives of the ABR, and related services.

18. The ANAO has made one recommendation aimed at better integrating the ABR and similar or related initiatives to make it easier for business to deal with government.

Key findings by chapter

Management Arrangements (Chapter 2)

19. Commencing in 2007–08, the ATO has implemented several measures to restructure the administration of the ABR, in response to feedback from internal and external stakeholders that the operations of the ABR were not sufficiently distinct from the core role of the ATO. Such differentiation would facilitate appropriate focus on the whole-of-government objectives of the register.

20. Notwithstanding these changes, essential corporate functions, including business and strategic planning, were not further developed. Performance monitoring and reporting for the ABR also reflected ATO management activities rather than achievements against the broader whole-of-government objectives to make it easier for business to deal with government, and to reduce reporting and registration requirements. The ATO advised that new ABR performance indicators are being developed to support a new strategic statement for the ABR that will be included in the ATO's 2014–15 Portfolio Budget Statements.

17 Public discussion following the implementation of the government's deregulation agenda in January 2014 has included potential changes to ASIC's registry functions. Further, a recent discussion paper details 'the Government's vision of establishing a single entry point for small businesses, providing an easy way to find out about services and programs'. Minister for Small Business, media release, *Government looks to make life easier for small business*, 30 April 2014.

21. Reporting on the ABR is included in management reports prepared for the ATO Executive. However, these reports provide only high level and limited information on the operations of the ABR. There are no separate ABR reports prepared for the Commissioner, in his role as Registrar. The limited extent of management reporting raises concerns that the Commissioner, in his role as Registrar, is not being kept adequately informed of the operations of the ABR. While the ATO advised that the Registrar is engaged with the ABR in other ways, including through the ABR Advisory Board, reporting mechanisms for the ABR to the Registrar could be strengthened.

22. The revised administrative arrangements, implemented over several years, have not achieved the aim of supporting the broader whole-of-government objectives of the ABR. Some three years after the Business Reporting and Registration business line was established, an external review of its operating and governance arrangements, conducted in September 2013, made wide-ranging recommendations for change. As at May 2014, there was no evidence that the Registrar or ATO Executive had considered the findings of the review or endorsed any of its recommendations, beyond the work being undertaken for the new ABR strategic statement and the ATO's 2014–15 Portfolio Budget Statements.

IT Systems Supporting the ABR (Chapter 3)

23. The development and maintenance of the ABR in the ATO's systems was designed to support the implementation of the GST and ATO data matching and compliance activities. ABR data is currently contained in, and flows between, five ATO systems that are used for different purposes and by different users, including to support the administration of the Business Names Register administered by ASIC, and to populate the *ABNLookup* service, administered by Industry. The ABR data held on these systems is updated at different times, including to reflect new or cancelled ABNs or changes to the information of the entity associated with an ABN.

24. Modifications to the IT systems supporting the ABR, being progressively implemented from February 2014 (with full transition taking approximately 12 months), will allow Business Reporting and Registration business line staff to source ABR data from a new system that is updated on a daily basis, providing better quality information that can be sent to ABR partner agencies and used to support ABR operations. However, a one-off reconciliation undertaken as part of the implementation of the new

arrangements, showed thousands of discrepancies between two of the ATO's systems holding ABR data. These discrepancies were not subsequently corrected. The ATO is considering the option of conducting regular reconciliations to identify discrepancies in versions of ABR data held on its various systems. However, this would only be of value if, unlike the initial reconciliation, the results were acted upon. The ATO has advised that a major systems release scheduled for December 2014 will change aspects of the management of ABR data in the ATO systems.

25. The ABR IT solution is fragmented and its complexity has created problems for the whole-of-government function of the ABR. No internal service level agreements or standards support the IT arrangements for the ABR, or the availability of services or currency of data for ABR stakeholders. ASIC has reported some 1200 hours of (mainly planned) outages of the ATO's systems between March and December 2013, impacting on the issuing of new registered business names. There has also been limited planning for the management and hosting of the *ABNLookup* service in the longer term, although the ATO advised in April 2014 that different options were being considered.

26. Requests for changes or improvements to the functions of the register are considered in the allocation of funds and resources to meet the ATO's objectives and IT requirements. However, as there is already a significant backlog of IT projects relating to the ATO's revenue collection and other responsibilities¹⁸, and in light of potential budget reductions, internal funding bids for further system changes to the ABR may face difficulty in gaining priority and approval in the near term.

Data Integrity (Chapter 4)

27. Funding allocated to the ATO in the 2012 and 2013 Commonwealth budgets is supporting the development of a framework for measuring and assuring the integrity of the data held on the register, including a risk and intelligence capability in the Business Reporting and Registration business line, and strengthening controls over the processing of ABN applications. These measures are expected to mitigate the severe risks currently associated with the ABR, that: entities do not meet the ABN entitlement criteria; and entity information held on the ABR is incomplete or inaccurate.

18 Australian Public Service Commission, *ATO Capability Review*, May 2013, p. 9.

28. Prior to 2012, the ATO had no structured processes for measuring or managing the integrity of ABR data. It has relied on annual surveys of ABN holders that provided limited insight as to the accuracy and currency of the ABN information held on the register. The results of the 18 surveys undertaken to date have been similar over the years, although the Registrar's annual reports have noted significant shortcomings in the survey methodology, including a low response rate amongst the ABN holders contacted. A new approach and methodology have been designed for the 2014–15 annual survey of ABN holders.

29. Improvements in the quality of ABR data may encourage greater uptake of ABR services by partner agencies. The Registrar has processes in place to manage the non-public information provided to them.¹⁹ The current process nominates an 'entrusted person' (under the ABN Act) to take responsibility for the management and use of ABR data within the agency. While there is no legislative requirement for the Registrar to monitor the use of ABR data by entrusted persons, there is potential for loss of community confidence in the ABR and the Registrar should the protected information be compromised or inappropriately disclosed. The ATO's arrangements for access to and use of non-public data are designed to limit the administrative and compliance burden on partner agencies and ATO staff, and rely on the internal controls of partner agencies. To strengthen the assurance, commencing in 2014 the ATO intends to conduct a compliance review of 15 randomly selected partner agencies each year, based on a pilot study of six agencies (two from each tier of government) conducted the previous year.

30. Since inception of the ABR to February 2014, the ATO has suppressed an ABN holder's information on approximately 1170 occasions (often to protect the location of the individual). In 2012, for unknown reasons, the ATO ceased advising partner agencies when these suppressions occurred. While new data provided to partner agencies will not include suppressed information, this information may already be in agencies' databases, obtained from earlier ABR data extracts. There would be merit in the ATO reviewing the administration of ABNs where information has been suppressed, to provide confidence that any risk associated with ABR partner agencies not being notified has been appropriately managed.

19 The ABN Act specifies the information held on the ABR that the Registrar can make publicly available, and that which can only be released to government agencies that enter into a partnership arrangement for access to additional information that is not publicly available.

Whole-of-Government Initiatives (Chapter 5)

31. As previously noted, the ABN was intended to be a unique business identifier used to support the implementation of the GST, and more broadly to make it easier for businesses to deal with government. The ABR has not been developed as the sole business entry point to government, nor is there evidence that it has reduced the number of entry points, either directly through linkages with other government agencies; or indirectly by facilitating agencies' use of ABR data. Additionally, uncertainty about the level of integrity of ABR data undermines the use of ABNs as trusted identifiers of Australian businesses, although work underway through new policy funding aims to improve the quality of ABR data.

32. To date, the success of the ABR has been measured through quantitative indicators, including those that reflect the number of ABR partner agencies, the number of times ABR data is provided to those agencies, and the volume of searches undertaken on the *ABNLookup* service. While these indicators have trended up in recent years, they largely reflect ABR management and administrative activities, with little or no reference as to how the ABR is meeting its objectives as a whole-of-government service to the business community.

33. Similarly, potential benefits associated with the national Business Names Register have not been fully achieved. In particular, the joint application process for an ABN and a business name still requires work; and improved transparency of business ownership through the use of registered business names has been delayed until 2018. Further, while businesses can now access comprehensive licensing information through the Australian Business Licence and Information Service website, the benefits to businesses that could be delivered through an Australian Business Account (ABA) have not been realised. These benefits include the potential to engage with all levels of government through a single entry point for business. However, take up of the ABA has been low, with an evaluation of the initiative finding that a significant contributing factor was the failure to integrate the ABA with the ABR and Business Names Register.

34. In early 2014, the government's deregulation agenda prompted renewed discussion on many aspects of governments' engagement with, and services to, the business community. A discussion paper released on 30 April 2014, *The Small Business and Family Enterprise Ombudsman*, provides details of 'the Government's vision of establishing a single entry point for small businesses, providing an easy

way to find out about services and programs'. Public commentary has also included the Australian Securities and Investments Commission Chairman's view that there may be merit in selling ASIC's registry functions to a commercial entity. Most recently, the Commission of Audit recommended that ASIC's registry functions transfer to the ATO, which already has registry responsibilities, to streamline business reporting requirements. Achieving greater whole-of-government coordination of services to business requires the ATO, ASIC, Industry and the Treasury to work collaboratively, in consultation with the Prime Minister and Cabinet department through the deregulation agenda, to review existing entry points to government, with a focus on the experience of businesses using the services provided.

Summary of agencies' responses

35. The following summary comments to the audit report were provided by the ATO, ASIC, and Industry. The agencies' full responses are included at Appendix 1.

Australian Taxation Office

The ATO welcomes this review and the recommendation made.

Since the development of the Business Reporting and Registration business line in 2010, the whole of government initiatives (Australian Business Register, Standard Business Reporting and AUSkey) that come under the umbrella of the Australian Business Register (ABR) program have continued to evolve.

As noted in the report, the two Federal Budget initiatives, *Towards a Better Business Future* and *Reducing Business Costs*, are helping to improve the integrity of the information held on the ABR, as well as making it easier for business to register for an Australian Business Number (ABN) and meet their reporting obligations to government.

The 2014 vision for the ABR program is to "Contribute to improving the wellbeing of the Australian people through enhanced business productivity by:

1. Reducing the administrative cost to business of complying with government regulation,
2. Influencing government policy and implementation, through advocating the use of services, technologies and processes to minimise the administrative impact on business, and
3. Encouraging the adoption of new practices by businesses to reduce operating costs.

The ATO recognises that the report identifies some opportunities for improvements to the ABR. We will explore these opportunities to identify where further changes can be made to the ABR in the future.

Australian Securities and Investments Commission

ASIC welcomed the opportunity to contribute to the ANAO performance audit on the administration of the Australian Business Register and strongly agrees with its recommendation.

Whilst acknowledging more can be done to reduce entry points to government and streamline registration and reporting requirements for business, the national Business Names Register has reduced the entry points to government by consolidating eight State and Territory registers into a single national online register.

Importantly, it has delivered cost savings to business. On its second anniversary on 28 May 2014, the national Business Names Register has saved business \$76.8 million in reduced fees to register or renew a business name.

Department of Industry

The Department of Industry acknowledges the contribution the ANAO audit report makes to support and improve whole-of-government interactions with business.

The department is well positioned to deliver on the government's deregulation agenda. Work is underway on the implementation of a Single Business Service delivery model to simplify the way businesses access government information and services. The new initiative, to commence from 1 July 2014, will focus on excellence in program design, delivery and above all, customer service. It will showcase the department's capacity to provide a Single Business Service delivery mechanism for government.

The department supports the delivery of the Australian Business Register (ABR) by hosting the ABNLookup and SuperfundLookup services, which can be accessed directly on the web, or through links provided in the business.gov.au website.

The Department is responsible for the administration of other initiatives including the 'Australian Business Account', 'Australian Business and Licence Information Service' and also VANguard.

VANguard is a whole of government program that delivers cost-effective and reliable authentication services to secure business to government (B2G) and government to government (G2G) online transactions. VANguard provides a simple way for government agencies to use the AUSkey as a credential for

their own online channels. VANguard authenticates every VANguard transaction to government including those for the ATO. Over 40 million AUSkey authentication transactions were processed by VANguard in the 2013/14 financial year on behalf of over 40 agencies.

The department is committed to continue to work with other agencies and stakeholders to reform and streamline business interactions with government.

Recommendation

Recommendation No. 1

Paragraph 5.72

To make it easier for business to deal with government, the ANAO recommends that the Registrar of the ABR works with the Australian Securities and Investments Commission, the Department of Industry and the Department of the Treasury to:

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

ATO response: *Agreed.*

ASIC response: *Agreed.*

Industry response: *Agreed.*

Audit Findings

1. Background and Context

This chapter provides information on the introduction of the Australian Business Register, and the ATO's arrangements supporting the administration of the register.

Introduction

1.1 In July 1999, *A New Tax System (Australian Business Number) Act 1999* (the ABN Act) introduced a new single business identifier—the Australian Business Number (ABN)—as part of the (then) Government's Tax Reform Package that established the Goods and Services Tax (GST).²⁰ The ABN was to be, among other things, the public registration number for the GST.²¹

1.2 The legislation also established: the Australian Business Register (ABR), a consolidated database of information provided by businesses when they register for an ABN; and the Registrar of the ABR (the Registrar). The powers conferred on the Registrar include the authority to: issue and cancel an ABN; maintain details of the businesses that are registered (for an ABN); and to disclose information held on the register for a range of business and government functions. The Registrar is also required to provide an annual report to the Minister on the operation of the ABN Act.

1.3 In addition to supporting the implementation of the GST, the main object of the ABN Act was to establish a whole-of-government initiative aiming to:

- make it easier for businesses to deal with the Australian Government by establishing a system for registering businesses and issuing them with unique identifying numbers, so that they can identify themselves reliably in all their dealings with the Australian Government and for all other Commonwealth purposes;
- allow businesses, in their dealings with one another and the Australian Taxation Office (ATO), to identify themselves reliably and report regularly for the purposes of taxation laws; and

20 *A New Tax System (Goods and Services Tax) Act 1999.*

21 Businesses with an annual GST turnover of \$75 000 or more (or \$150 000 or more for not-for-profit entities) need an ABN to register for GST. Information available at the Australian Taxation Office website: <<http://www.ato.gov.au/Business/PAYG-withholding/Withholding-amounts-from-wages-and-other-payments/When-a-business-doesn-t-quote-its-ABN/>> [accessed 20 August 2013].

- reduce the number of government registration and reporting requirements by making the system available to state, territory and local government regulatory bodies.²²

Broadly, the policy objective of the ABN Act was to ‘introduce a new unique business identifier for all Commonwealth purposes to facilitate business being able to meet its regulatory obligations and access information and assistance through the business entry point to government.’²³

1.4 The ATO was given responsibility by the (then) Government to ‘create and maintain’ the ABR²⁴, with the Commissioner of Taxation (the Commissioner) appointed as the Registrar. While the ABN Act provides separate and distinct responsibilities between the respective roles of Commissioner and Registrar, the operation of the ABR is dependent on the ATO’s corporate and information technology (IT) services.

Whole-of-government policy context

1.5 By establishing ABNs and the ABR, the Government had enacted recommendations from the report of the Small Business Deregulation Taskforce 1996, *Time for Business* (also referred to as the Bell Report). The recommendations included that there would be one or as few entry points as possible for businesses to gain information and assistance from all government agencies; and that a business could notify a change of details to one government agency that would be shared across other agencies.²⁵

1.6 Recommendations from the Bell Report also initiated the launch, in 1998, of the *business.gov.au* website (formerly the Business Entry Point) that provides information for businesses, with links to various business services. This website, managed by the Department of Industry (Industry), also manages the *ABNLookup* service on behalf of the Registrar.²⁶

1.7 Another major review of business regulation, *Rethinking regulation: report of the taskforce on reducing regulatory burdens on business*, was released in January 2006 (also referred to as the Banks Report). Recommendations in this

22 A New Tax System (Australian Business Number) Act 1999.

23 A New Tax System (Australian Business Number) Bill 1998 Explanatory Memorandum p. 2.

24 *ibid*, paragraph 1.44, p. 9.

25 Small Business Regulation Taskforce, *Time for Business: Report of the Small Business Regulation Taskforce*, November 1996, pp. 8–10.

26 The *ABNLookup* service allows public access to some of the ABN information held on the ABR.

report were progressed at the Commonwealth, state and territory levels through the Council of Australian Governments' (COAG) 2008 *National Partnership Agreement to Deliver a Seamless National Economy*.²⁷

1.8 The National Partnership Agreement covers 36 separate reforms dealing with deregulation priorities and areas of competition reform, including those that are administered by the Registrar, or interact with the operations of the ABR. The reforms are:

- AUSkey: administered by the Registrar, is an electronic 'key' or common authentication system that enables secure access to, amongst other things, the ATO's Business Portal²⁸, and is promoted for use by other government agencies to support secure online service delivery;
- the Standard Business Reporting (SBR) program: administered by the Registrar, is an initiative focussed on reducing the reporting burden on business. Under the program, Australian businesses are able to use SBR-enabled software to prepare and lodge key government forms directly from their software to the agencies participating in the SBR program²⁹; and
- the national business names registration scheme: administered by the Australian Securities and Investments Commission (ASIC), replaces eight state and territory registry services and establishes the national Business Names Register. Businesses are required to hold an ABN to register a business name with ASIC.

1.9 An additional program, developed as part of the national business names registration scheme, aimed to improve business online services (BOS) with government. BOS is managed by Industry and has two components that complement, but are not currently linked to, the ABR:

27 The COAG reform agenda underlying the *National Partnership Agreement to Deliver a Seamless National Economy* had the aim of reducing the costs of regulation and enhancing productivity and workforce mobility in areas of shared Commonwealth, state and territory responsibility.

28 The ATO Business Portal is a secure website providing businesses with access to ATO online services.

29 The ABN Act was amended by the *Tax Laws Amendment (2009 Measures No. 2) Act 2009* to enable the Registrar to perform functions as the 'Multi-agency Registration Authority' as part of the SBR program. Under these amendments, s. 3(4) was inserted into the ABN Act to allow the Registrar to create and maintain a register of representatives of businesses for the purpose of facilitating electronic dealings by those businesses with government entities.

- the Australian Business Account, available from July 2011, which assists businesses to manage their ongoing transactions with all levels of government; and
- the Australian Business Licence and Information Service, a free online service that provides licensing and compliance information from all levels of government, available from August 2012.

1.10 These programs (including the ABR) are managed within individual agencies but rely on multi-agency cooperation to maintain them, and cross-portfolio strategy and co-ordination to achieve the aim of streamlined government services, and a reduction in business reporting requirements.

The Australian Business Register

1.11 As at 23 April 2014, the ABR held information relating to 10.8 million ABN registrations, of which 7.6 million were active.³⁰ The information includes entities' business names and/or trading names, contact details and the type of business being conducted. Some of this information is publicly available and can be accessed via the web-based *ABNLookup* service for a variety of purposes, for example: allowing businesses and consumers to verify the identity of entities they deal with, including their GST status; and for charities and non-profit organisations, their government endorsed status.

1.12 Additional information held on the ABR is not publicly available but can be provided to eligible Australian, state, territory and local government agencies (as specified in the ABN Act) that enter into a partnership arrangement with the Registrar, referred to as ABR partner agencies.³¹

1.13 ABR partnerships are established under a Terms and Conditions Agreement between the Registrar and the head of the partner agency. Non-public information can be used to support the functions of the partner agency, for example: licensing authorities can use the information to conduct compliance activities; state, territory or local government agencies can use aggregated information on the number and location of types of businesses to improve service delivery, or for local planning purposes; and all partner

30 The total includes the details of active, inactive and cancelled ABNs. Inactive ABNs are maintained on the register as they may be re-activated by the entity in the future and data in relation to cancelled ABNs provides useful statistical information.

31 The additional information cannot be provided to government business enterprises with commercial interests.

agencies can validate information lodged by businesses on the ABR against information they hold. The public and non-public data held on the ABR is set out in Figure 1.1.

Figure 1.1: Public and non-public information on the ABR

Public Information	Non-public Information
Australian Business Number (ABN)	Service of notice address (the Australian postal address for the entity)
ABN status (active or cancelled)	Business address (the entity's main street address within Australia)
Entity name (the name that appears on official documents or legal papers)	Industry code and description (the type of industry the business or organisation operates in, as described by the Australia and New Zealand Standard Industrial Classification)
Entity type (a description of the entity, for example sole trader, partnership or company)	Associate details (the names of associates, for example public officers, directors, partners or trustees associated with the entity)
GST status (the date GST registration became effective or was cancelled)	Contact details (the entity's email address and, from the end of 2013, the entity's phone number)
Main business location (state/territory and postcode of the main business location)	Business locations (from the end of 2013 additional business, branch/office, location details will be available) ¹
Registered business names(s)	Geocoding (from the end of 2013 the latitude and longitude of business addresses and additional locations will be available) ¹
Tax concessions for charities and funds	
Deductible gift recipient status	
The Australian Company Number, the Australian Registered Body Number or the Australian Registered Scheme Number	
Dates of effect (the date registration comes into effect or ceases to be effective)	
Replacement ABN (if the Registrar has changed the ABN—the date of each change and the previous ABN)	

Source: ANAO, from ABR, *Accessing data on the Australian Business Register*, May 2013, pp. 3–4.

Note 1: Geocoding and branch information available from mid-May, 2014.

ABR website

1.14 Access to ABR services is available through the ABR website, which is hosted by the ATO. The website provides applicants with information on their entitlement to an ABN, particularly to assess if they are operating as a business and not as an employee, and an online application process is available that can issue (or decline) an ABN in less than a minute.³² The process also invites applicants to commence other registrations they may require, including to register for a Tax File Number, indirect taxes (such as fringe benefits tax, luxury car tax and wine equalisation tax), or to apply for a business name with ASIC.

1.15 AUSkey is also promoted on the ABR website, and businesses issued with an AUSkey and an ABN can access and change their ABR details online. As at 30 April 2014, the Registrar maintained a separate website for SBR services, also hosted by the ATO.

ATO administrative arrangements for the ABR

1.16 The ATO's administrative arrangements supporting the ABR have been subject to a number of reviews and changes since the register was established in 2000–01. Most of these changes have occurred since 2007–08, reflecting an increased focus on the whole-of-government objectives of the ABR, beyond its role in tax compliance and administration. These changes include:

- creating an ABR Advisory Board (the Board) in 2009. Membership of the Board comprises senior executives from a range of Australian, state, territory and local government agencies. The Board provides 'a whole-of-government perspective on the development and operation of the ABR in its function as a resource to be used by all levels of government in interacting with the Australian business community'³³;
- establishing a new ATO business line in 2010, named the Business Reporting and Registration (BRR) business line. The BRR business line brought together three whole-of-government programs previously managed in different areas of the ATO—the ABR, AUSkey and the SBR

32 Business rules in the online application control mandatory fields, and a series of checks against information held on other databases allows the applications to be automatically finalised. An application may be referred for manual processing and assessment where the information provided is incomplete.

33 Australian Government, *Report of the Australian Business Registrar 2012–13*, p. 5.

program—and positioned them under the responsibility of the Registrar; and

- commissioning in 2013, an external review by KPMG of the BRR business line's operating and governance arrangements: *Review of Business Reporting and Registration (BRR) Business Line—28 June 2013* (the external review). The external review made wide-ranging recommendations for change relating to four key themes: strategic; organisation and governance; processes and enablers; and people and services. The recommendations are set out in Appendix 2.

