



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

27 July 2016

Data Availability and Use
Productivity Commission
GPO Box 1428
Canberra
ACT
2601

Via website www.pc.gov.au/inquiries/current/data-access

Dear Sir/Madam,

Submission on Data Availability and Use Issues Paper

Chartered Accountants Australia and New Zealand welcomes the opportunity to provide comment on the Productivity Commission's Issues Paper on Data Availability and Use. Our key points are below and Appendix A provides our detailed responses to some of the questions raised in the Issues Paper. Appendix B includes more information about Chartered Accountants Australia and New Zealand.

Key points

- Data is being provided by public and private sector organisations, but in many circumstances no responsibility is taken for the accuracy or completeness of the data. This limits its usefulness and undermines the purpose of releasing the data.
- All companies in New Zealand are allocated a New Zealand Business Number and government agencies will recognise the business by that number. This will lead to greater efficiencies and improved data quality. Australia could investigate applying a similar initiative.
- Greater sharing and use of administrative data between government departments has the ability to substantially improve both the initial analysis and subsequent evaluation of policy choices.
- The sharing of private data held by business to consumers (especially in the communication and utilities sectors) is important to enable them to have adequate information to make appropriate decisions. The UK government currently has legislation before parliament that will allow its statistics agency to request data from some private firms to assist it in the preparation of statistics.
- Government agencies can improve their sharing and linking of public sector data by providing information around the datasets which might become available in future.

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- As a member body, we deal with both our members and their employers. However the privacy laws sometimes have unintended consequences, which may have a potentially negative impact on our relationship with employers or our ability to act in the public interest.

Should you have any queries concerning the matters discussed above or wish to discuss them in further detail, please Karen McWilliams.

Yours sincerely

Rob Ward AM FCA
Head of Leadership and Advocacy

Appendix A

QUESTIONS ON COLLECTION AND RELEASE OF PUBLIC SECTOR DATA (PAGE 14)

General comments

One of the main government agencies that Chartered Accountants ANZ and our members engage with is the Australian Securities and Investments Commission (ASIC). We note here some specific matters relating to data from ASIC, which may also be applicable to data from other agencies.

Companies and auditors provide filings to ASIC in relation to various requirements under the Corporations Act and other related legislation. However, should they wish to download this data to confirm what information ASIC has registered about them, there is a cost associated with that. We also note that whilst data is available from ASIC on companies and registered auditors, it is not always available to download in an efficient and effective manner. For example, an auditor cannot obtain a list of the companies they are the registered auditor for in order to reconcile any differences between ASIC's records and their own. Instead, only a single record can be downloaded at a time.

Further, ASIC state that they take no responsibility for the accuracy and completeness of the data. This is a common disclaimer for a lot of public sector data, which whilst providing legal protection to the government body releasing the data, it limits its usefulness and therefore undermines the purpose of releasing of the data.

What specific government initiatives in overseas jurisdictions have been particularly effective in improving data access and use?

Since 2013, all companies in New Zealand have been allocated a New Zealand Business Number (NZBN). By the end of 2016, NZBNs will be allocated to all businesses operating in New Zealand such as sole traders, partnerships and incorporated societies. NZBN is a universal identifier which enables businesses to easily update and share key information and interact with each other. NZBN has been introduced to streamline all essential business information, and over time it will become the main identifier businesses will need to use to interact with a range of other businesses and government agencies.

Businesses will be able to update their core information, known as primary business data, in one place and it will automatically update on other databases, especially business partners and government agencies. The data and ways to access it will evolve over time, enabling businesses to spend more time growing their business, and less effort on administration.

Government agencies will progressively recognise businesses by their NZBN. By 2017, government aims to reduce the cost of interacting with it by 25% as part of its Better for Business programme (a key government initiative). The ability to link information between government agencies and businesses will also lead to improved data quality and reduced rework for government agencies.

In Australia, we note that the National Business Names registration has replaced the state run registers and businesses can apply for an Australian Business Number (ABN). However, as noted above with the example from New Zealand, Australia could utilise this register and the ABN to greater effect to improve data access and use. A single common identifier in Australia for all business types to use will be important as business operations become increasingly digital.

QUESTIONS ON DATA LINKAGE (PAGE 14)

What datasets, if linked coordinated across public sector agencies, would be of high value to the community, and how would they be used?

The Australian Taxation Office (ATO) holds key information that can greatly assist both Treasury in relation to its economic modelling and the Australian Bureau of Statistics (ABS) in relation to its production of national statistics. Robust economic models and statistical analysis is required for both the assessment of potential impact and evaluation of actual impact of policy choices. This robust analysis is required to ensure that appropriate decisions are made and resources used effectively when policy changes are made to reform Australia's expenditure and tax bases.

Much of the criticism concerning the economic modelling of the proposed corporate tax rate changes relates to the assumptions made about the impact taxes have on individuals. This is due to a scarcity of information about the empirical impact of taxation on individuals. We are pleased to note that the ABS has been working closely with the ATO to produce longitudinal data on linked employees and employers. It is hoped that this work will generate a variety of academic insights about the labour market.