1.17 In February 2014, the BRR business line was restructured, implementing a recommendation of the external review. The new structure reflects three functional areas—policy and strategy, operations, and stakeholder engagement—replacing the previous program-based structure of ABR, AUSkey and the SBR program. The aim of the new structure is to: achieve synergies across a range of operational functions, including planning, strategy and communications, and risk management that were previously conducted separately for each program; and to be a stronger presence in whole-of-government services to the business community. As at 29 May 2014, there were 265 full time equivalent staff in the BRR business line reporting to the Registrar, and the program costs for 2012–13 were \$126.5 million.³⁴

1.18 In October 2013, the Deputy Registrar commissioned further work by KPMG to assist the BRR business line with the implementation of the external review's recommendations relating to strategic, organisational and governance themes. This work was finalised in March 2014.

1.19 Different terms are used to refer to the programs jointly administered in the BRR business line. Reference in this report to the ABR is to the register, while the ABR Program refers to the joint administration of the ABR (the register), AUSkey and the SBR program.

34 ATO advice, and information provided in the Australian Government, *Report of the Australian Business Registrar 2012–13*. p. 46 and p. 49. The report also refers to some 390 ATO staff in other ATO business lines whose responsibilities include providing support to the ABR Program, bringing the reported total cost of operating the ABR program to \$145 million for 2012–13.

Services supporting the administration of the BRR business line

1.20 The Registrar's capacity to administer the programs in the BRR business line is dependent on the services provided by the ATO. Specifically, ATO services supporting the ABR include those provided by the:

- Client Account Services business line, to support the processing of ABN applications;
- Customer Service Solutions business line, to manage inbound calls relating to ABNs, the ABR, AUSkey³⁵ and the SBR program through the ATO's call centre network;
- Enterprise Solutions and Technology business and services line, to develop and manage the infrastructure and platforms that support the ABR's systems and data; and
- ATO Finance, to allocate and report on funding.

1.21 In addition to ATO services, other agencies support the delivery of the ABR, AUSkey and SBR programs, or use the services provided by them. Specific agreements in relation to the ABR are maintained with Industry and ASIC:

- Industry hosts the *ABNLookup* and *SuperfundLookup*³⁶ services, which can be accessed directly on the web, or through links provided in the *business.gov.au* website; and also operates VANguard, a whole-of-government authentication program that is used by several government agencies, including by the ATO to authenticate AUSkeys; and
- ASIC and the ATO exchange data to verify and update the information provided in applications for ABNs and Australian Company Numbers; and, commencing in May 2012, to implement the Business Names Register as part of the national business names registration scheme.

Agreements between Treasury, Industry and the ATO support the development of the SBR program, with individual agreements for agencies accepting business reports via SBR-enabled software.

35 AUSkey is the only program in the BRR business line with a dedicated 1300 number.

36 *SuperFundLookup* contains publicly available information about all superannuation funds that have an ABN. It includes those funds regulated by the ATO and the Australian Prudential Regulation Authority.

ABR external reporting

1.22 Information relating to the ABR and later ABR Program is reported in the Commissioner of Taxation's Annual Reports and, since 2007–08, in annual reports and reviews published by the Registrar. The Registrar's annual reporting has changed in the period 2007–08 to 2012–13 to reflect the broadening of the Registrar's responsibilities to include AUSkey and the SBR program: it was the *Australian Business Register Year in Review* in 2007–08, and the *Report of the Australian Business Registrar* in 2012–13. The Registrar's reports have included specific and detailed reporting for the ABR, AUSkey and the SBR program since the creation of the BRR business line in 2010.

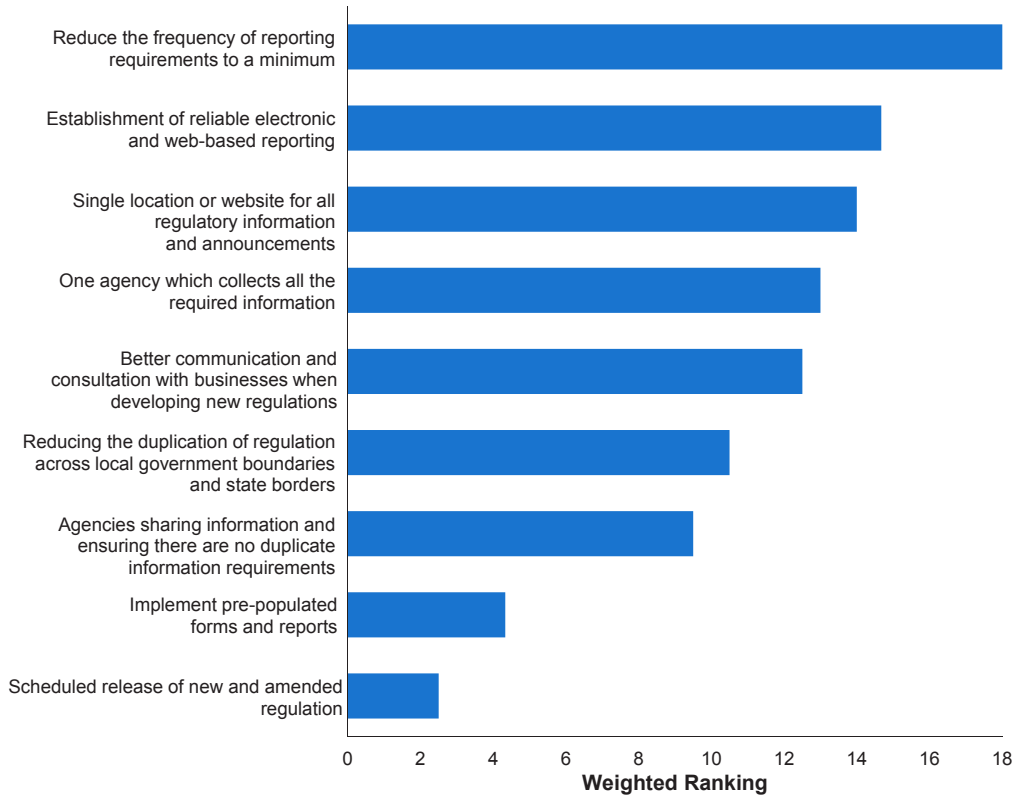
Business regulation and reporting in Australia

1.23 In September 2013, the World Economic Forum published its latest annual global competitiveness survey, reporting competitiveness indices for 148 countries. In 2013–14, Australia's global competitiveness ranking slipped to 21st from a peak of 15th in 2009–10, with the burden of government business regulation identified as one of the most problematic areas for doing business in Australia. In this regard, Australia was ranked by the World Economic Forum as 128th out of 148 countries, from a position of 60th in 2010–11.³⁷

1.24 Some two years previously, the Australian Industry Group's national survey of Chief Executive Officers (CEOs) 2011 focused on how Australia's regulatory system was working in practice, and if there were any areas of the system that could be improved to minimise unnecessary compliance costs. The results of the survey illustrated the CEOs' top nine policy measures to address regulatory compliance burdens, and these are set out in Figure 1.2.

37 World Economic Forum, *Global Competitiveness Report 2013–14* p. 31

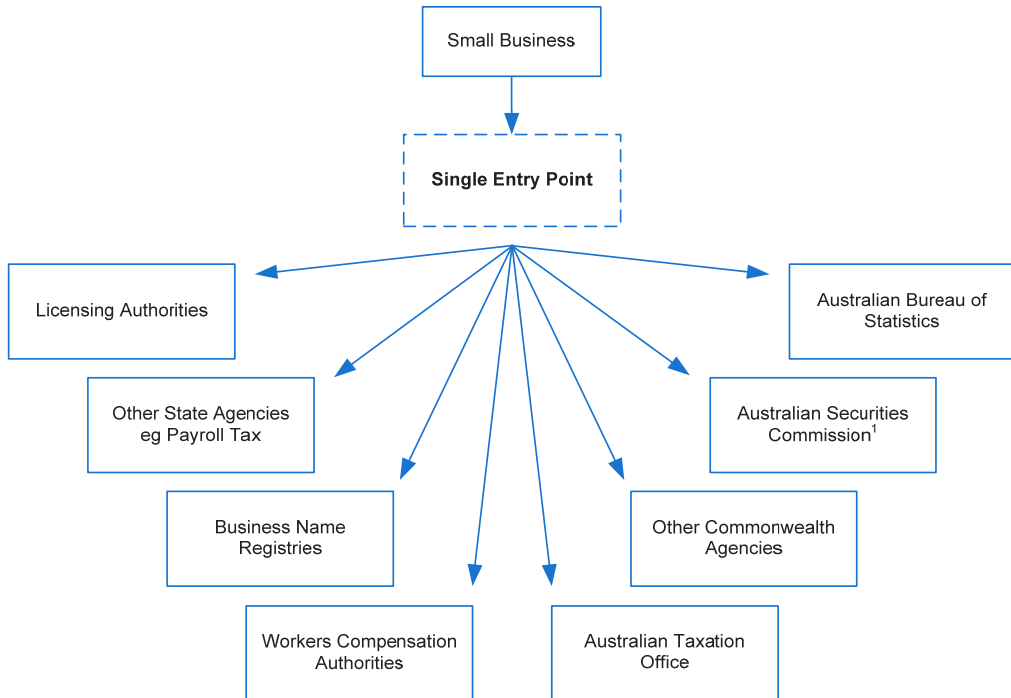
Figure 1.2: Australian Industry Group survey of CEO’s priorities 2011



Source: The Australian Industry Group, *National CEO Survey: Business Regulation*, Sept. 2011, p. 18.

1.25 The policy measures identified by CEOs in the 2011 survey reflected the recommendations in the report of the Small Business Deregulation Taskforce 1996, *Time for Business* (that recommended the ABR). Common themes that span the 15 years between the reports include the need for fewer entry points to government and improved co-ordination between the different tiers of government. The model for government interaction with business, as proposed in the *Time for Business* report, is set out in Figure 1.3.

Figure 1.3: Model for government interaction with business proposed by the Small Business Deregulation Task Force, 1996



Source: The Bell Report: *Time for Business*—Report of the Small Business Deregulation Task Force, 1996, p. 9.

Note 1: The Australian Securities Commission became the Australian Securities and Investments Commission (ASIC) in 1998.

1.26 The programs administered by the BRR business line: the ABR, AUSKey and the SBR program; together with the ASIC-administered Business Names Register and Industry's *business.gov.au* website, Australian Business Account and Australian Business Licence and Information Service; have the potential to address many of the issues identified in the 1996 *Time for Business* report and the Australian Industry Group's 2011 national survey of CEOs.

Previous audit coverage

1.27 The ANAO has conducted two previous audits of the ABR:

- Audit Report No. 53, 2002–03, *Administration of Australian Business Number Registrations* assessed the administrative effectiveness of the ABN registration process and the ATO's implementation and management of the ABR. The audit made eight recommendations, including those aimed at: maintaining the integrity of ABR data; improving the governance framework; and achieving the register's whole-of-government objectives.
- Audit Report No. 15, 2007–08, *Administration of Australian Business Number Registrations Follow-up Audit* examined the ATO's implementation of the previous audit's recommendations. Four new recommendations were made in this audit aimed at: improving the governance framework for the register; and improving the take-up of the ABR by agencies to achieve whole-of-government outcomes.

The ATO advised that all the recommendations from these audits had been fully implemented by March 2009.

Audit objective, criteria, scope and methodology

1.28 The objective of the audit was to assess the effectiveness of the administration of the ABR.

1.29 To form a conclusion against this objective, the ANAO adopted the following high-level criteria:

- appropriate and effective governance and administrative arrangements were in place to support the ABR in achieving its objectives, both within the ATO and across other agencies that administer, or had a key role in business registrations that interact with, the ABR—particularly Industry and ASIC;
- strategies were developed to encourage broader use of the ABN and ABR in support of whole-of-government initiatives, including to improve business-to-government dealings; and
- systems and processes were developed to effectively manage data and provide assurance of the integrity of the information held on the ABR, including that ABNs are only issued to eligible businesses.

1.30 As noted in paragraph 11, the ANAO designated the ATO, ASIC and Industry as the agencies subject to this audit. In examining the administration of the ABR, the audit touched on the functions of AUSkey, the SBR program, the Business Names Register, the Australian Business Account and the Australian Business Licence and Information Service, as they relate to ABR services and purposes. However, the operation of these functions was not examined in detail.

1.31 As previously noted, the 2013 external review of the operations and governance of the programs under the responsibility of the Registrar made wide-ranging recommendations for change. Some of the changes were implemented during the course of the audit, with others being planned or under consideration.

1.32 The audit included interviews with agencies' staff, and the examination of relevant files and systems. Audit analysis included testing the consistency of ABR data held in two of the ATO's systems; and consulting a selection of ABR partner agencies regarding their use of ABR data.

1.33 The audit has been conducted in accordance with the ANAO's auditing standards at a cost of approximately \$580 000. Resolution Consulting Services Pty Ltd provided the ANAO with assistance in the conduct of the audit.

Structure of the report

1.34 The structure of the report is set out in Table 1.1.

Table 1.1: Structure of the report

Chapter	Overview
2. Management Arrangements	Examines the ATO's management arrangements for the ABR.
3. IT Systems Supporting the ABR	Examines the ATO's IT systems and infrastructure that support the administration of the ABR.
4. Data Integrity	Examines the processes that support the integrity of ABR data.
5. Whole-of-Government Initiatives	Examines the administration of the ABR within the context of whole-of-government initiatives.

2. Management Arrangements

This chapter examines the ATO's management arrangements for the ABR.

Introduction

2.1 In 1999–2000, the ATO was given responsibility to ‘create and maintain’ the ABR, recognising that the register had roles to support tax administration, particularly the GST, and more broadly to make it easier for businesses to deal with all levels of government. In administering the ABR, the original intent was that the ABR should remain separate, or at arm’s length, from the ATO’s systems.³⁸

2.2 In the 2007–08 ANAO audit, *Administration of Australian Business Number Registrations Follow-up Audit* (the 2007–08 ANAO audit) the ANAO noted that: management of the ABR both followed, and was integrated into, the ATO’s management structure; and that this integration was at the expense of visibility and accountability of ATO officers in their operation of the ABR. The report further noted that, while the ATO had focussed attention on ensuring the administrative efficiency of the ABR in achieving the ATO’s key objectives relating to the introduction of the GST, 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.³⁹

2.3 The ATO agreed with the recommendations in the 2007–08 ANAO audit to develop business plans, monitor programs and prepare performance reports that were ABR specific. The ATO also reviewed the management arrangements supporting the ABR, following feedback from the ANAO and ABR partner agencies about the highly integrated management of the ABR within the ATO, and subsequent risks posed by competing priorities.

38 ANAO, Audit Report No.15, 2007–08, *Administration of Australian Business Number Registrations Follow-up Audit*, p. 60.

39 *ibid.* pp. 59–60.

2.4 To assess the effectiveness of the ATO's administration of the ABR since 2007–08⁴⁰, the ANAO examined the:

- organisational structures supporting the ABR, including executive responsibilities;
- ABR administrative functions—planning, performance monitoring and reporting, and ABR management reporting; and
- funding and resource allocation for the ABR.

Organisational structures supporting the ABR

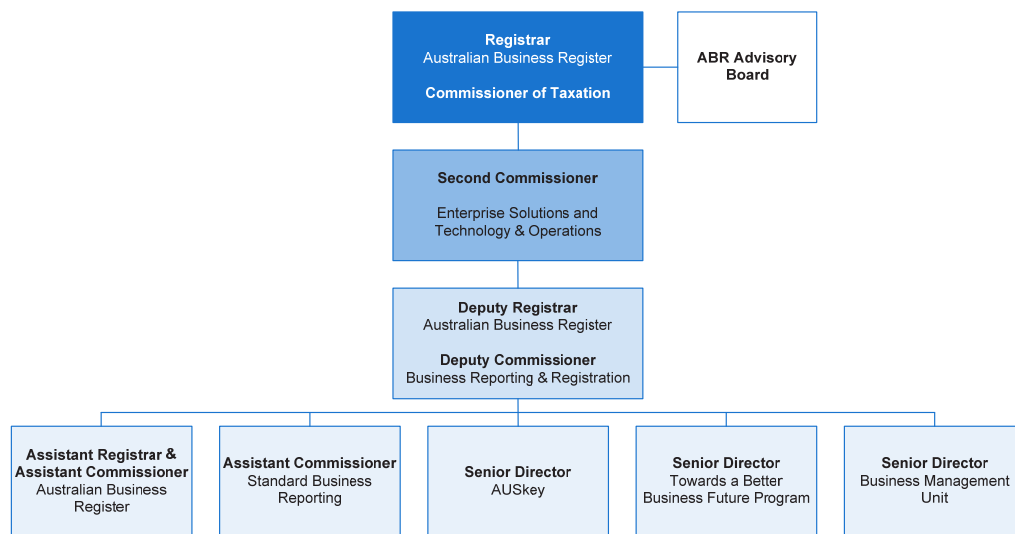
Business reporting and registration business line

2.5 Commencing in July 2010, staff working in the ABR, AUSkey and SBR areas of the ATO transferred to the newly established BRR business line, described by the Commissioner as 'a key step forward in the ATO's arrangements to deliver whole-of-government outcomes'.⁴¹ An ATO Deputy Commissioner assumed responsibility for the business line while also holding the position of Deputy Registrar. The structure of the BRR business line, as at 30 June 2012, is set out in Figure 2.1.

40 In the *ABR Year in Review 2008–09*, the Registrar outlined key strategies for the year ahead, including to continue to separate and delineate ABR planning, reporting and governance processes from those of the ATO, and to identify and implement improvements to reporting and governance processes.

41 Machinery of Government changes in April 2013 transferred staff with responsibility for SBR policy, and just over \$14 million of net assets, from the Department of the Treasury to the ATO. The transfer effectively positioned the ATO (under the responsibility of the Registrar) as the lead agency driving the whole-of-government SBR program, although the Secretary of the Treasury continued to chair the SBR Board.

Figure 2.1: Structure of the BRR business line, as at 30 June 2012

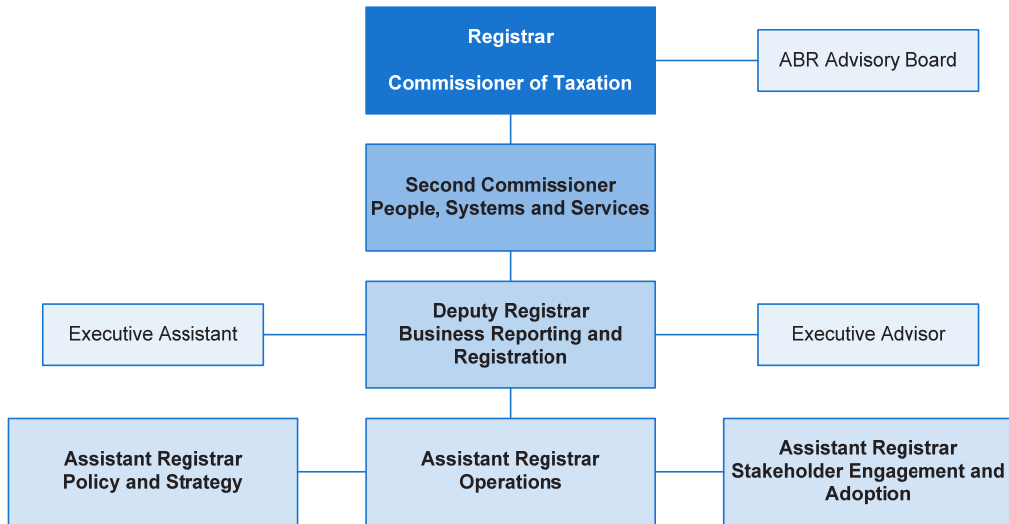


Source: Report of the Registrar 2011–12, p. 48.

2.6 Despite the intent of the new arrangements, the combined administration did not achieve whole-of-government outcomes. A review of the minutes of seven meetings of the BRR business line executive, held between April and October 2013, reflect ongoing issues with the role and direction of the business line, some three years after it was established. Matters recorded in the minutes include discussion about:

- how the BRR business line will achieve the objectives of the ABN Act, which are distinct from those of the ATO (April); and
- the lack of a single approach to promote the whole-of-government programs, that still functioned as three separate areas (June).

2.7 The 2013 external review addressed these strategic and structural issues and provided the rationale for a restructure of the business line, changing from a program-based structure to one centred on administrative functions. The revised structure of the BRR business line, with effect from February 2014, is shown in Figure 2.2.

Figure 2.2: Structure of the BRR business line, as at February 2014.

Source: ATO.

2.8 The new structure changed the roles and responsibilities of some staff within the business line, but it did not affect the ATO services supporting the administration of the programs. As at May 2014 there were no internal agreements that defined or set standards for the ATO services supporting the operations of the BRR business line⁴², including how the individual and/or combined programs were prioritised within the ATO's allocation of funding and resources.

2.9 The restructure implemented one of the recommendations from the 2013 external review, with others being considered at the time of audit. Advice from executive staff in the BRR business line is that the findings and recommendations contained in the external review fairly reflect challenges for the ABR Program (the ABR, AUSkey and SBR program) in achieving its objectives.

2.10 However, as at May 2014, the Commissioner/Registrar and broader ATO Executive, and relevant government Ministers had not been formally briefed on the findings and recommendations in the review. A brief to the Registrar in November 2013 recommending a new name for the business line—to present a more distinctive 'brand' and better differentiate the

42 A draft Working Principle Framework, developed in June 2011 by the business line on behalf of the ABR for consideration by operational areas of the ATO, was not progressed.

whole-of-government services from the ATO—was put ‘on hold’ subject to the findings of the Government’s Commission of Audit.

Executive responsibilities

2.11 *The Australian Business Register Year in Review 2007–08* was the first instance in which the Commissioner, in his capacity as Registrar, provided an annual report of the ABR.⁴³ In the Registrar’s introduction, the report was described as a new corporate document for the ABR, to:

demonstrate our commitment to establishing reporting, governance and administrative arrangements which are separate and distinct from those used by the Commissioner of Taxation. As an open and accountable administration, we have published this report to assure partner agencies, government users of the ABR and the community that we are effective and efficient administrators of the register.⁴⁴

2.12 While the ATO has introduced several other measures since 2007–08 aimed at achieving ‘distinct and separate’ arrangements for the ABR, the administration of a whole-of-government program within the ATO’s administration of the tax and superannuation systems, remains complex. The 2007–08 ANAO audit noted that: there was no Governance Charter for the ABR that defines or assigns the roles and responsibilities of managers, and considered that the governance structure of the ABR had been allowed to atrophy and be replaced by the ATO governance structure.⁴⁵ As at May 2014, there was still no Governance Charter for the ABR or the ABR Program.

2.13 In this context, there are no legislative requirements for the ABR to be administered separately from the ATO. Under delegations and Instruments of Authorisation, the Commissioner may delegate all the Commissioner’s powers and functions as Registrar. However, the purpose and intent of the ABN Act to develop the ABR as a whole-of-government initiative, over and above the Commissioner’s use of ABNs for GST registration and broader tax compliance purposes, would indicate the benefits of doing so.

2.14 It was in this capacity, ‘to assure partner agencies, government users of the ABR and the community that we are effective and efficient administrators

43 Prior to 2007–08, reporting for the ABR was included in the Commissioner of Taxation annual reports.

44 Australian Government, *Australian Business Register Year in Review 2007–08*, p. iii.

45 ANAO, Audit Report No. 15, 2007–08, *Administration of Australian Business Number Registrations Follow-up Audit*, p. 58.

of the register' that the ATO started to develop measures to establish 'separate and distinct' arrangements for the ABR, some eight years after it commenced.⁴⁶

ABR administrative functions

ABR planning

2.15 The Commissioner, in his role as Registrar of the ABR, is not required to provide an annual plan for the ABR (or ABR Program). In this light, planning for the ABR has been included in the ATO's annual plans, and (since 2010–11) in plans developed by the BRR business line for the ABR, AUSkey and the SBR program that are aligned with the ATO's corporate deliverables. In the ATO's *Annual Plan 2013–14*, reporting obligations and accountability for the ABR Program are to the Deputy Commissioners of the BRR and Client Account Services business lines.

2.16 While strategic and business plans were developed by the ATO during the early years of the ABR, the 2007–08 ANAO audit noted:

- a lack of strategic planning for the ABR, and that strategic guidance and business planning associated with the ABR had been largely subsumed into ATO activities; and
- this lack of strategic planning for the ABR had allowed development of the ABR to drift without clear and explicit consideration of the consequences of certain decisions, specifically the definition of agency partnership with the ABR, which had changed from the ABR business case.⁴⁷

2.17 The BRR business line drafted two plans dealing with the strategic direction of the ABR program, but they were not finalised and endorsed by the ATO Executive and/or the Registrar. The plans were:

- *Future Strategic Direction—Business Reporting and Registration, 2010–15*, reflects the high-level intent for the ABR, AUSkey and SBR program, in the (then) newly formed BRR business line; and
- *Business Reporting and Registration: Australian Business Register: Draft 2013/14 Strategies*.

⁴⁶ Australian Government, *Australian Business Register Year in Review 2007–08*, p. iii.

⁴⁷ ANAO, Audit Report No. 15, 2007–08, *Administration of Australian Business Number Registrations Follow-up Audit*, p. 56.

While incomplete, these plans went some way to differentiating the ABR and ABR Program from the ATO's planning functions, through highlighting the need for specific planning for these whole-of-government programs.

2.18 Since the inception of the ABR, two boards have been established to provide strategic direction for the ABR: the ABR Policy Advisory Committee (PAC), and the ABR Advisory Board. The PAC was established by the ATO in July 2000, and included representatives from several government agencies to provide whole-of-government direction for the implementation of the ABR. The PAC last met in November 2004. The 2007–08 ANAO audit noted that:

the inability to revise the role of the PAC and re-invigorate its membership, reflects the lack of focus by the ATO on the original whole-of-government objectives and expectations of the ABR.⁴⁸

From November 2004 to the establishment of the ABR Advisory Board in 2009, there was no external or whole-of-government arrangement supporting the strategic direction of the ABR.

ABR Advisory Board

2.19 The ABR Advisory Board (the Board) comprises representatives from nine Australian Government entities and four state, territory and local government agencies. The Board meets twice a year. Membership of the Board as at 30 June 2013, and the Board's terms of reference and members' responsibilities as set out in the Board's Charter, are published on the ATO's website.⁴⁹

2.20 While not a decision making body, the Charter includes that the Board has a role in the planning and strategic direction of the ABR, to:

- endorse overall plans, inform the priorities for the Registrar's ABR program of work and promote the ABR's strategic whole-of-government role; and

48 *ibid*, p. 51.

49 Membership: <<https://www.ato.gov.au/Business/Consultation--Government-entities/In-detail/ABR-Advisory-Board/About/ABR-Advisory-Board-charter/?page=2#Membership>>.

Terms of Reference: <<https://www.ato.gov.au/Business/Consultation--Government-entities/In-detail/ABR-Advisory-Board/About/ABR-Advisory-Board-charter/?page=1#Purpose>>.

Members' roles and responsibilities: <https://www.ato.gov.au/Business/Consultation--Government-entities/In-detail/ABR-Advisory-Board/About/ABR-Advisory-Board-charter/?page=3#Roles_and_responsibilities>.

- support the Registrar and the ABR Executive in setting strategic direction and positioning the ABR to meet government and community expectations to improve efficiency and sustainability in service delivery, and to reduce red-tape and compliance costs.

2.21 Minutes of the first meeting of the Board held on 29 April 2009 reflect that the Registrar referred to his separate responsibilities as Registrar of the ABR, as distinct from those of Commissioner of Taxation (although these minutes did not include details of these separate responsibilities) and indicated that he considered the cross-agency Board to be a key consultative forum for the ABR and an opportunity to share in developing the ABR vision.

2.22 Minutes of the following eight meetings largely reflect information sharing, with the BRR business line executive providing operational updates to the Board, including on the new BRR business line (November 2010), and the use of ABR data in disaster recovery (October 2011). Minutes of the October 2012 meeting reflect discussion about the ABR going forward, including requests to the Registrar to add additional information to the ABR. Concern about the integrity of ABR data is minuted in several of the meetings, as well as the lack of appropriate ABR performance measures and targets.

2.23 While the BRR's annual business plans were presented to the Board for endorsement, there was no strategic plan for the Board to consider, and consequently limited opportunity to guide or review strategies for the ABR. The high-level membership of the Board, from agencies across all levels of government, brings considerable diverse expertise and is well positioned to provide direction for the ABR. There would be merit in reviewing the role of the Board to reflect the aims of combining the administration of the ABR, AUSkey and the SBR in the BRR business line.⁵⁰

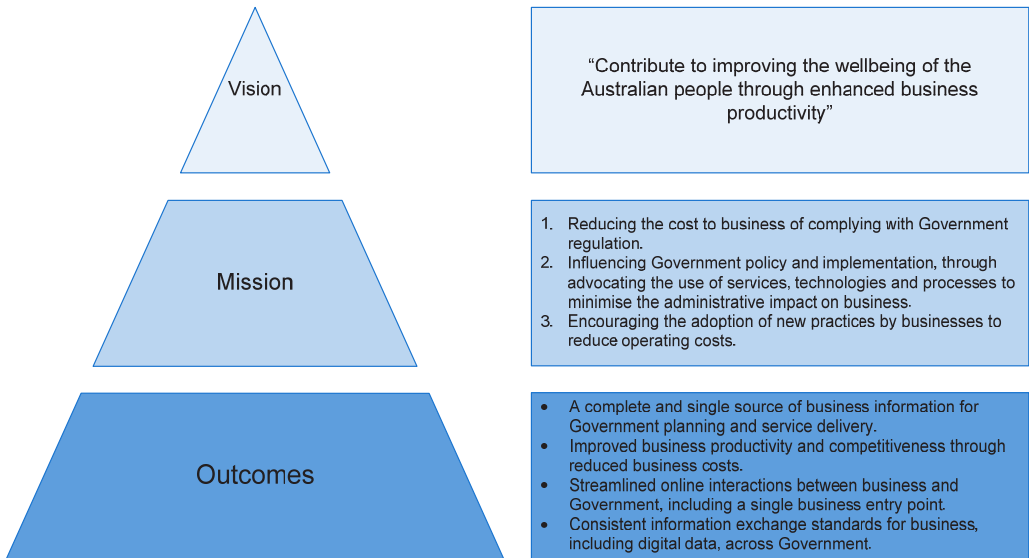
Draft Vision, Mission and Outcomes statement for the ABR Program

2.24 The lack of an overall strategy for the ABR Program was noted in the 2013 external review, with recommendations aimed at developing an integrated approach that would secure a whole-of-government mandate for the combined programs. Subsequently, the BRR business line developed a draft *Vision, Mission and Outcomes* statement to direct strategic and operational plans for the ABR Program.

50 The 2013 external review noted the separate functions of the SBR Board, recommending a combined governance board for the ABR Program (Recommendation 4).

2.25 As at April 2014, the ATO advised that the draft statement has been incorporated into proposed revisions to the ATO’s Portfolio Budget Statements (PBS) and associated key performance indicators (discussed later in this chapter), and endorsed by the ATO Executive. The draft *Vision, Mission and Outcomes* statement for the ABR Program is set out in Figure 2.3.

Figure 2.3: ABR Program, draft Vision, Mission and Outcomes statement, February 2014



Source: ATO, BRR business line.

2.26 However, there was no supporting explanation of the extent to which the ATO’s administrative arrangements, resource and funding allocations, or governance structures will support the achievement of the revised performance measures and targets.

ABR performance monitoring and reporting

2.27 Program objectives, deliverables and key performance indicators (KPIs) for the ABR are set out in the ATO’s PBS⁵¹, and the results achieved are reported in the annual reviews and reports published by the Registrar.

51 These requirements are set out in the Australian Government’s Reporting and Review Requirements and available from the Department of Finance’s website: <<http://www.finance.gov.au/budget/budget-process/reporting-requirements.html>> [accessed 29 April 2014].

2.28 Between 2007–08 and 2013–14 changes in the ATO’s program structure increased the visibility of the ABR in the ATO’s tax administration. Prior to 2007–08 the ABR was included in the ATO’s general administration of the tax system; and by 2011–12 it was part of a single ATO program, *ATO Program 1.3: the ABR* (that included the ABR, AUSkey and SBR program). The positioning of the ABR in the ATO’s program structure for the period 2007–08 to 2013–14 is set out in Table 2.1.

Table 2.1: The ABR in the ATO’s program structure, 2007–08 to 2013–14

Year	ABR in the ATO’s program structure
2007–08	The ABN and ABR were included in the ATO’s administration of the main areas of the tax system that included income tax, the GST, excise duty, and fuel, grants and benefits schemes.
2008–09	The ABR was included (with the Australian Valuation Office) in the ATO’s output 1.1.5: services to governments and agencies.
2009–10	The ABR was included (with the Australian Valuation Office and the ATO’s complaints resolution processes) in the ATO program 1.5: services to governments and agencies.
2010–11	The ABR was a discrete component, component 1.1.4, of the ATO program 1.1: Australian Taxation Office.
2011–14	The ABR was included in ATO program 1.3: the ABR (the ABR, AUSkey and SBR program).

Source: Treasury Portfolio, Portfolio Budget Statements 2007–08 to 2013–14.

2.29 The objectives and deliverables for the ABR and ABR Program, as set out in the ATO’s PBS, have expanded over the years to reflect the changes to the ATO’s program structure and the Registrar’s additional responsibilities for AUSkey and the SBR program. Particularly, the PBS for 2013–14 introduced a more defined objective for the ABR:

The ABR undertakes work to enable streamlined interactions between businesses and government. The ABR is also moving to better support improved planning by government agencies for program and service delivery to the community through increased awareness and use of its services. This is done by registering businesses and issuing them with an ABN as their unique identifier, to reliably identify themselves and facilitate their dealings with government.

2.30 While the objectives and deliverables for the ABR Program have developed, the KPIs for the ABR have remained largely unchanged. The KPIs continue to reflect routine activities in the management of the ABR, rather than achievements against the broader whole-of-government objectives of making it

easier for business to deal with government, and reducing reporting and registration requirements (further discussed in Chapter 5).

ABR management reporting

2.31 The 2007–08 ANAO audit found that, ‘because performance reporting of the ABR has been largely subsumed into the Tax Office governance arrangements, the Registrar has little opportunity to monitor progress of the ABR’.⁵²

2.32 While the BRR business line executive is kept well informed of operations and performance of the ABR, AUSkey and the SBR⁵³, no reports concerning the ABR or ABR Program are prepared specifically for the Commissioner in his role as Registrar of the ABR, or for the broader ATO Executive. Rather, information on the ABR Program for the ATO Executive is included in:

- monthly ATO Exception reports that highlight emerging risks and performance across the ATO. In relation to the ABR Program, two issues were included in the Exception reports of September and October 2013: the high number of complaints arising from the Bulk Registrar Initiated Cancellations of ABNs (further discussed in Chapter 4); and AUSkey compatibility with updated proprietary software; and
- quarterly performance summaries. The People, Systems and Services Group (PSSG) mid-year performance summary, 2013–14, prepared for the ATO Executive includes high-level reference to the ABR Program, for example, the number of visits to the ABR’s new website, and growth in the number of ABNs.

2.33 In relation to ATO Executive engagement with the ABR Program, the ATO also provided agenda papers for discussions between the Deputy Registrar and the Second Commissioner (with responsibility for the PSSG) on matters concerning the BRR business line. A review of six agenda papers reflects a broad range of issues relating to the administration of the ABR, AUSkey and the SBR program, but no record is kept of these discussions.

52 ANAO, Audit Report No.15, 2007–08, *Administration of Australian Business Number Registrations Follow-up Audit*, p. 58.

53 The reports to the BRR executive include the: ABR assurance monthly report; Report on registrations; ABR monthly report; and the BRR Executive report.

2.34 The ATO advised that executive management reporting for the ABR Program is consistent with the ATO's reporting functions. However, this arrangement provides limited information on the operation and progress of the ABR and broader ABR Program, and does not support recognition of the whole-of-government programs as distinct from the ATO's administration of the tax and superannuation systems, or the separate responsibilities of the Registrar. The external review included recommendations aimed at achieving greater clarity of the roles, responsibilities and governance model supporting the BRR business line. However, as at April 2014, the ATO Executive and/or Registrar had not formally considered the review or endorsed the recommendations, beyond endorsement of a vision statement as part of a proposed revision to the ATO's PBS.

Conclusion

2.35 The ATO has successfully implemented and operated the ABR to support the introduction of the GST and broader tax administration. Commencing in 2007–08, it has implemented several measures aiming to differentiate the administration of the ABR from the ATO's functions, to enhance the capacity of the ABR (and broader ABR Program) to meet whole-of-government objectives. These measures include establishment of the ABR Advisory Board in December 2009 and BRR business line in July 2010.

2.36 The ATO has separately identified the ABR Program in the ATO's PBS since 2010–11, providing increased visibility of the ABR and the Registrar's additional responsibilities for AUSkey and SBR. However to date, performance measures for the ABR have focused on activities, with no measures of the success of the register in streamlining interactions between business and government. The ATO advised that a new strategic plan has been included in proposed changes to the ATO's PBS and associated performance indicators for 2014–15. However this has been developed in isolation from review and endorsement of other administrative and planning functions, and funding measures that may be required to achieve the revised outcomes.

2.37 The Registrar has provided an annual report since 2007–08, and engages with the ABR through the biannual meeting of the ABR Advisory Board. Nonetheless, the limited extent of management reporting raises doubts that the Commissioner, in his role as Registrar, is kept appropriately informed of the operations of the ABR.

2.38 Overall, these measures have not markedly improved the capacity of the ABR to meet its broader objectives, with wide ranging recommendations for change included in the 2013 external review. The ATO is aware that more needs to be done to separate the ABR Program from the ATO's tax administration functions. However, as at May 2014, the ATO Executive and/or Registrar had not formally considered the review or endorsed the recommendations, beyond endorsement of a vision statement as part of a proposed revision to the ATO's PBS.

Funding and resource allocation for the ABR

2.39 To assess the ATO's funding and resource allocation for the ABR, the ANAO examined financial reports and information provided by ATO Finance for the period 2009–10 to 2013–14, in relation to the ATO's PBS and Strategic Costing Framework.

ATO Portfolio Budget Statements allocations

2.40 As discussed earlier, prior to 2010–11 there was minimal visibility of the ABR in the ATO section of the Treasury PBS. The ABR and ABR Program have subsequently been reported in the PBS, but funding allocations are not separately reported for the ABR, AUSkey and SBR program. The ATO's recent funding allocations for the ABR and ABR Program are set out in Table 2.2.

Table 2.2: ATO PBS funding allocations to the ABR and ABR Program, 2010–11 to 2013–14

2010–11 \$ million	2011–12 \$ million	2012–13 \$ million	2013–14 \$ million
ABR	ABR	ABR Program	ABR Program
13.1	13.2	126.5	176.2

Source: Treasury Portfolio, ATO Portfolio Budget Statements 2010–11 to 2013–14.

2.41 The funding allocations in the 2012–13 and 2013–14 PBS included the additional funding provided for the ABR Program, through the *Towards a Better Business Future* (\$68.5 million over four years from 2012–13) and *Reducing Business Costs* (\$80.2 million over four years from 2013–14) programs; and a level of 'business as usual' funding for the ABR Program that more closely reflected costs incurred by the ATO than in the previous two years, (discussed below). The 2010–11 and 2011–12 PBS funding allocations included a small proportion of these costs, while the source of the additional funds was not reported.

Strategic Costing Framework applied to the ABR

2.42 The ATO's Strategic Costing Framework (SCF) is used to calculate the ATO's expenditure on programs, based on an end-of-year attribution of actual expenditure, using a range of cost drivers that includes: a proportion of total expenditure for corporate overheads; and full time equivalent staff for enabling functions and IT projects.

2.43 From 2010–11, the ATO's SCF has tracked expenditure on the ABR Program, and can separate the costs of the elements within the program.⁵⁴ The ATO's recent expenditure on the components of the ABR Program is shown in Table 2.3.

Table 2.3: ATO expenditure on the ABR Program, 2010–11 to 2012–13

ABR Program	2010–11 \$ million	2011–12 \$ million	2012–13 \$ million
ABR	58.5	71.4	103.8
AUSkey	3.1	5.4	10.9
SBR	46.8	36.8	25.6
Whole-of-government initiative			2.7 ¹
Total	108.4	113.6	143.0

Source: ATO Finance.

Note 1: SBR funds transferred from the Treasury.

2.44 A comparison of the ATO's PBS and the ATO's expenditure (as shown in Table 2.2 and Table 2.3 respectively) for the ABR and ABR Program, reflects substantial disconnection between the PBS and SCF for 2010–11 and 2011–12. However, there is better alignment for 2012–13, reflecting a change in the ATO's approach to preparing budget estimates for the ABR Program.

ABR expenditure

2.45 Costs of the ABR include direct costs from the BRR business line and those incurred by other business and services lines in the ATO. As shown in Table 2.3, total costs of the ABR in 2012–13 were reported internally as \$103.8 million, and comprised of costs incurred by three business lines:

54 Costs for 2008–09 and 2009–10 for the ABR were provided by ATO Finance, but the ATO advised these are not considered reliable for reporting purposes.

- BRR: \$44.6 million or 43 per cent;
- Client Account Services: \$42.2 million or 41 per cent; and
- Customer Service Solutions: \$17.0 million or 16 per cent.

2.46 This cost breakdown is from the *ABR Indirects Breakdown* report for 2012–13. However, it is inconsistent with reporting in the *Report of the Australian Business Registrar 2012–13*, which gives total costs for 2012–13 of \$105.4 million, broken down by: BRR business line \$41.7 million; Client Account Services business line \$30 million; Customer Service Solutions business line \$26.4 million; and Enterprise Solutions and Technology business line \$7.3 million.

2.47 The ANAO did not conduct detailed analysis of the cost drivers used within the model, but notes that ABR costs incurred in other business lines are not defined by agreements with the BRR business line that would specify standards and priorities for the work undertaken for the ABR.

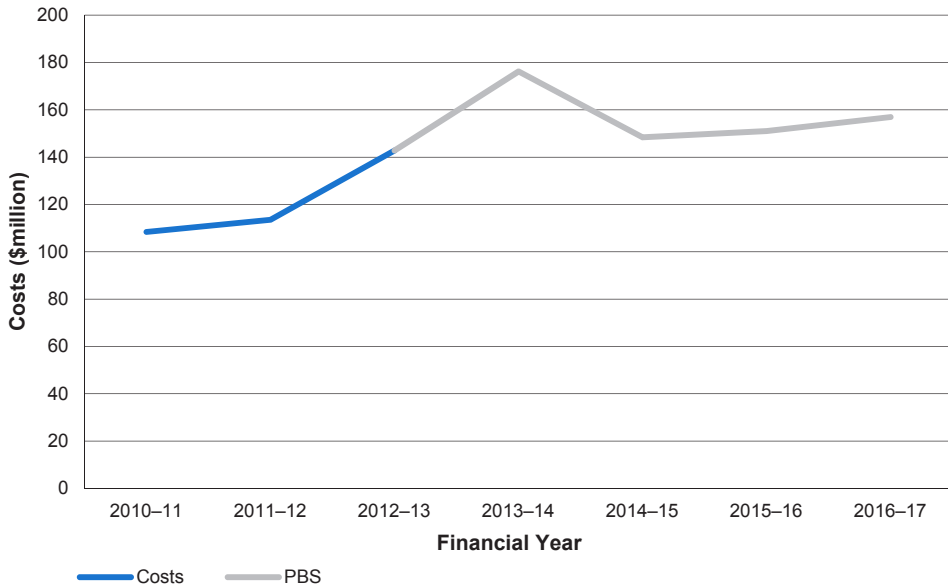
2.48 The SCF methodology provides a framework for costing the components in the ABR Program. However, it is difficult to accurately determine the business-as-usual costs incurred by the Enterprise Solutions and Technology business and services line in supporting the ABR, as business systems and IT infrastructure is a shared resource across the ATO. The current indirect cost drivers such as full time equivalent (FTE) staff and a proportion of total overheads are considered appropriate for enabling functions such as finance and people management, but inadequate for attributing IT costs, as they do not accurately reflect the relative costs incurred on various activities.

2.49 Accordingly, there would be merit in the ATO considering the net benefits of introducing an industry standard IT services and product costing methodology, and applying a transaction-based cost driver to attribute the costs to each program.

Future funding

2.50 The ATO PBS for 2013–14 report increased funding for the ABR Program to \$176.2 million (including \$50 million of new policy funds), reducing to \$156.9 million over the forward estimates period. Costs incurred by the ABR Program from 2010–11 to 2012–13, and PBS for 2013–14 to 2016–17 are set out in Figure 2.4.

Figure 2.4: ABR Program: Costs incurred (2010–11 to 2012–13) and PBS (2013–14 to 2016–17)



Source: ATO Finance and Treasury Portfolio, ATO Portfolio Budget Statements 2013–14.

Conclusion

2.51 Funding for the ABR is considerable, with total funding for the ABR Program of \$176.2 million reported in the PBS for 2013–14. The ATO now internally monitors and reports expenditure on the ABR Program and the different elements within the program, but has not established a baseline figure for each element of the ABR Program. That is, it has not established the cost of business as usual administration of the program, distinct from the new policy funding.

2.52 While there has been better alignment between the reported PBS funding for the ABR, and estimates of costs incurred through the SCF process, there is inconsistency in the reporting of these costs, overall and by business line. Effectively, some 14 years since the establishment of the ABR, the ATO cannot confidently monitor and report on the costs of administering the ABR.

3. IT Systems Supporting the ABR

This chapter examines the ATO's IT systems and infrastructure that support the administration of the ABR.

Introduction

3.1 The ABR is administered through the ATO's IT systems, and is supported by the ATO's Enterprise Solutions and Technology (EST) business and services line for the processing and storage of ABN information, and the data transfer and exchange with ABR partner agencies.

3.2 To assess the effectiveness of the IT systems and processes that support the administration of the ABR, the ANAO examined the:

- access to and exchange of ABR data within the ATO and between the ATO and external agencies;
- services provided to the ABR by the EST business and services line; and
- data exchange between the ATO/ABR and ASIC supporting the national business names registration scheme.

To provide context, the ANAO first examined the positioning of the ABR in the ATO's IT systems and infrastructure.

ATO's IT systems and infrastructure

3.3 The ATO's administration of Australia's tax and superannuation systems is supported by: two core operating systems, the ATO Integrated System (AIS), and the Integrated Core Processing (ICP) system; and a Data Warehouse that is logically separated into the legacy data warehouse (DWH) and the new enterprise data warehouse (EDW).

3.4 The functions of the ABR are integrated with the ATO's systems, specifically the AIS, and the BRR business line is dependent on the Data Warehouse for operational purposes and to provide data for ABR partner agencies. The ATO has advised that a major systems release (MR4) scheduled for December 2014 will change aspects of the ABR's interface with the ATO's other systems, and these scheduled changes are discussed later in the chapter.

3.5 Broadly, the function of each system is:

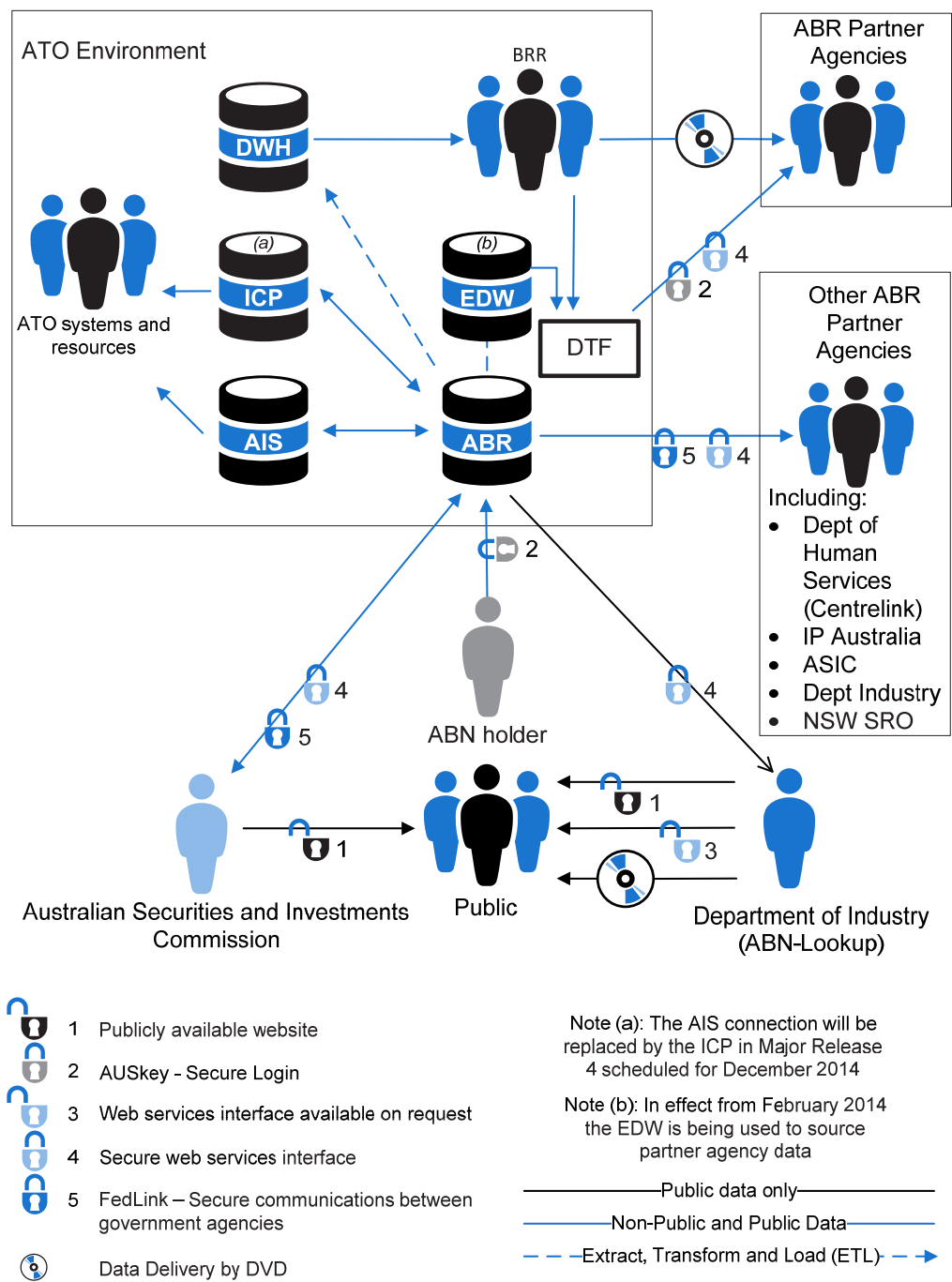
- AIS: provides accounting services for some taxes, including the GST, and the AIS Client Register is the ATO's primary source of taxpayer information, recording taxpayers' names, addresses, and tax roles;
- ICP: processes forms, and accounts for taxpayers' financial transactions with the ATO, including income tax and fringe benefits tax. While ICP uses ABR information, it is not currently a direct part of the operation of the ABR application. With the implementation of MR4, ICP will replace AIS as a key system in the functioning of the ABR; and
- Data Warehouse: stores large volumes of ATO business data, separated into the:
 - DWH: reserved for legacy system information, including AIS; and
 - EDW: contains data primarily from ICP.

3.6 Two additional systems used in the administration of the ABR are the:

- Data Transfer Facility (DTF): used for the transfer of data to third party organisations. This was previously known as the Bulk Data Exchange; and
- Australian Business Register (the ABR application): the central collection, storage and verification system for business identity information associated with an ABN. The ABR application consists of the ABR website, business rules supporting ABN applications, and the ABN database.

The position of the ABR in the ATO's systems and the interface with external agencies, including support for the *ABNLookup* service, as at 28 February 2014, is illustrated in Figure 3.1.

Figure 3.1: Position of the ABR in the ATO's IT systems and interface with external agencies, as at 28 February 2014



Source: ANAO analysis of ATO information.

ABR data access and exchange

3.7 Information provided by ABN holders: flows in several directions within the ATO; is exchanged with ASIC; is sent to the *ABNLookup* service managed by Industry; and is extracted and sent in bulk extracts to, or is directly accessed by, ABR partner agencies. The exchange of data with external agencies is generally supported by Fedlink secured web services.⁵⁵

ABR data flows within the ATO

3.8 Data exchanged between the ABR application and the AIS supports the operations of the register and provides the ATO with information related to ABN holders, including:

- verification of ABN applications against ATO information (including tax file numbers);
- updates to ABNs from taxpayers' information provided to the ATO through tax returns and activity statements; and
- compliance activities on ABNs—for example, where an ABN holder has not recorded any income in the tax system for several years, the Registrar may cancel that ABN.

3.9 A one-way link from the ABR application to the DWH sends, on a weekly basis, ABR information to the DWH. This link was created at the commencement of the ABR specifically to support: ABR partner agencies' requests for ABR data extracts; and to provide data for ABR operational matters, for example conducting analysis and compliance activities. Under this arrangement, staff in the BRR business line request the required data from the Client Account Services business line.

3.10 Commencing in February 2014, data for ABR partner agencies and for ABR operational matters can be sourced from a space created on the ATO's EDW specifically for ABR data. The EDW is populated from the ABR application, and is updated on a daily basis (weekdays only). As at April 2014, extraction of ABR data for partner agencies and for operational matters is migrating from the DWH as the source of the data, to the EDW. Approximately

55 Fedlink is a secure and trusted means of exchanging information between Australian Government agencies. Fedlink creates authenticated, encrypted links between participating agencies, through a Virtual Private Network across the Internet.

six partner agencies have commenced using the EDW source, with others expected to follow over the next 12 to 18 months. The DWH as the source of data for partner agencies will subsequently be decommissioned.

ABR data flows with ASIC

3.11 The ABR and ASIC routinely exchange the data held on their respective registers—the ABR, Company Details Lookup and the BNR. The data exchange supports routine checking of applications for ABNs, Australian Company Numbers and business names, and is further discussed later in this chapter.

ABNLookup service: link with Industry

3.12 The *ABNLookup* service is populated by data directly from the ABR application. The data consists of publicly available information and is updated every hour. The data flow is one way: ABN holders' details cannot be changed on the *ABNLookup* service.

ABR partner agencies' access to ABR data

3.13 As previously noted, data is provided to ABR partner agencies through bulk data extracts. In May 2012, a search tool was made available to ABR partner agencies, designed to enable them to access information for a single ABN directly from the ABR application. However, as at April 2014, no agency had used this AUSkey enabled single ABN search tool. While no reason for the lack of use was identified by the ATO, partner agencies would have little use for information relating to a single ABN.

Data access for select agencies.

3.14 As at March 2014, the Department of Human Services (Centrelink), and IP Australia can access ABR data directly from the ABR application.⁵⁶ Effectively, they have the same access to ABR data as the ATO has, although it is a one way flow: there is no direct exchange of information with these agencies, as there is with the ATO.

56 An agency receiving data from the ABR through an established technical interface, with no reverse updates, is one of six types of partner agency identified in the ABR project: *ABR Business Case and Value Realisation Plan*, 10 November 2000, p. 17. As referred to in the ANAO Audit Report No.15 2007–08 *Administration of Australian Business Number Registrations Follow-up Audit*, p. 67.

ANAO analysis of the ATO's IT systems supporting the ABR

3.15 Versions of data held on the ABR application are transferred to four systems within the ATO. Each version differs to some degree because of the variable update times between the systems and the ABR application: EDW, for example, is updated daily (weekdays only), while the DWH is updated once a week. Update times may be further delayed should an extract, transform and load process (supporting the data exchange) fail. Additionally, while initial reconciliations between source and target systems data occurred at the development and deployment of the data exchanges, ongoing reconciliations do not occur.

3.16 The lack of a reconciliation process means that there is no assurance that versions of ABR data transferred to other systems accurately reflect that held on the ABR application. Effectively, the currency of ABR data is dependent on the source of the data:

- the *ABNLookup* service, the ATO and two ABR partner agencies obtain the most current information, sourcing data directly from the ABR application. Selected BRR business line staff may also be granted system access to the ABR application to manage individual ABN records; and
- the EDW, from February 2014 BRR business line staff have access to more current and complete data than they previously had, for operational purposes and to provide data to partner agencies; although bulk extracts for ABR partner agencies are out-of-date by a day or two by the time they are received.

3.17 While discrepancies between the data held on the different systems are caused by the variable updates, others are caused by the filtering and preparation of data as it is transferred. In January 2014 the BRR business line initiated a one-off integrity check of a sample of data held in the EDW and DWH, as part of the deployment of the new EDW arrangement. The results showed that, among other things:

- ABNs on the EDW that were not in the DWH (approximately 1500 records); and ABNs in DWH that did not appear on the EDW (approximately 11 000 records); and
- ABN status (active, inactive or cancelled) was different on the DWH than in the EDW (approximately 500 records).

From a check of the results against data held in the ABR application, the BRR business line staff advised that the ABR data in the EDW was more accurate than that held in the DWH.

3.18 An earlier report was run in July 2013 to examine the effect of ABN holders' addresses being updated from AIS. This included that entities' may provide the ATO with the address of their tax agent or another party, which may be sufficient for taxation purposes, but does not meet the requirements of partner agencies and other users of ABR data. ABR data should include the physical location of the business entity and its direct contacts.

3.19 The report identified 74 367 records where ABN holders' addresses were invalid for ABR purposes. As at March 2014, the Deputy Registrar had requested that ABN holders' addresses not be updated from AIS; and the BRR business line was examining different options to update addresses that may be available through the MR4 system changes scheduled for December 2014.

3.20 The ATO is also correcting the deductible gift recipient status included in entities' ABN information held on the ABR. The EST business and services line was notified in November 2013 of the incorrect recoding of this status between the AIS and the ABR application, and it has been the subject of an on-going program to correct. As at April 2014, the ATO advised that 7600 records had been corrected, although various estimates of the total number of records affected have been provided, with the highest being 50 000.

3.21 Conducting these integrity checks or reconciliations provided the BRR business line with a view of the extent of some of the issues surrounding the integrity of ABR data. The BRR business line advised that, as at 14 March 2014, different options for running reconciliation reports on a regular basis were being explored.

IT services supporting the ABR

3.22 The BRR business line depends on services provided by the ATO's EST business and services line for the operation of the ABR. However, as at May 2014 there were no internal service level agreements between these lines; no designated account manager in the EST business and services line that deals with the ABR; and no formal engagement process that would facilitate a link between planning and strategy for the ABR and associated IT requirements.

3.23 The ATO *ICT Forward Work Program 2012–2013* highlights prioritisation of IT and systems work within the scope of the ATO's planning activities,

forecasting work activities until 2017. Very few activities in the program are associated with the ABR—rather the program provides details of ABR items that are specifically excluded, including activities relating to enhancing the administration of the ABN/national business names registration scheme.

Management of the *ABNLookup* service

3.24 Arrangements supporting the *ABNLookup* and *SuperfundLookup*⁵⁷ services are established under a memorandum of understanding (MoU) between the ATO and Industry. While Industry has managed the *ABNLookup* service since it commenced in 2000, and the *SuperfundLookup* since it was established in 2009, the MoUs have always reflected an ‘interim arrangement’ between the agencies, with the intent that the services would revert to ATO management.

3.25 In January 2014, a variation to the current three-year MoU (due to expire on 30 June 2015) supported a doubling of the amount the ATO pays to Industry for managing the services, based on the understanding that the ATO would transition to alternative arrangements from 1 January 2015. Should the transition not occur, the variation allows for a further increase in the management fee.

3.26 The ATO is not sufficiently prepared to transition the *ABNLookup* service from Industry to ATO management by January 2015⁵⁸, and there is no evidence that the ATO Executive has considered the matter. The ATO advised, as at April 2014, that there are several options for the future management of the *ABNLookup* service, including an externally-hosted solution; and advice from Industry is that it is agreeable to continue to manage the *ABNLookup* service in the longer term, subject to agreement with the ATO on costs.

57 *SuperfundLookup* provides publicly available information about superannuation funds that have an ABN. It includes funds regulated by the ATO and the Australian Prudential Regulatory Authority. The service was initially a part of the *ABNLookup*, but separated in May 2010. The services are presented separately, but they are dependent on the same systems—if *ABNLookup* failed so would *SuperfundLookup*.

58 The intent to transition the *ABNLookup* and *SuperfundLookup* services from Industry to the ATO was added to the ATO Master Applications portfolio on 10 February 2014: *Application proposed to be introduced into ATO systems. More details to follow*. However, no actual costing was available, including the internal cost to the BRR business line for ongoing management of the services, post transition. The ATO’s EST business and services line advised that a ‘rough order of magnitude’ of the resources required to transition the *ABNLookup* and *SuperfundLookup* from Industry to the ATO had been calculated on the basis of staff hours only, at an indicative cost of \$13 million.

3.27 Given that the *ABNLookup* service is an integral part of ABR services to the public and business community, there would be merit in the ATO better defining its position on the future management of the service, including allowing for an appropriate lead-in time for a transition to other arrangements.

ANAO analysis of ABR data

3.28 ABR data for partner agencies is, with two exceptions, made available through bulk extracts sourced from the DWH. As at May 2014 the DWH remains the primary source of data for partner agencies, as the service transitions to the EDW.

3.29 To assess aspects of the management of ABR data in the ATO's systems, the ANAO extracted the databases held in the ABR application and DWH and examined the⁵⁹:

- process to capture and validate two mandatory data fields provided by ABN holders, namely their email address and country code.
 - Testing found in excess of 22 600 records on the ABR that did not comply with standard email syntax when tested against simple syntax checks⁶⁰; and 730 904 records in the ABN without a Country Code listed.
- process to transfer data from the ABR to the DWH.
 - Testing found a 1.3 million variance in the number of records held on the ABR application (12 026 999) and the DWH (10 675 608). The ATO advised that this was probably due to incomplete ABN applications, but could not provide data to support this assumption, noting that no archiving of incomplete ABN applications had been undertaken since May 2012.

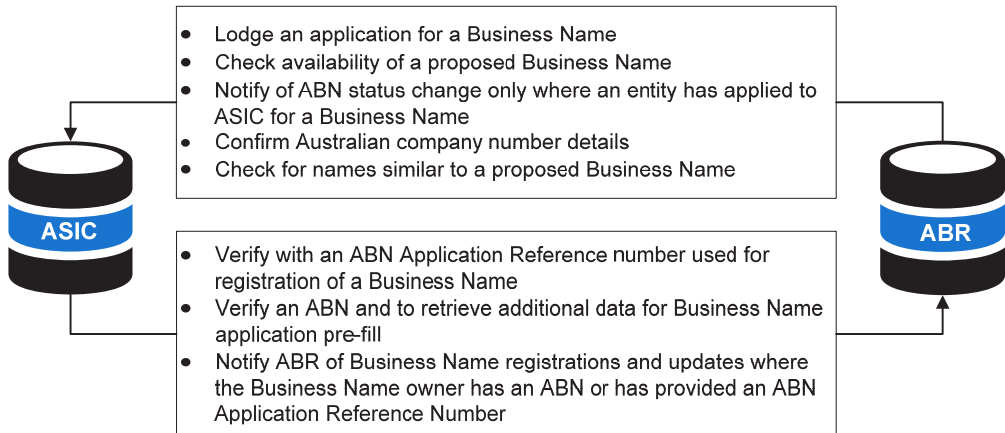
59 The data from the ABR was extracted on 13 February 2014 and the data from the DWH was as at 8 February 2014.

60 The checks were that: there was no @ symbol or full-stop in the email address, essential in valid email addresses.

Data exchange between ABR and ASIC

3.30 As at February 2014, data is routinely exchanged between the ABR application and ASIC, as outlined in Figure 3.2.

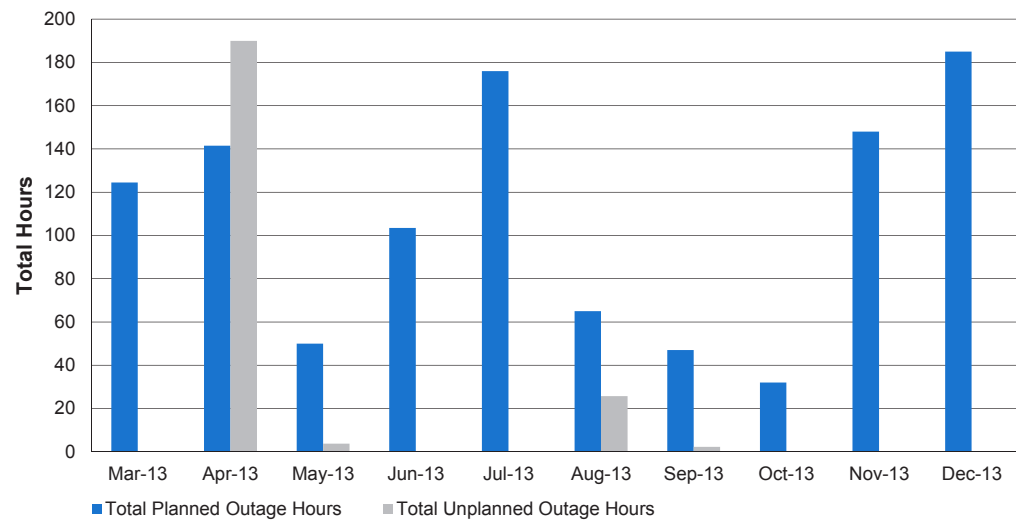
Figure 3.2: Data exchange between ASIC and ABR as at February 2014



Source: ANAO from ABR and ASIC documentation.

3.31 The data exchange and joint ABN/Business Name registration processes have been affected by outages (both planned and unplanned) within the ATO environment. Information provided by ASIC indicated that between March and December 2013 there was a combined total of 1294 hours of planned and unplanned outages in the ATO environment. While some preparation can be made for planned outages, ASIC further advised that the majority of outages occur at weekends, causing difficulties for users of the service as 32 per cent of business name registrations are completed outside standard business hours. The breakdown of the planned and unplanned outages by month is shown in Figure 3.3.

Figure 3.3: Total planned and unplanned outages, March 2013 to December 2013



Source: ANAO, from ASIC statistics.

3.32 ASIC staff can contact the ATO service desk via a 1800 number to report the degradation or cessation of service between ASIC and the ABR, but are unable to track progress against an incident in the ATO’s system used to monitor and track IT incidents. As at May 2014, the ATO was investigating the possibility of providing ASIC staff with access to this system, negating the need to contact the ATO’s service desk about each incident until it is resolved.

3.33 Issues concerning the connectivity between ABR and ASIC systems are discussed at ongoing fortnightly ABN/BN service management meetings, with staff from the EST and BRR business lines, ASIC, and Industry. As at May 2014, there was no agreement or underpinning contract setting out service management standards and performance between the agencies.

Conclusion

3.34 ABR data is currently contained in five ATO systems that are used for different purposes and by different users. The currency of the data varies between each of these five systems from real time (the ABR application) to over one week (DWH), meaning that the version of ABR data will vary in each system, and the ATO does not conduct any regular reconciliation processes to identify or correct differences.

3.35 The positioning of the ABR in the ATO's systems was designed to support the implementation of the GST, and complements the ATO's data matching and compliance activities. The ABR has now been in operation for some 14 years, and ATO functions could now be achieved through the use of the ABR Partner Agency interfaces. The operational function of the ABR through the two-way updating of data between the AIS (and ICP from 2015) and the ABR application is not necessarily to the benefit of the ABR. While the ABR application is the master system of record for the ABR, the mechanisms by which data is sourced for ABR partner agencies and for operational use by BRR business line staff, are overly complex.

3.36 The ABR solution reflects the ATO's development of the ABR primarily as a revenue administration tool during the first eight or nine years since the commencement of the register. While more recent system changes have improved aspects of the register, the limited strategic planning (as discussed in Chapter 2) means there has been no clear direction for systems planning and development. Further, the status of the ABR within competing IT resources for tax administration functions is not defined. The ATO advised that requests for changes or improvements to the functions of the register are considered in the allocation of funds and resources to meet the ATO's objectives and IT requirements. As there is already a significant backlog of IT projects relating to the ATO's revenue collection and other responsibilities⁶¹, it will be difficult for further system changes to the ABR to gain priority and approval in the near term.

3.37 As at May 2014, there are no internal service level agreements or standards supporting EST business and services line services to the ABR, or the availability of services or currency of data for ABR stakeholders. Further, the ATO has no plans to improve the operation of the ABR IT arrangements in the next five years, and has no long term plan for the management of the *ABNLookup* service.

61 Australian Public Service Commission, *ATO Capability Review*, May 2013, p. 9.

4. Data Integrity

This chapter examines the processes that support the integrity of ABR data.

Introduction

4.1 The effective operation of the ABR is reliant on the integrity of the data held on the register. However, issues concerning data integrity continue to feature prominently in ATO and ABR planning and reporting documents, some 14 years after the ABR was established. Most recently, the *Report of the Australian Business Registrar 2012–13* provides information on initiatives to improve the integrity of the ABR, which the Registrar notes ‘depends on ensuring the validity and accuracy of initial and continuing ABN registration [and] this assurance involves both a compliance focus and data management focus’.⁶²

4.2 As previously noted, in the 2012 and 2013 Federal Budgets the ATO received additional funding for the ABR Program. The funding is provided through the:

- *Towards a Better Business Future* (TBBF) program⁶³: \$68.5 million over four years, 2012–13 to 2015–16, to improve the operation of the register and the quality and currency of its data; and
- *Reducing Business Costs* (RBC) program⁶⁴: \$80.2 million over four years, 2013–14 to 2016–17, to: strengthen upfront checks for issuing ABNs; encourage the use of AUSkey; and enhance the SBR program.⁶⁵

4.3 The initiatives funded through the TBBF and RBC programs are expected to mitigate three risks associated with the ABR in the ATO’s Enterprise Risk Management Framework. Two of these risks, rated as ‘severe’, are that: entities on the ABR do not meet the ABN entitlement criteria; and entity information on the ABR is incomplete or inaccurate. The third risk, with a ‘high’ rating, is: the inability to provide an efficient *ABNLookup* service to the community, and a quality service to ABR partner agencies; and ABR partner

62 Australian Government, *Report of the Australian Business Registrar 2012–13*, p. 17.

63 Australian Government, *Budget Measures: Budget Paper No. 2: 2012–13*, p. 17.

64 *ibid.* p. 43.

65 The *Reducing Business Costs* program is funded under the *Tax Administration—enhancing Standard Business Reporting* budget measure.

agencies' inappropriate use of non-public data, or the provision of such data to entities that are not registered as partner agencies.⁶⁶

4.4 To assess the effectiveness of the ABR's processes supporting the integrity and management of ABR data, the ANAO examined the ATO's:

- approach to assessing the integrity of ABR data;
- ABR compliance strategy;
- implementation of the TBBF and RBC funding programs; and
- management of non-public data held on the ABR.

Assessing the integrity of ABR data

4.5 The Registrar assesses the level of integrity of ABR data by:

- conducting an annual compliance survey of a sample of ABN holders;
- comparing growth in ABNs to that of Australia's gross domestic product (GDP)⁶⁷; and
- undertaking a number of data management activities each year.

Annual compliance surveys

4.6 Since 2001 the ATO has conducted surveys of a sample of ABN holders. The surveys provide some useful information about the accuracy, currency and completeness of specific data fields on the ABR, for example, the accuracy of entities' email addresses or phone numbers.

4.7 The surveys do not, however, provide an overall assessment of the integrity of the data held on the ABR. Information about individual data fields, extrapolated to the entire population of ABNs held on the register, provides an indication of areas of risk that may benefit from a targeted compliance strategy. For example, results of the 2011 ABR survey, extrapolated to the entire population, indicated that approximately 25 per cent (1.8 million) of the 7.1 million active ABNs (at the time of the survey) were no longer in use or not

⁶⁶ ATO, *ABR Risk Plan 2013–14*, September 2013.

⁶⁷ The Australian System of National Accounts defines GDP as the total market value of goods and services produced in Australia after deducting the cost of goods and services used up in the process of production, but before deducting allowances for the consumption of fixed capital.

required; and that only 51 per cent of ABN holders were aware of the requirement to update their ABN details.⁶⁸

4.8 Overall, the results of the surveys indicate issues of accuracy and currency in almost all data fields. However, the reports of the Registrar 2011–12 and 2012–13 noted that the survey findings have changed little over the years, and emphasised (2012–13 report):

... caution is needed in comparing the latest results with those of previous years as the methodology has changed. More importantly, we recognise there are significant shortcomings in the survey methodology, and are exploring ways of overcoming these.⁶⁹

4.9 In March 2010, the ATO reviewed the various methodologies applied in the first 15 ABR surveys, conducted between 2001 and 2009. The review found that, while the surveys had provided some useful information, limitations in the conduct of the surveys could be addressed by the introduction of ‘real time’ telephone surveys.

4.10 The first two telephone surveys were conducted by ABR staff in 2010 and 2011, with the third phone survey conducted by an external consultancy firm in November and December 2012. The sample sizes, number of ABN holders who responded to the letter surveys, and number who could be contacted in the phone surveys varied from year to year. Over the 18 surveys to date, an average of 3673 ABN holders were selected for interview in each survey, with an average response rate of 59.8 per cent.

4.11 Minutes from the ABR Risk Committee meeting of 14 June 2013 reflect discussions about the telephone surveys, including that the surveys: were a step forward from the ‘accuracy’ tests of core data items in previous surveys, but there were a number of operational difficulties and limitations (eight were listed) that had an impact on the accuracy and timeliness of the results. These limitations included: the voluntary nature of the survey that contributed to the non-response/refusal rate; ABN errors found during the survey could not be directly rectified; and a large number of surveyed ABNs had invalid contact phone numbers.

4.12 A new approach to conducting the 2014 ABN annual compliance survey has been approved, and an external consultant commissioned to

68 Australian Government, *Report of the Registrar 2011–12*, p. 10.

69 Australian Government, *Report of the Australian Business Registrar 2012–13*, p. 23.

undertake the work. The methodology for this survey will focus on reducing the non-response rate (almost 80 percent in the previous survey) and the resulting bias of the results.

Growth in ABNs and GDP

4.13 The *Report of the Australian Business Registrar 2012–13* noted that ‘the slowdown in growth of ABNs over the past three years, culminating in growth broadly in line with movement in GDP 2012–13, suggests that the integrity of the ABR is improving’.⁷⁰

4.14 While comparing growth rates for GDP and ABNs may be a measure of the integrity of the register (that the number of active businesses would rise and fall in line with GDP), ANAO analysis of the percentage growth in ABNs compared to growth in GDP for the period 2006–07 to 2012–13 does not support a distinct correlation between the trends in the percentage growth of GDP to that of ABNs.

4.15 Rather, there is a clear pattern between the percentage change in the number of ABNs and the number of ABNs cancelled over the same period. The change in the growth in ABNs is possibly due as much to ABN cancellations as it is to fluctuations in GDP growth. More needs to be done to consider the growth in GDP and the number of ABNs as an indicator of ABR data integrity.

Data management activities

4.16 The KPIs included in the Registrar’s annual reviews provide information on data management activities relating to the processing of ABN applications and the maintenance of information held on the register. With the exception of variations in the number of Registrar initiated cancellations (that reflect specific compliance initiatives), there is relatively little change in the number of reported activities over the six-year period. The numbers do not, of themselves, provide any indication as to the overall level of, or trends in, the integrity and accuracy of the data held on the ABR; or the impact of specific compliance measures.

70 Australian Government, *Report of the Australian Business Registrar 2012–13*, p. ii. This report presented the analysis in a graph, with a line showing the gap between growth in ABNs and movement in the GDP in terms of percentage points for each year.

4.17 The results for each of the KPIs relating to ABNs are reported in the *ABR Year in Review 2007–08* and *ABR Year in Review 2008–09* and the Registrar’s annual reviews from 2009–10 to 2012–13, and are set out in Table 4.1.

Conclusion

4.18 The annual surveys of ABN holders provide information on individual data fields that can be extrapolated to the whole population of ABNs. The surveys indicate that there are problems with the accuracy and currency of the data held on the ABR, but the methodology which resulted in a low number of survey respondents has compromised the value of these results. Comparing the growth in ABNs to the growth in GDP as a measure of data integrity relating to the number of registered businesses has potential, but the initial report in 2012–13 does not allow for changes in ABN numbers as a result of ABR data management activities. Effectively, the Registrar has little knowledge of the level of integrity of the data held on the ABR, some 14 years after the register was established.

Table 4.1: Reported ABN activity, 2007–08 to 2012–13

Measure	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13
Total active ABNs	6 087 516	6 100 820	6 593 352	7 004 042	7 352 523	7 507 663
ABN applications received	- ¹	-	-	698 226	712 191	695 487
ABN applications rejected	NA	13 696	56 899	36 727	45 893	59 855
New ABNs issued	597 444	551 671	561 881	534 147	-	571 601
ABNs re-issued	39 639	62 604	75 958	67 548	-	65 079
ABNs issued and re-issued	-	-	637 839	601 695	587 333	636 680
ABN register updates	4 275 095	4 079 685	3 272 757	3 988 668	3 652 360	4 180 036
ABNs cancelled by Registrar	177 321	434 551	26 205	51 103	99 463	354 080
ABNs cancelled at request of holder	91 719	171 830	121 796	141 836	137 289	131 162
ABR annual survey of ABN holders (respondent numbers)	✓	✓	-	✓ (1800)	✓ (842)	✓ (1054)
Growth in ABNs aligned with growth in GDP	-	-	-	-	-	✓

Source: ANAO, from ABR annual reports of the Registrar, 2007–08 to 2012–13. The numbers do not reconcile.

Note 1: A blank field (-) indicates the information was not provided in the report for that year. Some information was first reported as comparative data in subsequent reports, and so has been included in the table.

ABR compliance strategy

4.19 Advice from the BRR business line was that prior to 2012–13 limited assurance activity had been undertaken to assess whether ABN holders were compliant with the requirements for registering or maintaining their ABN status. Other than annual surveys of ABN holders, no documentation was available in relation to any compliance work or risk assessments and mitigation strategies for the ABR. The ANAO was referred to a summary of key achievements and activities set out in the annual reports of the ABR and Registrar from 2007–08.

4.20 Every report refers to the need to improve ABR data integrity (and ABR services), includes the results from annual surveys and provides information on the various activities undertaken each year, but until 2012–13 makes no reference to a compliance strategy. The *Report of the Registrar 2011–12* provides details of initiatives to be implemented the following year under the TBBF program, that includes strengthening integrity and enforcement initiatives. The *Report of the Australian Business Registrar 2012–13* sets out the ABR's first compliance strategy that is based on:

- community education to raise awareness of eligibility criteria and the continuing obligations of ABN holders;
- effective verification of eligibility (to be issued with an ABN) at the time of registration; and
- risk-driven and targeted proactive compliance activities, focusing on risks both at registration and for continuing eligibility.

4.21 Effectively, the ATO has not developed or implemented a compliance strategy since implementation of the ABR initiative in 2000. While ad hoc activities have been undertaken to address ABR data integrity over the years, new policy funding provided through the TBBF and RBC programs is supporting specific initiatives aimed at improving the integrity of ABR data, and building capabilities to maintain the standard of the data.

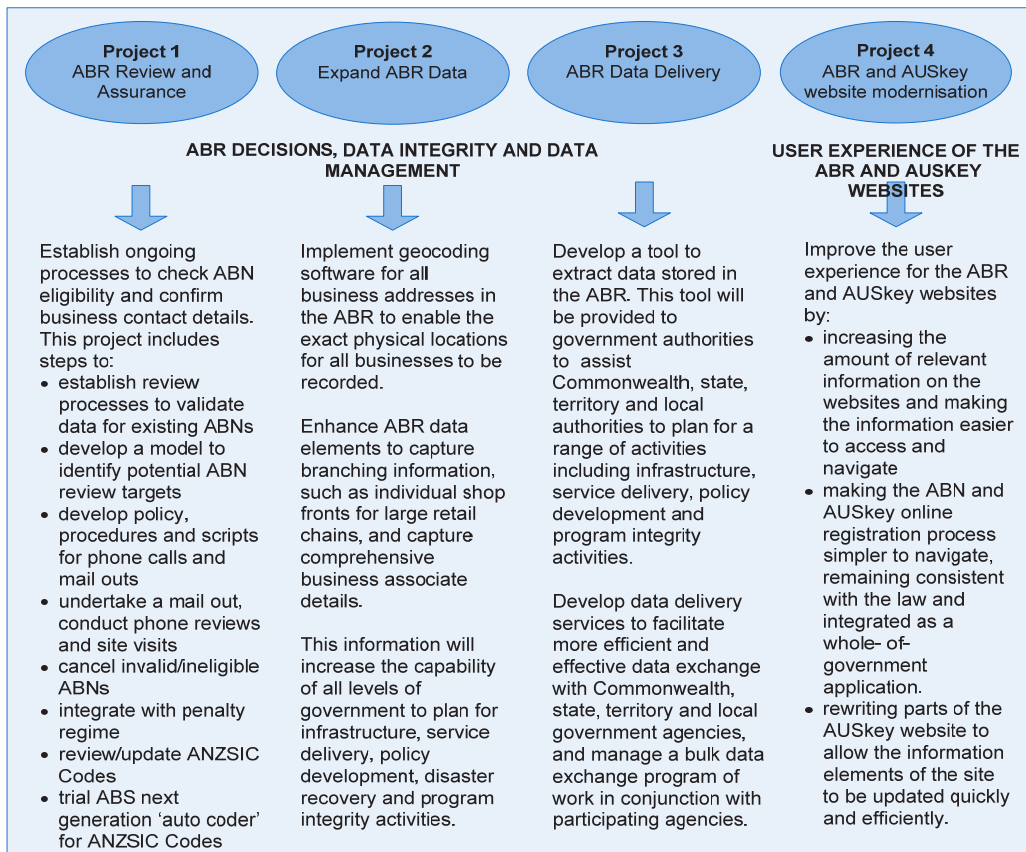
4.22 The ATO expects the 'severe' risks associated with the ABR compliance issues and data integrity to extend into the 2014–15 financial year, as the impact of the funded initiatives progressively takes effect over a two-year period, while it is anticipated the 'high' risk associated with ABR partner agencies may reduce, (but without a given time frame). The risk associated with the *ABNLookup* service has been addressed, at least in the immediate term, through the revised MoU between Industry and the ATO/Registrar, as discussed in Chapter 3.

Implementation of new funding programs

Towards a Better Business Future program

4.23 The TBBF program consists of four projects, three relating to ABR decisions, data integrity and data management; and one relating to the user experience of the ABR and AUSkey websites, as explained in Figure 4.1.

Figure 4.1: Towards a Better Business Future funded projects



Source: ANAO from ATO documentation.

TBBF Project One

4.24 Funding under Project One of the TBBF program has supported the establishment of a risk, intelligence and compliance capability within the BRR business line: the ABR Risk and Assurance (ABRRA) team. Established in July 2012 the team advised that they have been, effectively, building the ABR's risk and compliance strategy 'from scratch', including the initial requirement to recruit and train some 70 compliance staff. The restructure of the BRR

business line in February 2014 also changed the grouping of the risk and intelligence capability, with the Operation area (in the BRR business line) developing a risk and intelligence capacity for the combined ABR Program.

4.25 Notwithstanding these difficulties, to date the team has: conducted the first formal risk assessment for the ABR (July 2013); established an ABR Risk Committee; and met most targets for compliance activities scheduled in 2012–13.⁷¹ Compliance activities undertaken in 2012–13 are set out in Table 4.2.

Table 4.2: ABR Risk and Assurance compliance activities, 2012–13

Strategy type	Strategy	Actual	Target
Desk	Entitlement checks	32 983	30 000
	Entitlement checks (building and construction)	8 433	8 250
	ANZSIC checks	34 775	30 000
Field	Entitlement checks	6 032	6 000
Bulk Correspondence	Integrity checks	95 499	300 000
	Bulk Registrar initiated cancellations (BRIC)	30 000	246 000
	Reportable payments system ‘Clean Up’	0	7 260
	BRIC (business as usual)	120 000	200 000
	Provision branching correspondence ¹	0	100 000

Source: ABRRA Strategy—Delivery Schedule 2012–13.

Note1: Bulk correspondence to check and update entities’ branch details did not occur.

4.26 The volume of ABNs cancelled through the Bulk Registrar Initiated Cancellations (BRIC) process resulted in a large number of ABN holders attempting to re-apply for their ABN. In June 2013, two of the top three complaints to the ATO were related to the ABR: ABN and AUSkey registrations not received; and ABNs and AUSkeys being cancelled.⁷² As at April 2014, the Deputy Registrar has delayed further application of the BRIC process until appropriate measures are in place to better manage the outcomes.

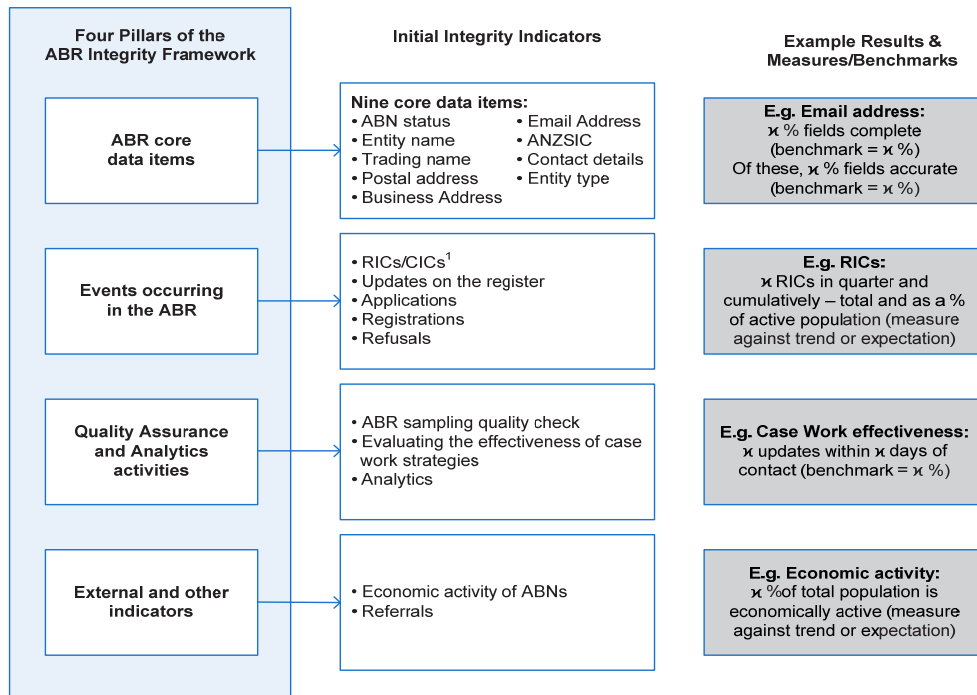
4.27 The ABRRA team has also developed a draft ABR integrity framework. Once established, the operation of the integrity framework aims to provide a baseline for the integrity of ABR data, and going forward, a measure of the

71 The ABRRA team also plans to integrate a penalty regime into their compliance work. The ABN legislation supports the application of penalties where ABN holders fail to maintain the currency of their business details, or do not meet the entitlement requirements to hold an ABN. However, as at 28 February 2014, no penalties had been applied since the introduction of ABNs in 2000.

72 ANAO Audit Report No.19 2013–14, *Management of Complaints and Other Feedback*, p. 105.

effectiveness of risk analysis and compliance activities in improving the overall accuracy of the information held on the ABR. Subject to endorsement by the ATO Executive/Registrar, the intent is to provide interim quarterly reports and an annual report of the level of confidence in the integrity of the data, and to include an integrity statement in the annual Report of the Registrar. The draft integrity framework is set out in Figure 4.2.

Figure 4.2: Draft integrity framework for the ABR



Source: ABR Review and Assurance team.

Note 1: RICs/CICs are Registrar Initiated Cancellations/Client Initiated Cancellations.

TBBF projects two, three and four

4.28 The ATO advised that project two was partially implemented: geocoding has been available from mid-May 2014; and information about entities' branches and their locations is available, with the exception of the five entities with the highest volume of branching information that are still to be finalised in the ABR. Neither of these fields will be publicly available on *ABNLookup*. Project four, to update and relaunch the ABR website has been completed.

4.29 Project three, however, is only partially complete: the tool to assist partner agencies extract data from the ABR (separate from the single ABN search tool that has been available since May 2012) has not progressed, due to

difficulties in the scope and cost of the required IT changes. The ATO could not provide a revised date for the development of the search tool.

4.30 The ATO advised that work undertaken in the first 18 months of TBBF program funding effectively established specific capabilities within the ABR, and that the TBBF program funds available to June 2016 will consolidate the changes and support ongoing work. However, as discussed in Chapter 2, the ATO has not established a baseline cost for administering the ABR or the broader ABR Program, and there is no assurance that measures established under the TBBF and RBC program funding will be ongoing.

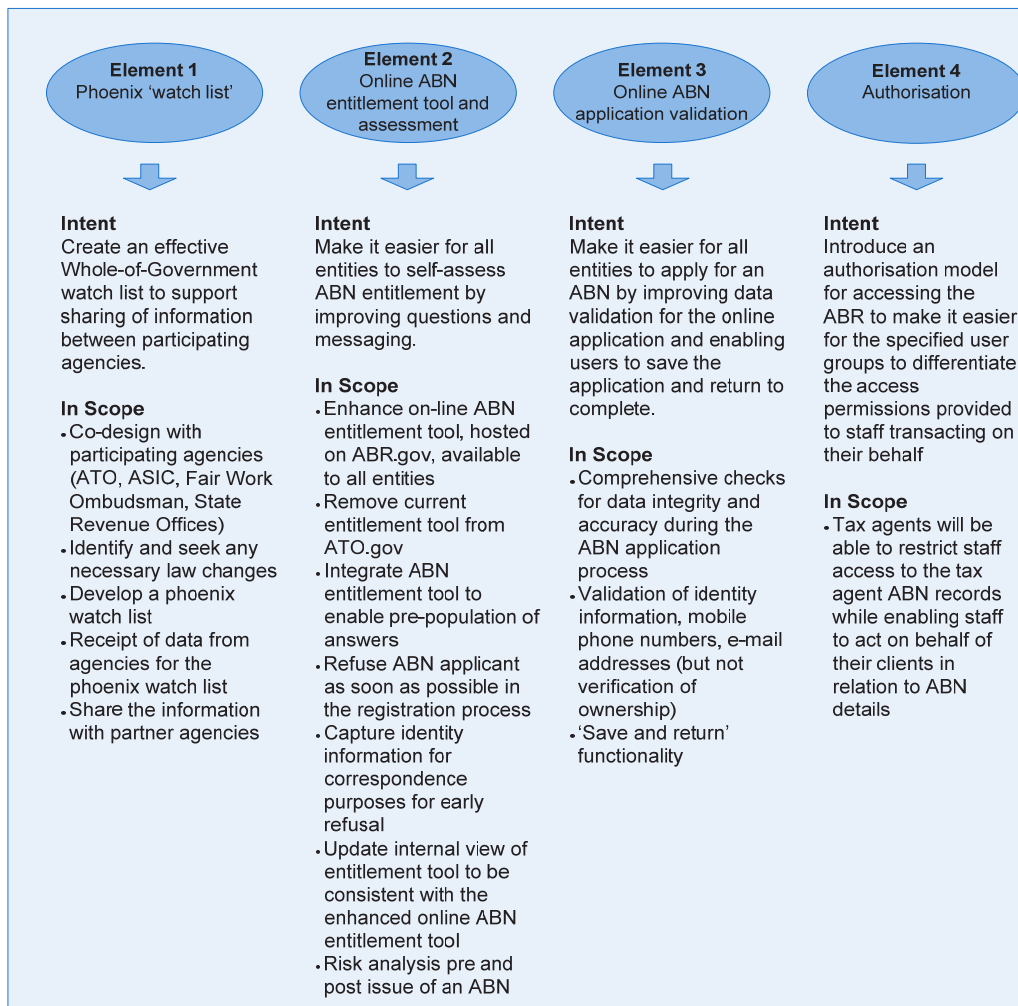
Reducing Business Costs program

4.31 The RBC program is made up of three projects that aim to: enhance ABR administration; support the transition of the ATO's electronic lodgment services (ELS) to SBR software; and promote the use of the SBR program. Project One relates to the ABR, and includes the creation of a phoenix watch list.⁷³

4.32 Implementation of Project One is at a very early stage. The ANAO reviewed the minutes of five meetings of the RBC Project One steering committee, held between August 2013 (the first meeting) and January 2014. The minutes reflect that the initial June 2014 date for the completion of the four elements has been delayed to December 2014, due to changes in the scope and costs of the IT requirements for the project.⁷⁴ Details of the elements in Project One are set out in Figure 4.3.

73 A phoenix watch list is a list of ABN holders with a history of engaging in phoenix activity, or a high likelihood of doing so. Phoenix activity involves company directors evading their responsibilities by operating an entity that intentionally accumulates debt, and is subsequently liquidated to avoid paying liabilities, including employee entitlements and unpaid taxes. The company may 'rise again' and continue operation with a different ABN. It is a joint initiative between the ATO, ASIC, the Fair Work Ombudsman and State Revenue offices.

74 A project change request, submitted in January 2014, provides detail of a re-costing of the original policy proposal that includes changes to the allocation of funds between capital and operating costs, a transfer of some funds to 2014–15, and increased funding to support additional costs incurred for element three.

Figure 4.3: Elements of Reducing Business Costs Project One

Source: ANAO from ATO information.

Conclusion

4.33 The ATO has been aware for many years of problems with the integrity of ABR data. While ad hoc activities have been conducted over the years to address ABR data integrity, the lack of a systematic approach to risk management and compliance indicates a fragmented approach to managing the integrity of the data held on the ABR.

4.34 The TBBF and RBC program funding is being used to develop assurance and compliance frameworks that will support compliance activities in the years ahead. Nevertheless, the 'severe' risks associated with inaccurate

or incomplete ABR data will extend into the 2014–15 financial year while the projects are progressively delivered.

Management of non-public data

4.35 The BRR business line manages ABR partner agencies' access to and use of non-public data held on the ABR through a framework that includes:

- establishing ABR partner agency agreements; and
- conducting a statement of compliance process on partner agencies' use of ABR data.

Applications for the suppression of ABN information held on the ABR are managed in the Client Account Services business line.

Establishing ABR partner agency agreements

4.36 The arrangement establishing an agency as an ABR partner agency changed in March 2012, from requirements set out in a MoU⁷⁵ to one governed by a much simpler Terms and Conditions agreement between the Registrar and the head of the partner agency.

4.37 Under the agreement, the secure management of the (non-public) information provided by the Registrar becomes the responsibility of an 'entrusted person' in the partner agency, including that ABR information is used and protected in accordance with relevant privacy legislation or guidelines.⁷⁶ While the ATO advised this was also the intent of the previous MoU, the agreement makes the agencies' responsibilities clearer, while reducing the administrative burden on both parties. The agreement is tailored for Australian, state or local government agencies, but does not specify the legislation or guidelines relevant to each jurisdiction.

75 MoUs set out the requirements for agencies' use of non-public ABR data including the privacy legislation applicable in each jurisdiction, and when ABR data may not be used. ABR partner agencies were also required to provide an annual Statement of Accreditation that ABR information had been managed in accordance with the specifications in the MoU. Maintaining the conditions set out in the MoU required considerable effort on the part of ABR and partner agencies' staff, and it was replaced by the Terms and Conditions agreement. The agreement is much shorter than the original MoU (some three pages long compared to the 14 pages of the MoU), is simpler to implement, and remains in place until cancelled by either party.

76 The agreement is signed by the agency head, who is the 'entrusted person' under section 30 of the *A New Tax System (Australian Business Number) Act 1999*.

4.38 There is no requirement within the ABN Act for the Registrar to monitor the use of ABR data by entrusted persons. However, should the protected information be compromised or inappropriately disclosed, in addition to the impacts on those directly involved, there is the potential for damage to the reputation of, and loss of community confidence in, the ABR and the Registrar. Monitoring agencies' compliance with their agreements is discussed in Chapter 5.

Agency Agreement team in the BRR business line

4.39 Processes for establishing ABR partner agency agreements are managed by the Agency Agreement team, and providing agencies with ABR data is managed by the Operations team. Both teams are part of the BRR business line. The processes applied by the Agency Agreement team are not documented, relying on the knowledge and experience of staff in the team.

4.40 Enquiries from prospective ABR partner agencies are considered 'at face value', to assess if the agency could be considered an eligible partner, including that the enquiry is clearly not from a commercial entity, and that the supplied email address reflects a government agency. Assessment of a completed agreement is made by staff in the Agency Agreement team, and can be referred to the ABR Law and Interpretation team for advice, should there be any doubt regarding the agency's eligibility to become an ABR partner.⁷⁷

The ATO's access to and use of ABR data

4.41 In July 2012, the ATO signed a Terms and Conditions agreement that established the ATO as an ABR partner agency for the use of non-public data 'in the general administration of a wide range of taxation and superannuation legislation'. Prior to establishing this agreement, there was no formal arrangement regarding the ATO's access to and use of ABR data. The issue (of whether there should be some form of agreement) was initially raised in 2002 with the ATO advising that, based on legal advice at the time, no agreement was considered necessary.

4.42 Rather, the development of an Operations Practice Note—setting out the nature of the relationship between the Commissioner and the Registrar, and the provisions regarding the disclosure of information between these

⁷⁷ The ATO could not provide data on the number of applications referred to the Law and Interpretation team.

statutory positions—was recommended, but not progressed.⁷⁸ The issue was again raised by the BRR business line in late 2011. Internal legal advice provided at this time similarly included the benefits of developing an Operations Practice Note to set out the roles the Commissioner and the Registrar and to provide guidance to staff. As at May 2014, no Operations Practice Note had been developed.

4.43 The Terms and Conditions agreement was signed by the ATO's Chief Knowledge Officer to avoid the Commissioner, as head of the ATO, effectively signing an agreement with himself, as Registrar of the ABR. The BRR business line advised that establishing the agreement with the ATO was in line with the goal of distinguishing the ABR from the ATO, and was supported by changes in how ABR data was stored in the ATO's systems.

4.44 The ATO was unable to explain what practical difference or changes have resulted (or are planned) regarding the ATO's access to and use of ABR data, following the establishment of an ATO/ABR partnership agreement.

Statement of Compliance process

4.45 To provide assurance under the new Terms and Conditions agreements that partner agencies are meeting their requirements for the management and use of non-public ABR data, the ABR developed and piloted a Statement of Compliance process in March 2013.

4.46 In the pilot, six of the (then) 416 ABR partner agencies were selected for participation: two from each tier of government. The process involved a face-to-face meeting between an agency contact and a member of the ABR's Agency Services team; with the agency representative signing a Statement of Compliance form that the agency's use of ABR data had been in accordance with the agreement.⁷⁹ No breaches of the use of ABR data were identified in the course of the pilot. Under the previous MoUs, the BRR business line

78 Advice from the ATO's legal services branch and the Australian Government Solicitor was that there would be no benefit in the Registrar having an MOU with the Commissioner as these statutory positions are occupied by the same individual, but that an Office Minute should be prepared to explain the relationship. Subsequently, the ATO's area dealing with (then) registrations policy decided that this was unnecessary as authorised officers may access ABR information for the purposes of carrying out functions under taxation laws and record ABR information in the performance of their duties.

79 The Statement of Compliance aims to provide assurance that: access to ABR non-public information is restricted to staff and/or only disclosed to a third party who uses the information for the purposes of carrying out functions of the agency; there have been no breaches resulting in ABR information being inappropriately released to a third party; and ABR information is being protected in accordance with relevant privacy legislation and guidelines.

advised that no breaches were identified in partner agencies' use of ABR data in the 13 years that the MoUs were in place.

4.47 Based on the results and information gained from the pilot, a proposal for ongoing assurance regarding agencies' use of ABR data was endorsed at an ABR executive meeting held on 18 November 2013. The proposal includes that the review would commence in March 2014 and be conducted once a year. The review process involves a letter being sent to 15 randomly selected agencies requiring confirmation from each agency of the measures in place to protect ABR data and to ensure it is used appropriately. Based on a review of their responses (and other risks unspecified in the proposal) an agency assessed as 'high risk' would be subject to a site review; while others may be required to participate in a phone interview.

4.48 As at May 2014, procedural details of the review process were only partially developed, including whether the level of seniority of the ABR staff member conducting the reviews—and that of the agency representative—is appropriate. The proposal had been developed in isolation of the overall risk assessment (undertaken in another area of the ABR) that found a high level of risk of partner agency mismanagement of ABR data, with 'very high' consequences. The ATO advised that senior staff from the ABR risk and intelligence team were involved in some of the discussions.

4.49 While recognising the need to minimise the administrative burden on the BRR business line and partner agencies' staff, there would be merit in the ATO reviewing the development of the compliance process, given the identified 'high' risk associated with ABR partner agencies' use and management of non-public data.

Management of suppressed information

4.50 Under the ABN Act, the Registrar must not disclose information relating to an ABN holder where a person applies for a detail not to be listed, and the Registrar is satisfied that it is appropriate not to disclose the detail.⁸⁰

4.51 The ATO's ABR website provides information on ABN holders' details available on *ABNLookup*, and states that: 'Government agencies may be given access to your ABN details (in accordance with the law). ABR partners may use your ABN details for various purposes including registration, reporting,

80 *A New Tax System (Australian Business Number) Act 1999*, s. 26(4).

compliance, validation or updating of their databases'.⁸¹ ABN holders or potential applicants who are concerned about their privacy are invited to contact the ABR.⁸²

4.52 Applications to suppress information held on the ABR are managed by the ATO's suppression team in the Client Account Services (CAS) business line. Where a request has been approved, the CAS team member immediately suppresses the information on the client's ABN record in the ABR application; the record subsequently displays only the ABN, and whether it is active or inactive, including for data extracts sent to ABR partner agencies.

4.53 From commencement of the ABR to February 2014, the ATO processed approximately 1170 cases for the suppression of ABN information.⁸³ More accurate and detailed records have been maintained since February 2013 and, over the 12 months to February 2014, the ATO has processed 460 cases relating to the suppression of ABN information:

- 188 internal (ATO) requests to update suppressed data;
- 160 external requests to suppress data that were approved;
- 76 external requests to suppress data that were actioned and closed due to insufficient information;
- 18 external requests to suppress data that were refused;
- 12 external cases actioned with updates only; and
- six currently in progress.

4.54 The CAS team member informs other ATO business lines of cases where the application for suppression has been approved. This included the BRR business line until September 2013, when the BRR business line advised the CAS team that it no longer required this information.

81 ABR website <<https://abr.gov.au/>> [accessed 26 Feb 2014].

82 Requests for suppression may be made in cases where a person believes that public availability of certain details may cause harm to them or those associated with them, for example, in cases where domestic abuse or violence orders are in place, or in the case of a psychiatric doctor treating dangerous patients. Requests for suppression must provide supporting documentation such as court orders or police reports.

83 This number is approximate because records prior to 2004 were kept on paper files and are not included. From 2004 to February 2013, instances where the ATO had received communication from an ABN holder enquiring about suppressing information (that may or may not have been followed up by an actual application) have been included in the total count.

4.55 Prior to around June 2011, the (then) Agency Services team, on receipt of information from the CAS team about approved ABN suppressions, would write to or email ABR partner agencies with instructions on the management of these records. These instructions are set out in Table 4.3.

Table 4.3: Suppression instructions given to ABR partner agencies

What you need to do:
1. Identify if you have received the above record(s) from the ABR. Note: If you have had filters applied to your ABR data extract, you may not have received all of the records listed above.
2. Steps 3–5 should be taken <u>unless</u> the detail that is the subject of this suppression advice was confirmed from a source other than an ABR Record.
3. Delete all details of above ABR record(s) except for: <ul style="list-style-type: none"> the entity's ABN the date of effect of the ABN Registration the date of effect of any GST registration and cancellation
4. Cease making the details of the record(s) available to any party.
5. Notify others who have received the record(s) from your agency to also delete the record(s) excluding the details specified in dot point two.

Source: ATO, ABR Documentation—Suppression of ABR records.

4.56 Based on review of ATO documentation, the matter of suppressed information was considered when partner agency arrangements were changed from MoUs to the Terms and Conditions agreements. However, no documentation was available on the outcome of these deliberations, or when or by whom the decision was made to cease sending suppression notices to ABR Partner Agencies.

4.57 A review of the suppression process was initiated by the CAS business line in June 2013, but had not been finalised as at April 2014. There would be merit in the ATO using this review process to assess that: any risk associated with not sending suppression notices to ABR partner agencies has been addressed; ABR partner agencies are appropriately aware of their obligations in managing ABN suppressed information; and the Terms and Conditions agreements fully meet the requirements of new privacy legislation introduced on 12 March 2014.⁸⁴

⁸⁴ The *Privacy Amendment (Enhancing Privacy Protection) Act 2012* (Privacy Amendment Act) made many significant changes to the *Privacy Act 1988* (Privacy Act). These changes commenced on 12 March 2014.

4.58 In the ANAO survey of ABR partner agencies (discussed in Chapter 5), one agency assumed that there had not been any suppressed records as no notifications or alerts of protected information had been received for some considerable time.

Conclusion

4.59 The BRR business line has introduced a simpler process, through Terms and Conditions agreements, to support agencies' access to ABR non-public data. While this arrangement reduces the administrative burden on BRR business line and partner agencies' staff, processes for establishing ABR partner agencies are not documented. There are also very few checks and balances on ABR partner agencies' access to and use of ABR non-public data, including through the new compliance process under development. As there is no record of the decision to cease notification to ABR partner agencies where an ABN holder's details have been suppressed, and there are potential risks to the safety of those ABN holders, there would be merit in the ATO reviewing this decision.

4.60 While governance arrangements supporting the dual role of Commissioner and Registrar are supported by appropriate delegations, as discussed in Chapter 2, the ATO did not explain why the ATO entered into a Terms and Conditions agreement to become an ABR partner agency in 2012, and what practical changes that made to how the ATO uses ABR data.

5. Whole-of-Government Initiatives

This chapter examines the administration of the ABR within the context of whole-of-government initiatives.

Introduction

5.1 In establishing the ABR, the whole-of-government objectives were to allow business to: comply with regulatory requirements; gain information and assistance from all government agencies; and notify a change of details to one government agency that would be shared across other agencies. While the intent was for business to access a single government entry point or as few entry points as possible, there are a number of other entry points, including the Business Names Register as part of the national business names registration scheme.

5.2 To assess the effectiveness of the ABR in delivering whole-of-government outcomes and services to the business community, the ANAO examined the:

- ATO/Registrar's administration of ABR services: the ABR website, *ABNLookup* and ABN partner agency services; and
- implementation of the national business names registration scheme by the ATO and ASIC.

The ANAO also consulted with the Treasury and the Department of the Prime Minister and Cabinet on arrangements supporting the development of whole-of-government initiatives for the business community.

ABR services

5.3 ABR services are available to business, other government agencies and the broader Australian community through the ABR website, *ABNLookup* and ABR partner agency services.

ABR website

5.4 The ABR website was re-designed and re-launched on 2 December 2013, with improved user features, including that it:

- has the appearance of being an ABR-specific website, rather than a hybrid ATO/ABR website due to the design, layout and embedded linkages in the previous version; and
- is easier to navigate, and duplicate information has been removed.

5.5 While the appearance and content of the website has been updated, full integration with other registrations, including registering a business name with ASIC, is not available (although 'joint registration' is promoted as part of the national business names initiative). Some of the information provided in an application for an ABN is used to pre-populate other applications for business registrations, for example AUSkey, GST, pay as you go withholdings and in applications for a business name with ASIC. However, the facility does not provide a streamlined registration process, with applicants directed to other websites to complete the application processes and having to re-enter some information already provided in other registrations.

5.6 Additionally, the new website is not scheduled to be fully compliant with the accessibility standards required by government until December 2014.⁸⁵ Consequently, as at April 2014, people with a disability may not have access to the full range of ABR services via the ABR website, including applying for an ABN.

ABNLookup service

5.7 Information held on the *ABNLookup* service may be accessed by:

- a single website search (known as a HTML website search);
- web-services that provide greater functionality and more options than the HTML interface.⁸⁶ These services allow the user to incorporate ABN information and search capabilities into their own software applications⁸⁷; and
- a bulk extract of data (provided by Industry). The availability of web-services has seen a decrease in the demand for this form of data delivery.

5.8 Access to web-services requires online registration (with Industry) for a global user identification (GUID). This requirement is not to restrict access to

85 The Australian Government released the Web Accessibility National Transition Strategy in June 2010. This strategy requires all government websites to meet Level A conformance by 31 December 2012, and all federal websites to meet Level AA conformance by 31 December 2014.

86 For example, there is no upper limit to matches returned when conducting a name search, whereas a search through the HTML interface is restricted to the top 200 matching names. Additional search options available through web-services include retrieving ABNs for a selected postcode or for a particular entity type, or for those registered for GST.

87 For example, a software application that uses the ABN as a business identifier can interact with *ABNLookup* to automatically validate details or populate a database.

the service—a GUID is issued to any government agency, member of the public or business entity that registers with Industry—but to facilitate Industry’s management of the web-services, for example by providing a point of contact for planned outage notifications and upgrades to the service.

5.9 The Registrar reports the success of the *ABNLookup* service by the number of times it has been accessed and the proportion of time it is available. The number of searches on *ABNLookup* and bulk data requests for the three year period 2010–11 to 2012–13, and for the period 1 July 2013 to 31 December 2013, shows a strong upward trend, as set out in Table 5.1.

Table 5.1: Number of searches on *ABNLookup* and bulk data extracts, 2010–11 to 2012–13, and 1 July 2013 to 31 December 2013

<i>ABNLookup</i> searches	2010–11	2011–12	2012–13	1 July to 31 Dec 2013
Total via HTML search	61 901 325	86 733 708	110 406 852	52 587 975
Total via Web Services	118 730 066	194 256 318	262 522 712	129 091 221
Total searches	180 631 391	280 990 026	372 929 564	181 679 196
Bulk data extracts	158	152	93	48
<i>ABNLookup</i> availability	99.6%	99.8%	99.7%	99.9%

Source: Australian Government, *Report of the Registrar 2012–13*, p. 87, for 2010–11 to 2012–13, and information provided by Industry. Figures in italics were provided by Industry.

5.10 No regular analysis is conducted on the various uses of data obtained through the *ABNLookup* service, although Industry advised that it gains considerable anecdotal evidence through communications with web-services users, and more broadly in engagement with the business community. Commencing in late 2012, Industry has maintained a list of entities’ intended use of *ABNLookup* data, as stated in their GUID registrations.⁸⁸

5.11 As at 30 April 2014, 3047 entities had been issued with a GUID, including 419 government entities. Generally, the *ABNLookup* service is used to validate ABN details, including for GST purposes, and to use those details to pre-populate forms. Some business and government entities conduct regular overnight data-matching runs to validate many thousands of ABNs with information held on their own systems.

88 This list of web-service users is provided monthly to the BRR business line, as well as an aggregated list of the reasons the entities want access to the service.

5.12 Industry also advised that there was strong interest amongst users of *ABNLookup* data for the provision of ANZSIC codes (currently included in non-public data available only to ABR partner agencies), and the size of businesses (not currently captured by the ABR). While ANZSIC code definitions are freely available (including on the Australian Bureau of Statistics website) they are not included in entity information on *ABNLookup*.

5.13 The BRR business line advised that, while there had been some discussion about including ANZSIC codes in the *ABNLookup* service, this information is not specified in the ABN Act as publicly available information, and no further action has been taken. While the ABN Act specifies the information that the Registrar can provide, no action has been taken by the ABR since commencement of the register to add additional fields that would enhance *ABNLookup* searches, although the matter has been noted in meetings of the ABR Advisory Board.

5.14 There has been little engagement between the ATO/Registrar and Industry about the service since it was established in 1999–2000. Industry has planned and managed the service independently, including developing new features, such as a mobile friendly web interface. Input from the ATO has largely been to notify Industry of legislative changes requiring *ABNLookup* to display, for example: registered business names information, with links to ASIC, and links to the Australian Charities and Not for Profit Commission, where the charity is registered with the Commission.

Services to ABR partner agencies

5.15 The Registrar reports, as a measure of the success of the ABR, the number of ABR partner agencies and the volume of data that is provided to these agencies. However, the ATO advised in April 2014 that this will change with the review of the PBS measures and KPIs underway for 2014–15.

Number of ABR partner agencies

5.16 The number of government agencies that had entered into an agreement to access non-public data, from 30 June 2008 to 31 December 2013, is set out in Table 5.2. A full list of ABR partner agencies is included on the ABR website.⁸⁹

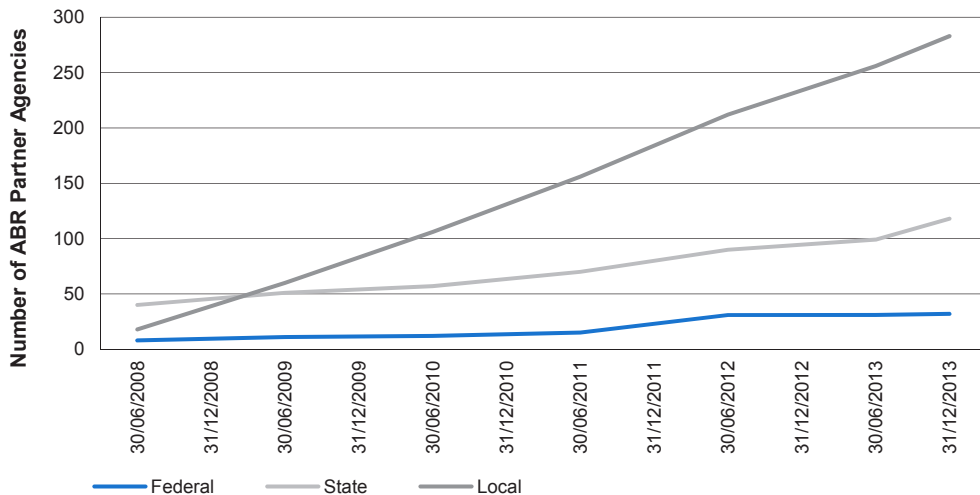
89 See <<https://abr.gov.au/For-Government-agencies/Accessing-ABR-data/Agencies-with-access-to-non-public-data/>> [accessed 29 April 2014].

Table 5.2: ABR partner agencies, 30 June 2008 to 31 December 2013

Agency	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013	31 Dec 2013
Local	18	60	106	156	212	256	283
State / territory	40	51	57	70	90	99	118
Federal	8	11	12	15	31	31	32
Total	66	122	175	241	333	386	433

Source: Reports of the Registrar 2007–08 to 2012–13, and information provided by the ATO.

5.17 Overall growth in the number of partner agencies has been supported by the increase in local government agencies' use of ABR services. Growth in the number of ABR partner agencies by level of government, for the period 2007–08 to 31 December 2013, is set out in Figure 5.1.

Figure 5.1: Number of ABR partner agencies, 2007–08 to 31 December 2013

Source: Reports of the Registrar 2007–08 to 2012–13, and information provided by the ATO.

5.18 The number of ABR partner agencies remains relatively low, in comparison to the projected numbers in the *Business Case and Output Pricing Agreement (OPA) 2002–05* for the ABR: 240, 500 and 1000 partner agencies

forecast for 2002–03, 2003–04 and 2004–05 respectively, and subsequently revised to 650 in November 2004.⁹⁰

5.19 A strategy developed by the BRR business line in April 2011 aimed to increase the number of ABR partner agencies to 600 by August 2011.⁹¹ This figure was determined through research that identified ‘high priority’ agencies to be contacted and encouraged to become partners.⁹² Of these, 182 were already ABR partners. Of the remaining 435 agencies targeted, 70 had entered into an agreement with the ATO by August 2011, with another 38 agencies indicating an intention to become a partner agency. The ATO noted that, although a proportionately greater number of local councils signed as partner agencies than state and federal agencies, local councils offer less opportunity for businesses to interact using their ABN (the original intent of the ABR).⁹³

5.20 While the ATO has increased the number of partner agencies to 433 as at 31 December 2013, it has not undertaken further substantive work to reconsider the number of agencies that could become partners. There would be merit in the ATO reviewing the number and type of agencies that could be encouraged to become partners, as part of a broader review of the use of ABR data by these agencies, discussed below.

ABR partner agency data requests

5.21 ABR partner agencies’ requests for ABR non-public data are received and actioned by the Agency Agreement team. ABR partner agencies typically receive the data as a bulk extract: nation-wide information is downloaded to a disk and delivered to the requesting agency by courier; information restricted to a specific state or territory is sent through a secure online mailbox service, introduced in 2010–11.

5.22 The number of bulk data extracts issued for the period from 2010–11 to 2012–13 and from 1 July 2013 to 31 December 2013, is set out in Table 5.3. The growth in the number of data requests, to 1874 in 2012–13, reflects the increase in the number of partner agencies over the same period.

90 ANAO, Audit Report No.15, 2007–08, *Administration of Australian Business Number Registrations Follow-up Audit*, p. 47.

91 ATO, ‘600 Agencies Communications Strategy’, 4 April 2011.

92 High-priority agencies are classified as those that are responsible for functions that interact with business or have influence over policy or programs impacting or interacting with the business community.

93 ATO, ‘600 Agencies Communications Strategy’, 4 April 2011, p.4

Table 5.3: Bulk data extracts issued, 2010–11 to 2012–13

Bulk data extracts	2010–11	2011–12	2012–13	1 July 2013 to 31 December 2013
Data disk	553	450	561	381
Bulk data exchange	247	788	1313	888
Total	800	1238	1874	1269

Source: Annual Reports of the Registrar 2010–11 to 2012–13, and information provided by ABR.

ABR partner agencies' use of ABR data

5.23 The Agency Agreement team records the use(s) an agency intends for ABR non-public data at the time of signing a Terms and Conditions agreement with the Registrar.⁹⁴ However, no record is kept of the subsequent uses each agency has for ABR data, and it is not reported beyond the inclusion of case studies in the Registrar's annual reports.⁹⁵

5.24 For audit purposes, the Agency Agreement team examined the agencies' stated intent for the use of non-public data, as indicated on their partnership agreements and recorded on the partner agency database. However, the analysis has limited application as:

- it includes only the stated intent of the use of the ABR data by partner agencies, not subsequent uses; and
- a Commonwealth agency only has to indicate one anticipated function on the Terms and Conditions form in a free text field, whereas a state or local agency is given a number of pre-determined 'typical' functions to tick.

5.25 Effectively, the ATO/Registrar has only a general understanding of ABR partner agencies' uses and applications of ABR data, although it recognises that local government agencies (the majority of partner agencies) provide less opportunity for businesses to interact using their ABN.

94 Prior to the use of Terms and Conditions agreements, partner agencies were established under a MoU that required a variation every time a partner agency intended to use ABR data for a purpose not initially declared at the original signing of the MoU. However, no record of this information has been compiled.

95 From 2009–10 to 2012–13, some 15 case studies presented in the Registrar's reports included instances where ABR data had been used: to assist in disaster response and recovery; to support planning and survey work in local government; to streamline reporting in the Department of Human Services' (Centrelink) income reporting service; and for validating ABN information.

5.26 Annual surveys of ABR partner agencies provide information on agencies' level of satisfaction with the quality of the data and data delivery. The surveys do not ask agencies to consider the extent to which their use of ABR data allows them to improve or streamline services to the business community. Agencies use ABR data to validate ABN information held in their own systems, but there is no assessment as to how this activity assists the business community. No surveys of the business community are undertaken to gain their view of the uses of an ABN, and the extent to which it reduces their reporting and registration obligations.⁹⁶

5.27 Despite the initial policy intent, there is no direct link between partner agencies and the ABR that would support the concept of an 'entry point' for business to government. For example, with the exception of the ATO, a change of address notified to the ABR does not automatically update information held on other agencies' databases, though partner agencies with the required technology may choose to use the information provided in bulk extracts for this purpose.

5.28 A paper prepared for the ABR Advisory Board in 2013⁹⁷ provided insights into business reporting:

In a continually expanding, complex regulatory environment, the ABR is actually suffering from the needs of other government agencies to gather business information. Often this information is the same as that already stored on the ABR. This causes a myriad of problems:

- businesses are required to provide the same information several times to several different agencies;
- there is an assumption, even an expectation, in the business community that if they provide information to one government agency, then all government agencies will have that information;
- there is poor awareness of which agency should be advised if a business changes their details. This can mean a business is forced to maintain several contacts, or is hesitant to change its details to a more suitable business arrangement for concerns about the impacts of the change; and

96 Minutes of the ABR Advisory Board meeting of October 2012 reflect the Deputy Registrar raising the issue of business representation on the Board, noting that the topic had also been raised at a previous meeting. Members agreed that the current size and makeup of the Board was adequate, and that there were existing consultative groups in other agencies that could be asked for input about the ABR. As at May 2014, there was no business representation on the ABR Advisory Board.

97 The paper was prepared by a joint working group from agencies represented on the ABR Advisory Board, examining the options of using other agencies' data to enhance the accuracy of data held on the ABR. The ABR Advisory Board noted the paper in the May 2013 and October 2013 meetings.

- ongoing costs to agencies in storing and maintaining business information they collect.

5.29 The paper concluded that: all of these issues undermine the currency of the ABR and create confusion in the community; that there should be a focus on ensuring the ABR is recognised as the register of business information from which all other agencies update their information; and that mandating the ABR as the sole repository of business information would have a greater impact on reducing the costs of compliance.

ABR partner agency comments

5.30 The ANAO invited comments from 37 of the 333 ABR partner agencies (as at 30 June 2012): 23 from local government agencies, 10 from state and territory agencies, and four from Australian government agencies. Sixteen agencies provided a response, with the majority of agencies commenting on the good working relationship with ABR staff. Common issues raised by the agencies are detailed in Table 5.4.

Table 5.4: Issues identified by ABR partner agencies

Issue	Comment
Currency of ABR data	Concerns as to the lack of currency of the ABR data, finding that address details were incorrect or misspelt, with a particular problem existing with email addresses. One agency found 25 per cent of email addresses (in the conduct of a survey) were not current, resulting in emails bouncing back, and noted significant mismatches between the ABR and ASIC records (for example, in the details of executive officers of a company).
Accuracy of ABR data	ABR data sets would be more useful if the data was accurate. Agencies were aware that, to date, no sanctions had been applied to entities' failure to maintain their ABN details, and thought that the ABR should undertake additional compliance activities and apply penalties.
Additional data needs	The addition of geocodes to ABN data was welcomed, although one local government council had already applied geocodes to their own database.
<i>ABNLookup</i> service	<i>ABNLookup</i> was regarded as a more useful source for public data than periodic data extracts from the ABR, as it is updated daily and has a bulk upload tool that is not available with non-public data. Three agencies were unaware of the <i>ABNLookup</i> service.
Ease of access / lack of accessible technology	ABR technology for delivering the data was described as 'clunky', restricting the options available to partner agencies on application of the data. Agencies commented that without their own data warehouse to support storage, access and retrieval of ABR data, there would be significant difficulty in using it. One agency noted the requirement to filter data to determine 'active' ABNs.

Source: ANAO, from ABR partner agencies' responses to requests for comments.

Conclusion

5.31 The ABR website, *ABNLookup* and a range of ABR partner agency services enable the Australian community, business and government agencies to access information about business entities through their ABN. Access to the *ABNLookup* service continues to expand, with over 370 million searches of public ABN data conducted in 2012–13. Non-public information held on the ABR was available to 433 government agencies as at 31 December 2013, which was less than the original and revised targets. There has been little analysis of the use made of ABR data by partner agencies or others, and the extent to which it has facilitated improved services to the business community.

5.32 The ABR was intended to be a unique business identifier accessible through a business entry point to government. However, it has not been developed to provide a sole business entry point to government, and there is little evidence that it has reduced the number of entry points to government. Additionally, lack of ABR data integrity means there are limitations concerning the use of ABNs as unique and trusted identifiers of Australian businesses.

National business names registration scheme

5.33 Implementation of the national business names registration scheme in May 2012⁹⁸: transferred registry powers from the states and territories to the Commonwealth, replacing eight state and territory registry services; introduced new national requirements for business names; and established the Business Names Register (BNR). The scheme is administered by ASIC.⁹⁹

5.34 Under the scheme, any business that does not operate under its own entity name¹⁰⁰ (unless exempt under the legislation) must register its name and details on the national register, so the entity behind the business name, and its contact details, can be identified. This arrangement establishes ASIC as the single source for the issuing and administration of business names, and

98 Enactment of the *Business Names Registration Act 2011* introduced a single national system for registering and regulating business names.

99 As discussed in Chapter 1, this scheme is part of COAG's reform agenda aimed at driving productivity growth and forms part of the COAG *National Partnership Agreement to Deliver a Seamless National Economy*.

100 The entity name is the name that appears on all official documents or legal papers.

provides a formal distinction between an ASIC-registered business name, and an informal or unregistered trading name that businesses may use.¹⁰¹

5.35 The legislation also requires that new applicants, other than those 'grandfathered'¹⁰² under transitional arrangements, must have an ABN to register a business name, and while an ABN is free, ASIC charges a fee to register a business name.

5.36 The national business names registration scheme also included the development of a system for business to undertake ongoing interactions with government through the Business Online Services project—the Australian Business Account and the Australian Business Licence and Information Service—administered by Industry.

Transition to the new arrangements

5.37 Under the legislation, the Registrar ceased collecting or updating trading names on 12 May 2012¹⁰³, with the intent that trading names would be removed from the ABR (and the *ABNLookup* service) from 28 May 2013. This arrangement allowed a one-year transition period for businesses to meet the requirement to register their business names on the national register. From this date, the ABR would display only business names that had been registered by ASIC.

5.38 While this requirement was relatively straightforward for new business names, the initial timeframe did not allow for the difficulties that emerged in the transition to the new arrangements. An amendment¹⁰⁴ to the ABN Act extended the transition period to 30 June 2014. On 25 February 2014, a

101 A trading name is the name or title under which a person or entity conducts a business, and allows customers or members of the public to identify and contact the business. A trading name can be different from the individual's name or the legal name of the corporate entity. For example, a business might be incorporated as ABC Holdings Pty Ltd, but conduct business under the trading name 'Dave's Mowing'. Since 1999, the Commonwealth has allowed the public to use a 'trading name' although there is no legislative basis on which they are established.

102 At commencement of the national registration scheme, 1.5 million business names were migrated from state and territory registers to the BNR. The businesses were 'grandfathered' in as much as their business names were registered irrespective of their ABN status (not all state and territory jurisdictions required or recorded ABNs).

103 Prior to the new legislation, the Registrar was not required to collect or update business names or trading names in the administration of ABNs, or to undertake any verification as to their status. Providing a trading name was an optional field in the ABN application process. The optional field was removed from the online application process though remains on the paper form.

104 The *A New Tax System (Australian Business Number) Amendment Regulation 2012 (No.1)*.

proposed further amendment to the Act will allow the ABR to continue to publicly disclose trading names to 31 October 2018.¹⁰⁵

5.39 The further extension will allow ASIC, the ATO and Industry time to ensure that information held on the BNR and ABR (and the *ABNLookup* service) is accurate and up-to-date; and increase understanding in the community as to the distinction between trading names and registered business names, and the requirement to register a business name with ASIC.

5.40 Difficulties that have contributed to the delay in full implementation of the national business names registration scheme include:

- inaccurate estimation of the volume of entities required to register a business name at policy design phase; and
- delays in processing new ABNs to support registered business names.

Volume of entities required to register a business name

5.41 ASIC's original funding assumptions and resources planning for the administration of the BNR were based on the initial migration volumes of business names from states and territories, and the estimated annual volumes of new applications, renewals and maintenance of the register. ASIC advised that, until late 2012, it had no knowledge of the removal of trading names from the ABR and the subsequent demands for registering business names by June 2014—at which time trading names would cease to be listed on the ABR and entities realised that they were trading without legal basis.¹⁰⁶

5.42 At commencement of the scheme there were approximately 7.4 million active ABNs held on the ABR, of which 3.8 million had a trading name. Analysis undertaken by ASIC showed that at June 2013 approximately one million of these known trading names could potentially still transition to the BNR. Of the remaining ABNs where no trading name had been provided, some 3.6 million, the number of businesses that would be required to register a business name, or the volume of ABNs that were no longer valid, could not be determined.

¹⁰⁵ The *A New Tax System (Australian Business Number) Amendment Regulation 2014*.

¹⁰⁶ To implement this reform, the Government made regulations ceasing the ability of ABN holders to link trading names to their ABN from 28 May 2012 and for the removal of historical trading names from the ABR. These reforms were made by GST regulations, and ASIC advised it was not consulted during policy development.

5.43 The number of registered business names on the BNR from 30 June 2012 to 31 December 2013 is set out in Table 5.5.¹⁰⁷ Over this period the total population of active ABNs averaged 7.4 million.

Table 5.5: National Business Names Register: key statistics, 30 June 2012 to 31 December 2013

	30 June 2012	30 June 2013	31 December 2013
Business names migrated from state and territory registers (grandfathered)	1 475 949	-	-
Business names newly registered with ASIC in period (requiring an ABN)	19 131	274 349	149 604
(including business name registration requests received via the ABR joint service) ¹	0	(18 583)	(14 242)
Business names cancelled in period	1 684	39 921	24 346
Total business names on the national Business Names Register	1 488 898	1 740 780	1 866 292²

Source: ASIC *Annual Report 2012–13* for 30 June 2012 and 2013 data. Information provided by ASIC for the data for as at 31 December 2013.

Note 1: The ABR joint service is explained in footnote 108.

Note 2: At 31 December 2013, of the 1.87 million registered business names, only 898 014 had an ABN.

Delays in processing new ABNs

5.44 New applicants for a business name must have an ABN or an outstanding application for an ABN—represented by a reference number—before they can be issued with a registered business name, or a business name is reserved for them subject to the ABN being finalised. Applicants may submit their business name and ABN applications to ASIC and the ATO respectively, or apply for both through the ‘Joint ABN/BN Registration System’.¹⁰⁸

5.45 Irrespective of the method of applying for a new business name, where the process has been straightforward, ASIC will receive notification from the ABR that the ABN has been issued, and approve the application immediately upon submission (where payment has been made by credit card and the

107 The figures presented in Table 5.5 do not reconcile. ASIC advised this was due to a series of updates to the BNR that are not captured within the commission’s current reporting capability. ASIC was not aware of the issue prior to a query by ANAO during the course of this audit, and indicated its intention to change reporting tools, update its records and correct the numbers presented in its annual reports.

108 Although initially intended to apply from May 2012, this process did not commence until November 2012. The ATO provides both the customer interface and the registration process for the ABN registration; the ATO also provides a customer interface for business name registration, but not the actual registration process.

business name is available for registration). The number and status of new business name applications received by ASIC since commencement of the scheme in June 2012 to December 2013, is set out in Table 5.6.

Table 5.6: Number and status of business name applications, June 2012 to December 2013

Month	Business Name Applications	Applications Rejected	Applications Approved	Applications Pending
June 2012	23 632	26	21 239	8408
July 2012	22 653	134	20 943	5172
August 2012	23 512	318	22 024	4085
September 2012	22 692	105	21 654	3076
October 2012	27 618	86	24 982	2627
November 2012	25 053	1884	23 250	1986
December 2012	17 498	1833	15 658	1699
January 2013	22 810	2027	19 593	1878
February 2013	27 710	1887	22 290	3024
March 2013	25 865	2279	26 691	2389
April 2013	26 427	2053	27 304	2637
May 2013	29 058	7270	26 851	1722
June 2013	25 669	1824	23 500	2117
July 2013	30 358	651	28 299	2474
August 2013	28 966	2368	27 071	1813
September 2013	27 154	3336	25 658	1751
October 2013	27 741	2423	26 329	2013
November 2013	26 910	1689	24 945	2067
December 2013	19 208	2053	17 301	1465

Source: ASIC.

5.46 A 'pending' business name status may be the result of ASIC's fee associated with registering a new business name not having been paid by the applicant; or that the ABR has not finalised an ABN application. Other causes include that an ABN has been issued, but the notification has not been transmitted to ASIC or that an application for an ABN has been declined and ASIC is not notified.

5.47 The data exchange between ASIC and ABR, as discussed in Chapter 3, should support an efficient flow of data between the agencies, but information about an ABN may not flow to ASIC where the applicant has:

- applied for multiple ABNs, and the one that was approved has a different reference number that does not match and update the pending business name application;
- an active ABN but applied for a new one, and the ABR uses this active ABN rather than creating a new one; or
- has an inactive ABN, and the ABR reactivates this number, rather than creating a new one.

5.48 The number of business names with a ‘pending’ status that are subject to resolution of the entities’ ABN applications, as at 22 November 2013, 31 December 2013, and 28 February 2014, is set out in Table 5.7.¹⁰⁹

Table 5.7: Number of business name applications pending, subject to resolution of the entities’ ABN applications, as at 22 November and 31 December 2013, and 28 February 2014

Date Range	22 November 2013	31 December 2013	28 February 2014
Between 28 days and 60 days	234	547	382
Between 61 days and 120 days	254	258	243
Between 121 days and 180 days	190	188	209
Between 181 days and 240 days	211	212	178
Between 241 days and 365 days	188	243	410
Greater than 1 Year	149	194	518
Total	1226	1642	1940

Source: ASIC.

5.49 To minimise administrative delays in finalising ‘pending’ business name applications, commencing September 2013, ASIC and the ATO implemented the following ABN and business name reconciliation process:

¹⁰⁹ The figures in Tables 5.6 and 5.7 do not reconcile. ASIC advised that data in Table 5.6 derives from a report used to monitor overall transactions, whereas data for Table 5.7 is extracted from a report used solely to reconcile with the ABR. The difference between the reports is due to: different reporting criteria being used; and timing differences in the production of the respective reports.

- each fortnight ASIC runs a report to identify all business name registration applications (and their ABN reference numbers) that have been outstanding for longer than 28 days;
- this list is sent to the ATO for confirmation of ABNs that have been approved; and
- using this reconciliation, ASIC then uploads the active ABNs manually into the register so that the business name registration can be completed.

5.50 The process has been undertaken since September 2013 (with the exception of a four to six week period in December and January 2014) and continues to match approximately 200–300 ABN outcomes and business names each fortnight. For the remaining business name applications that are not reconciled in the above process, ASIC emails applicants whose applications have been outstanding for more than 28 days, advising them that their application is waiting on an ABN outcome, and that they should contact the ABR. This advice contradicts the concept of a joint ABN/business name registration process.

5.51 Overall, while processes are underway to manage the number of ‘pending’ applications, the data indicates that there are some businesses that may be prevented from legally trading under a registered business name for more than a year while their application for an ABN and registered business name is finalised.¹¹⁰

Integration of Business Online Services

5.52 The Business Online Services (BOS) project supported the development of the Australian Business Account (ABA), and the Australian Business Licence and Information Service (ABLIS), designed to add value to the national business names registration scheme by improving business information services and ongoing transactions with government.

¹¹⁰ The change proposed under *A New Tax System (Australian Business Number) Amendment (Display of Trading Names) Regulation 2014* would allow unregistered business names (known as trading names) that were on the ABR before 28 May 2012 to continue to be publicly disclosed until November 2018. However, under section 18(1) of the *Business Names Registration Act 2011*, an entity commits an offence of strict liability if it carries on a business under a name that is not registered to the entity as a business name on the BNR, with effect from 28 May 2012.

5.53 A brief for the Deputy Registrar in preparation for Senate Estimates in October 2010, included the intent to integrate ABR services ‘with the new national business registration and licensing services and an online business account being developed by [then] DIISR’¹¹¹, as agreed in the COAG implementation plan (for the National Business Names initiative) and endorsed by the (then) Prime Minister.

5.54 Integration was subsequently removed from the scope of the business names initiative due to time, funding and resource constraints. However, minutes from BRR business line management meetings held in late 2013 reflect discussion between ATO and Industry executives on linking the ABR and the ABA, and potentially the BNR, to create streamlined reporting, registration and information services. As at 28 February 2014, the integration had not progressed beyond informal discussion, while ABLIS and the ABA are available through the *business.gov.au* website.

Review and evaluation

5.55 The operations of the ABR and the ABR/national business names registration scheme (including the BOS project) have been the subject of a number of reviews and evaluations. In addition to the 2013 external review of the operations and governance of the BRR business line (effectively, the administration of the ABR, AUSky and SBR program), other recent reviews and evaluations include:

- the Gateway Review¹¹² commissioned by the (then) Department of Finance and Deregulation on the development and implementation of the national business names registration scheme:
 - *The Australian Business Number (ABN) Business Names (BN) Program; COAG Business Names Reform; Lessons Learnt Report (Version 1.0)*; 19 September 2013;
 - *Gateway Review Report; Gate 5 – Benefits Realisation Review for Business Online Services (BOS)*, 19 September 2013; and

¹¹¹ DIISR was the Department of Industry, Innovation, Science and Research.

¹¹² Gateway reviews involve short, intensive reviews at critical points in the project's lifecycle by a team of reviewers not associated with the project. This provides an arm's length assessment of the project against its specified objectives, and an early identification of areas requiring corrective action.

- an external evaluation of the ABA, commissioned by Industry:
 - *Evaluation of the Australian Business Account* February 2014.

5.56 Key lessons in the *ABN/BN Lessons Learnt Report* include those relating to the development of policy and legislation, governance and program management, communication, and the design and delivery of IT and data transfer systems supporting the initiative. The report also referred to two status reviews conducted during the development of the national business names registration scheme.

5.57 The reviews highlighted poor communication between the agencies involved, namely ASIC and the ATO, and a general reluctance by agencies to communicate openly and share information. The report also noted that, while the required Regulation Impact Statement (RIS) was prepared, it was written by the Australian Government Solicitor in a separate process from that of the drafting of the legislation for the national business names registration scheme. The RIS contained errors and had to be corrected at very short notice, defeating the purpose and intent of preparing a RIS.¹¹³

5.58 The *Benefits Realisation Review* noted the strong take-up by industry of ABLIS, and the expectation that use of the service will grow. In comparison, very few businesses had opted to open an ABA, with the review noting that: the continuation of separate ATO [the ABR] and ASIC accounts has diminished the likelihood of significant increases in ABA utilisation and that:

... having multiple user accounts for business to interact with numerous government agencies does not fully achieve the seamless business user experience the ABN / BN business case described. While this arrangement is now unlikely to change, future developments in the area of online business interaction with government need to hold as paramount the ease of use from a business person's perspective.¹¹⁴

5.59 The *ABA Evaluation* concluded that, reviewed against the original ABN/BN Business Case, the ABA's purpose remains relevant, noting a strong

113 A RIS is mandatory for all decisions made by the Australian Government and its agencies that are likely to have a regulatory impact on business or the not-for-profit sector. From January 2014, the Government has strengthened the Regulatory Impact Analysis framework with a focus on costing impacts on business, community organisations and individuals as part of a broader goal to reduce the burden of regulation. Available from the Department of Prime Minister and Cabinet <http://www.dpmc.gov.au/deregulation/obpr/ris/coag_ris/index.cfm> [accessed 17 March 2014].

114 Department of Finance and Deregulation, *Gateway Review Report: Gate 5—Benefits Realisation Review*, September 2013, p. 3–4.

demand from businesses for a single online channel to interact with government.¹¹⁵ Despite this strong demand from business, the evaluation found that a significant contributing factor for government agencies not connecting their services to the ABA has been the failure of the ABN/business name program to achieve the original objective of the ABA—being able to be used by businesses to seamlessly interact with ASIC, ATO and the ABR to manage their registration of a business number and business name.

5.60 In the absence of the ABA's integration with the ABR and BNR, businesses have to create and maintain at least three separate government online accounts, instead of one, as was originally envisaged in the ABN/business name Business Case: ABA, ABR, and the BNR.

Conclusion

5.61 The main objectives of the *Business Names Registration Act 2011*: to ensure that an entity behind a business name can be identified; and to remove the requirement for businesses to register in more than one jurisdiction, have been partly delivered. While businesses are now required to register their business name only once on the national register, the transparency of business ownership, through the continued use of trading names, has been delayed.

5.62 Potential benefits associated with the national business names registration scheme have not been fully achieved: the joint application process for an ABN and a business name still requires work; and while businesses can now access comprehensive licensing information through the ABLIS website, the benefits to businesses that could be delivered through an ABA have not been taken up.

Achieving whole-of-government outcomes

5.63 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 participating agencies. Therefore, an important role in the implementation of whole-of-government initiatives is liaising with and co-ordinating all relevant agencies. Portfolio departments are

115 ABN/Business Name ICT Business Case—A Council of Australian Governments' Initiative, 16 April 2008. ABA Evaluation p. 3.

well placed to perform this role due to their extensive networks used to develop policy and advise government.¹¹⁶

5.64 The 2007–08 ANAO audit noted that a challenge for the ATO in achieving whole-of-government outcomes was that it is not a portfolio agency. During the course of this audit, there was no lead portfolio agency strongly supporting the ATO in developing and promoting the ABR and broader ABR Program. Discussions with staff in the Treasury and the Department of the Prime Minister and Cabinet indicated that they were aware of the work being undertaken on the ABR, largely by the Deputy Registrar, to promote the whole-of-government policy objectives of the ABN Act. However, there was no area in either department providing portfolio agency support.

5.65 Similarly, while Treasury staff have been actively involved in the issues leading up to the proposed further amendment of the ABN Act (delaying the full implementation of the ABN/BN initiative) there was no identified portfolio agency ‘champion’ for the integration of ABA and ABLIS with the ABR and/or the BNR, to further streamline services to the business community.

5.66 Agencies involved in establishing the BNR could not provide documentation that explained the rationale for creating a new register in ASIC, rather than adding the capability to the ABR, and new policy proposals drafted by ASIC and the ATO proposed different ways to resolve difficulties with the initiative.

5.67 While both proposals focussed on operational options, the ATO argued that the ABR should be the single point for business registrations, including business name registrations (while ASIC would maintain the administrative and support process). Consequently, there would be one register, providing a more effective service for the business community. ASIC, on the other hand, supported the existing operations of the two registers. More recently, the Australian Securities and Investments Commission Chairman has proposed the option of commercialising ASIC’s registry functions¹¹⁷; whereas the

116 ANAO Audit Report No.15, 2007–08 Administration of Australian Business Number Registrations Follow-up Audit, pp. 61–62.

117 Maher S. *ASIC sized up for \$1 billion sell off*, The Australian, 15 April 2014, available from <<http://www.theaustralian.com.au/national-affairs/asic-assets-sized-up-for-1bn-selloff/story-fn59niix-1226884389870#mm-premium>>.

National Commission of Audit recommended that ASIC's registry functions transfer to the ATO, to streamline business reporting requirements.¹¹⁸

5.68 Although the need to streamline or reduce business reporting requirements has been recognised by successive governments (at least since the report of the Small Business Deregulation Taskforce 1996, *Time for Business*), the issue is far from resolved. In January 2014, the Government implemented a deregulation agenda with a net red tape reduction target of at least \$1 billion per annum across portfolios; and a discussion paper released on 30 April 2014, *The Small Business and Family Enterprise Ombudsman*, provides details of 'the Government's vision of establishing a single entry point for small businesses, providing an easy way to find out about services and programs'.¹¹⁹

5.69 The current deregulation agenda may provide a platform for further review, across agencies, of the efficiency of services delivered to business through the ABR, BNR, ABA and ABLIS, and give effect to the whole-of-government objectives associated with these initiatives.

5.70 Through the deregulation agenda, or other processes, it is critical that the key agencies responsible for the various government entry points—the ATO, ASIC and Industry, as well as the Treasury (and the Department of Prime Minister and Cabinet through the deregulation agenda)—communicate openly and cooperatively to achieve the whole-of-government outcome of making it easier for business to deal with government. In this light, their collective focus should be on the experience of businesses using the services provided, and how to better integrate and streamline the various existing government entry points to improve the overall user experience.

5.71 Without a more cohesive and cooperative approach between the relevant agencies it is likely that limited progress will continue to be made in achieving the whole-of-government objectives of the ABR, and related services. As it currently stands, after 14 years of operation the whole-of-government objectives of the ABR have only partially been achieved. Further, potential efficiencies for business that could have been leveraged through the development of the national business names registration scheme, ABA and ABLIS have not been achieved.

118 National Commission of Audit, Towards Responsible Government, The Report of the National Commission of Audit, Phase One, 14 February 2014. Appendix Volume 2, p. 169.

119 Minister for Small Business, Media release, *Government looks to make life easier for small business*, April 30 2014.

Recommendation No.1

5.72 To make it easier for business to deal with government, the ANAO recommends that the Registrar of the ABR works with the Australian Securities and Investments Commission, the Department of Industry and the Department of the Treasury to:

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

ATO response: *Agreed.*

5.73 *The Registrar of the Australian Business Register is committed to continuing to work collaboratively with government agencies, including the Australian Securities and Investments Commission, the Department of Industry and the Treasury, to further explore and deliver whole of government outcomes that reduce the compliance burden and make it easier for business to deal with all levels of government.*

ASIC response: *Agreed*

Department of Industry response: *Agreed*

5.74 *The Department of Industry agrees with the Recommendation.*

5.75 *The Government has provided funding in the 2014–15 Budget to streamline business access to Government programmes. The Department is committed to reform the way it and, potentially, the whole-of-government provides improved and streamlined services to business.*



Ian McPhee
Auditor-General


Canberra ACT
23 June 2014

Appendices

Appendix 1: Agencies' responses to the proposed report

Australian Taxation Office

5 JUN 2014
9.30

 **Australian Government**
Australian Taxation Office

Second Commissioner of Taxation

FILE COPY

Ms Barbara Cass
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

10/6/2014

Dear Ms Cass

RE: AUSTRALIAN NATIONAL AUDIT OFFICE PERFORMANCE AUDIT OF THE
AUSTRALIAN BUSINESS REGISTER

Thank you for your letter dated 8 May 2014 and for the opportunity to provide comments
on the proposed report on the Australian Business Register.

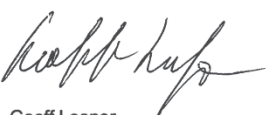
The ATO agrees with the recommendation as presented in the section 19 report.

Attached is the ATO response to the recommendation (Annexure 1) and summary of our
comments to be included in the report (Annexure 2).

I would like to thank the Australian National Audit Office audit team for the cooperative
and professional manner they have adopted in working with us on this matter. I look
forward to continuing the good working relationship developed in this performance audit.

If you require further information on this matter, please contact Mark Jackson, Deputy
Registrar, Australian Business Register on (02) 6216 4991.

Yours sincerely



Geoff Leeper

3 June 2014

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Annexure 1

Rec	ANAO recommendation	ATO response
1	<p>To make it easier for business to deal with government, the ANAO recommends that the Registrar of the ABR, works with the Australian Securities and Investment Commission, the Department of Industry and the Department of Treasury to:</p> <ul style="list-style-type: none"> a) Review the entry points to government; and b) Develop and implement the most effective and efficient delivery mechanism for businesses to meet their registration and reporting requirements, and to access information and services from government. 	<p>Agreed</p> <p>The Registrar of the Australian Business Register is committed to continuing to work collaboratively with government agencies, including the Australian Securities and Investments Commission, the Department of Industry and the Treasury, to further explore and deliver whole of government outcomes that reduce the compliance burden and make it easier for business to deal with all levels of government.</p>

Annexure 2**Summary of ATO's response**

The ATO welcomes this review and the recommendation made.

Since the development of the Business Reporting and Registration business line in 2010, the whole of government initiatives (Australian Business Register, Standard Business Reporting and AUSkey) that come under the umbrella of the Australian Business Register (ABR) program have continued to evolve.

As noted in the report, the two Federal Budget initiatives, *Towards a Better Business Future* and *Reducing Business Costs*, are helping to improve the integrity of the information held on the ABR, as well as making it easier for business to register for an Australian Business Number (ABN) and meet their reporting obligations to government.

The 2014 vision for the ABR program is to "Contribute to improving the wellbeing of the Australian people through enhanced business productivity by:

1. Reducing the administrative cost to business of complying with government regulation,
2. Influencing government policy and implementation, through advocating the use of services, technologies and processes to minimise the administrative impact on business, and
3. Encouraging the adoption of new practices by businesses to reduce operating costs.

The ATO recognises that the report identifies some opportunities for improvements to the ABR. We will explore these opportunities to identify where further changes can be made to the ABR in the future.

Australian Securities and Investments Commission



11 JUN 2014

ASIC

Australian Securities & Investments Commission

Our Reference: CCU-14/0312
Your Reference:

GREG MEDCRAFT
Chairman

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5 June 2014

Ms Barbara Cass
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Bar
11/6/2014

Dear Ms Cass

Thank you for your letter dated 8 May 2014 about the proposed audit report
Administration of the Australian Business Register.

ASIC welcomed the opportunity to be involved in this audit and agrees with the
proposed report's recommendation.

Please convey my sincere thanks to your team responsible for conducting this audit
for the effort they made to visit the ASIC Traralgon office, their professionalism and
consideration of ASIC's input. ✓

Attached is ASIC's summary response and full response to the proposed report
(Annexures 1 and 2, respectively).

Yours sincerely

GREG MEDCRAFT
CHAIRMAN

Attach: Annexures 1 and 2

Annexure 1 – Summary response

ASIC welcomed the opportunity to contribute to the ANAO performance audit on the administration of the Australian Business Register and strongly agrees with its recommendation.

Whilst acknowledging more can be done to reduce entry points to government and streamline registration and reporting requirements for business, the national Business Names Register has reduced the entry points to government by consolidating eight State and Territory registers into a single national online register.

Importantly, it has delivered cost savings to business. On its second anniversary on 28 May 2014, the national Business Names Register has saved business \$76.8 million in reduced fees to register or renew a business name.

Annexure 2 – Full response

ASIC welcomed the opportunity to contribute to the ANAO performance audit on the administration of the Australian Business Register and strongly agrees with its recommendation.

Whilst firmly acknowledging that more can be done, ASIC contends it has made a significant contribution to the government's goal of making it easier for business to deal with government by reducing business reporting and registration requirements and entry points to government services. ASIC's contribution includes:

- Implementation of the national Business Names Register, which replaced eight State and Territory business entry points with a single online entry point for business to register, renew, update and search business names. Close to 1.6 million registered business names were automatically transferred to ASIC's national register, together with over 84 million data records migrated from state and territory agencies.
- Implementation of AUSKey to the Business Names and Self Managed Super Fund Auditor registers. AUSKey is the whole-of-government common authentication system, and is designed to provide business with a single credential to interact online with government agencies.
- Development of linkages between the Australian Business Register and the national Business Names Register, including the joint ABN and Business Name registration service, which provides greater consistency and transparency of information across both registers.

ASIC agrees there is potential for further benefits to be delivered to business by implementing the most effective and efficient delivery mechanism for business to meet their registration and reporting requirements. ASIC is pleased to report that the national Business Names Register has delivered cost savings to business. On its second anniversary on 28 May 2014, the national Business Names Register has saved business \$76.8 million in reduced fees to register or renew a business name.

Importantly, it has also delivered convenience and time savings to business. For example:

- Over 99% of business name registration applications have been completed online.
- Close to 30% of transactions occur between the hours of 5pm and midnight.
- Over 20 million online searches of the new register have been undertaken (close to 20% from a mobile device and growing).

Department of Industry

11 JUN 2014



Australian Government
Department of Industry

Secretary

Ms Barbara Cass
Group Executive Director *Barb 11/6/2014*
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Barbara,
Dear Ms Cass

I refer to your letter of 8 May 2014, seeking comment from the department on the proposed audit report on the Administration of the Australian Business Register.

The department welcomes the timing of the audit report and findings as they align to the government's deregulation agenda and the streamlining of service delivery.

The department is currently working on implementing a Single Business Service delivery model to simplify the way businesses access government information and services. This new initiative, to commence from 1 July 2014, will focus on excellence in program design, delivery and above all, customer service.

Please find the department's response to Recommendation 1 is at [Attachment A](#) and a response for inclusion in the body of the report at [Attachment B](#). There are also some comments included at [Attachment C](#) relating to a minor factual error.

I thank you for the opportunity to comment on the proposed audit report.

Yours sincerely

G.A. Beauchamp
Glenys Beauchamp

5 June 2014

ATTACHMENT A

Department of Industry response to ANAO Recommendation

Recommendation 1:

To make it easier for business to deal with government, the ANAO recommends that the Registrar of the ABR, works with the Australian Securities and Investment Commission, the Department of Industry and the Department of the Treasury to:

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

Department of Industry Response: *Agreed*

The Department of Industry agrees with the Recommendation.

The Government has provided funding in the 2014-15 Budget to streamline business access to Government programmes. The Department is committed to reform the way it and, potentially, the whole-of-government provides improved and streamlined services to business.

ATTACHMENT B**Summary of Department of Industry's response for inclusion in the Report Summary**

The Department of Industry acknowledges the contribution the ANAO audit report makes to support and improve whole-of government interactions with business.

The department is well positioned to deliver on the government's deregulation agenda. Work is underway on the implementation of a Single Business Service delivery model to simplify the way businesses access government information and services. The new initiative, to commence from 1 July 2014, will focus on excellence in program design, delivery and above all, customer service. It will showcase the department's capacity to provide a Single Business Service delivery mechanism for government.

The department supports the delivery of the Australian Business Register (ABR) by hosting the *ABNLookup* and *SuperfundLookup* services, which can be accessed directly on the web, or through links provided in the *business.gov.au* website.

The Department is responsible for the administration of other initiatives including the 'Australian Business Account', 'Australian Business and Licence Information Service' and also VANguard.

VANguard is a whole of government program that delivers cost-effective and reliable authentication services to secure business to government (B2G) and government to government (G2G) online transactions. VANguard provides a simple way for government agencies to use the AUSkey as a credential for their own online channels. VANguard authenticates every VANguard transaction to government including those for the ATO. Over 40 million AUSkey authentication transactions were processed by VANguard in the 2013/14 financial year on behalf of over 40 agencies.

The department is committed to continue to work with other agencies and stakeholders to reform and streamline business interactions with government.

Appendix 2: Recommendations from the external review of the BRR business line

In May 2013, consulting firm KPMG was engaged to review the operating and governance arrangements within the ATO's Business Reporting and Registration (BRR) business line with the aim of improving the efficiency and effectiveness of operations. Six recommendations were made in a report issued 13 September 2013.

Recommendation 1: Strategic clarity

1.1 Strategic clarity: In a complex system, strategic clarity is imperative. KPMG recommends that the BRR Executive:

- a. *Develop a strategic brief to Government to communicate and argue the role and program of work of BRR and how this aligns to the Government's digital economy strategy and red tape reduction. It is also essential for BRR to engage with key agencies to communicate this message to Department Heads.*
- b. *Develop an integrated whole of BRR business line strategic vision, roadmap and value proposition, in the context of the whole-of-government mandate for driving the digital economy. As part of this recommendation, develop BRR's value propositions for each service line.*
- c. *Clearly articulate and seek endorsement from Government that it has either (i) a whole-of-government mandate to improve the ability for business to do business with Government online or (ii) provides the infrastructure to allow this but does not have the broader mandate.*
- d. *Develop a consolidated BRR stakeholder approach which recognises the different roles organisations play in the service delivery model.*

Recommendation 2: Services

2.1 Clarity of the services provided by BRR is critical for the realisation of their strategic intent. It is recommended that the BRR Executive:

- a. *Establish and document a set of core services which all BRR understand and can speak knowledgeably with customers and stakeholders about.*
- b. *Give consideration to developing branding to communicate BRR's role in reducing the regulatory burden for business by delivering online services to support business and Government interaction. Initial title suggested "Australian Business Registration & Reporting Services (ABRRS)".*
- c. *Build business confidence and buy in by testing and communicating industry pilot study results.*
- d. *Review BRR's funding to ensure it aligns with priorities agreed with Government.*

Recommendation 3: Processes

3.1 Clarity of the processes supported and roles under the new governance model and responsibilities across BRR and the other parties involved in delivering the Government's intent to make it easier for business to interact online with Government in turn enhancing the ability of BRR to achieve its outcomes. Similarly, clarity of the processes and responsibilities internal to the ATO service provision will increase efficiency. It is therefore recommended that the BRR Executive:

- a. *Review and implement any BRR process changes that have been a result of the ATO recent organisational design outcomes. This may incorporate how BRR will require support from the new Service Delivery team, previously the COO team.*
- b. *Review the Division's stakeholder parties in the context of the clarified strategic direction.*

Recommendation 4: Organisation and Governance

4.1 Clarifying the governance and accountability structures will be essential in creating a clearer focus on strategic outcomes for BRR and to create the capability to execute on BRR's strategic intent in an efficient way. KPMG recommend that BRR consolidate and redefine the role of the whole-of-government governance committees into one whole-of-government committee with responsibility for:

- a. Providing strategic direction on the outcomes to improve Government interaction with business (rather than just on technical issues).*
- b. Incorporate all dimensions of the BRR services (and possibly other elements of the end to end service model (e.g. [Industry]).*
- c. Consider and take action on the effectiveness of the roles taken by all parties (including state and local governments) in delivering the Government's outcomes.*
- d. Monitor implementation of the Government's strategic outcomes and make recommendations to Government on any changes required.*

4.2 Implement and communicate a clear and concise whole of business line governance framework and organisation structure aligned to the changing role of the BRR business line.

4.3 Refine BRR's organisational design to:

- a. Reduce unnecessary duplication, address delivery gaps and deal with overlaps and accountabilities.*
- b. Enhance integration and quality of service to Government and business.*
- c. Enhance integration and effectiveness of stakeholder interaction.*
- d. Enhance focus on strategic outcomes and alignment of operational activity to these strategic outcomes with consideration given to renaming branch titles (within BRR) to reflect organisational changes following consideration of this report.*

Recommendation 5: People

Achieving BRR's outcomes relies heavily on the leadership, management and core skills of its people. BRR staff are highly skilled in data analysis and management and information technology, however an outward looking, whole-of-government focused culture and skills sets is needed for success into the future. This is an appropriate time to take a 'stock take' of the skills of BRR staff, and to develop skills aligned with the future strategy and operating model of BRR, and alter recruitment practices in line with the desired skill set. Similarly, there is an opportunity to undertake some activity to align BRR's culture with its stated strategic direction. In order to align the people and culture of BRR with its strategic intent, KPMG recommend that the BRR leadership team:

5.1 Implement a skilling and recruitment strategy to build:

- a. Strategy and policy skills.*
- b. Project management skills.*
- c. Stakeholder engagement skills and influencing skills.*
- d. Agency support and interaction skills.*

5.2 Consider undertaking a cultural assessment to highlight and take action on those elements of its culture which need to be aligned with BRR's strategic outcomes. Aspects of the desired culture are anticipated to include:

- a. Reaching out and engaging.*
- b. Selling ideas.*
- c. Influencing, championing.*
- d. Big picture strategy.*
- e. Change leaders.*

Recommendation 6: Enablers

6.1 ATO infrastructure and support services are critical to the effectiveness of BRR. However ATO enabling services also need to recognise BRR is a whole-of-government initiative and may require a more strategic level of prioritisation and support in delivering their outcomes. This may not fit within the strategic priorities of the ATO. Effective stakeholder management and documenting ATO and whole-of-government systems architecture is essential for these support relationships to be successful. Within the context of implementation of the broader organisational review, KPMG recommends that BRR:

- a. Construct a systems enterprise architecture model and develop a long term plan, investigating costs and benefits associated with the separation of BRR supporting infrastructure within the ATO.*
- b. Establish and review a stakeholder relationship and governance model for the EST/Business Solution interactions ensuring agreement of the prioritisation of whole-of-government initiatives within the broader ATO ICT delivery model.*
- c. Review the existing service provider agreements in place with Client Service Solutions and CAS and document agreed roles and responsibilities and performance metrics.*
- d. Investigate how BRR's particular needs could best be serviced within the ATO ICT infrastructure. This investigation should include an analysis of costs and benefits.*

Index

A

A New Tax System (Australian Business Number) Act 1999, 31–32, 34, 46, 48, 85, 87, 101, 110

ABNLookup, 32, 34, 38, 61, 64, 65, 67–68, 72, 81, 87, 91, 92–94, 101

ABR Advisory Board, 36, 50–51, 94, 98

AUSkey, 33, 36, 39, 41, 43, 54, 64, 79, 80, 92

Australian Business Account (ABA), 23, 34, 43, 106, 108–9, 110

Australian Business Licence and Information Service (ABLIS), 34, 43, 101, 106, 107, 108, 110

Australian Business Number (ABN), 31, 36, 65

Growth in, 75

Australian Business Register (ABR)

- Cancellations, 31, 54, 63, 75, 80
- Costs and funding, 56–59, 72–73
- Information held on, 34–35
- Population of, 73–74, 103
- Public and non-public data, 34–36, 73, 84–90, 94–95, 96–97, 97, 100
- Registrations, 34, 72, 80, 92

Australian Securities and Investments Commission (ASIC), 33, 38, 64, 69–70, 92, 101–6, 108, 110–11

B

Business Names Register (BNR), 38, 64, 91, 100–106, 109, 110

National registration scheme, 33, 38, 60, 91, 100–109

Business Names Registration Act 2011, 100, 106, 109

D

Data access

- Partner agencies, 34, 43, 60, 63–66, 72, 81, 84–90, 94, 96–100
- Supporting IT systems, 63–64
- Suppressed data, 87–90

G

Goods and Services Tax (GST), 31, 34, 36, 44, 55, 71, 92, 93

K

KPMG Review, 37, 43, 46–48, 107

S

Standard Business Reporting (SBR), 33, 36, 38, 72, 82

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Bureau of Meteorology

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Australian Taxation Office

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Australian Federal Police

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Department of Defence

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Department of Social Services
Department of the Environment

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Department of Human Services

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Department of Human Services

Australian Hearing Services

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Across Agencies

ANAO Audit Report No.34 2013–14

Implementation of ANAO Performance Audit Recommendations

Department of Agriculture

Department of Human Services

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Department of Employment

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Australian Taxation Office

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Department of Human Services

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Commercialisation Australia Program
Department of Industry

ANAO Audit Report No.42 2013–14

Screening of International Mail
Department of Agriculture
Australian Customs and Border Protection Service

ANAO Audit Report No.43 2013–14

Managing Compliance with Environment Protection and Biodiversity Conservation Act 1999 Conditions of Approval
Department of the Environment

ANAO Audit Report No.44 2013–14

Interim Phase of the Audits of the Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2014
Across Agencies

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Initiatives to Support the Delivery of Services to Indigenous Australians
Department of Human Services

ANAO Audit Report No.48 2013–14
Administration of the Australian Business Register

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Department of Veterans' Affairs

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Across Agencies

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