The ABS is in the process of undergoing a major organisational transformation to capitalise on the opportunities that a dynamic information environment offers. Likewise, the United Kingdom has recently conducted a review of its Office of National Statistics (ONS) and has suggested that the following pieces of information held by its tax authority, Her Majesty's Revenue and Customs (HMRC) should be utilised in the production of its national accounts¹:

- Monthly Value-added Tax (VAT) returns on turnover and purchases of individual businesses, matched through an improved business register, have the potential to greatly enhance the output measure of GDP, as well as the consumption component of the expenditure accounts.
- Income tax data presents an opportunity to derive monthly estimates of compensation of employees and also offers the potential to capture activities that currently fall below the threshold in many sampling frameworks, e.g. sole traders.
- Investment and export statistics currently relying on survey data could potentially be improved by exploiting HMRC data on investment allowances and exports of services by UK firms to the EU.
- Presently, the ONS mainly relies on the International Trade in Services Survey to estimate services trade, but the coverage is not as comprehensive as for trade in goods. However, exports of services by UK firms to the EU also require an HMRC return. There is potential to exploit this data to improve estimates of exports of services to the EU, as well as to improve the sample frame for existing surveys.
- The ONS Annual Business Survey samples roughly 63,000 businesses. In contrast, HMRC VAT data would provide information for over 1.8 million businesses, whose location can be deduced from their postal address. Many of these businesses will operate from just a single site, however some operate in multiple areas and additional information might be needed to cope with this. Use of VAT data therefore has considerable potential to improve both the quality and timeliness of output-based measures of regional Gross Value Added (GVA).

¹ <https://www.gov.uk/government/publications/independent-review-of-uk-economic-statistics-final-report>

- Regional statistics on income are at present largely reliant on using regional indicators to apportion national measures. HMRC Pay As You Earn (PAYE) income tax data contains information on the addresses of both employee and employer, though not necessarily the actual place of work. However, there may be scope to use the Business Register and Employment Survey to match employees to their workplace. Use of PAYE data could therefore provide an alternative source for income-based measures of regional GVA.

In the past, Treasury has been criticised for the size of the errors in its estimates of corporate tax revenue and more recently for its economic forecasting. The reports into Treasury's forecasting (both general and in relation to corporate tax) have recommended that rather than taking a broad economic perspective to forecasting, incorporating real time administrative data into the forecasts would be beneficial. For example, the top 2% of companies contribute to 65% of corporate tax² and the ATO closely monitors these companies due to their revenue significance. This monitoring is not limited to past transactions but also future ones. During the global financial crisis (GFC), the ATO contacted these taxpayers to enquire as to the expected impact of the GFC on their tax payments. Incorporating this ATO specific corporate knowledge on a de-identified basis into Treasury modelling could improve forecasts. As we are outside the government processes, we do not know whether such recommendations have been implemented – if they haven't, we recommend that they be prioritised.

How can Australia's government agencies improve their sharing and linking of public sector data?

Sharing and linking data requires there to be a common understanding of the data and an awareness of the data's availability both from a data base perspective and the data itself.

Common understanding

Much work has been undertaken in harmonising State taxes, especially payroll tax. But much work still remains to be done, particularly from a Federal level, in relation to the standardisation of definitions. For digitalisation to generate substantial benefits (whether they are compliance cost savings or greater data analysis) there needs to be common definitions. For example, there are an enormous number of legislative definitions, including employment and small business.

Currently businesses and individuals need to tailor responses (both of the underlying information and electronic format), based on the same facts, for different government agencies due to the different legislative definitions. This raises compliance costs, increases the difficulties in integrating the information generated into data analysis and duplicates similar information. Ideally, with the alignment of legislative definitions, it will become easier for citizens (including businesses) to provide information at a 'one stop shop' for all levels of government and for that information to be disseminated electronically between the relevant government departments.

² https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Tax-statistics/Taxation-statistics-2013-14/?page=5#Company_summary_tables_and_charts

Awareness of data bases

Currently there are a number of diverse sites where government departments provide information about data bases. These include:

- www.data.gov.au is the Federal government site which also includes a number of local government data bases.
- <http://data.nsw.gov.au> is the New South Wales government site
- www.data.wa.gov.au is the Western Australian government site
- <https://data.qld.gov.au> is the Queensland government site
- www.egovernment.tas.gov.au is the Tasmanian government site
- www.data.vic.gov.au is the Victorian government site
- <https://data.sa.gov.au> is the South Australian government site
- www.data.act.gov.au is the Australian Capital Territory government site.

It would be useful to conduct an audit of these web sites so that a best practice could be developed. For example:

- Some sites have a section for their government employees to access more sensitive data bases in addition to the publicly available data bases.
- Integrating the web sites, or at least include references to each other.

Government agencies could also improve their sharing and linking of public sector data by providing information about the datasets which might become available in future, for example in the next 18-36 months. Initially, this would most likely be a federal government register, but it could also be opened up to private data providers.

The benefit of sharing this information early is to minimise the effort in locating or building data sets, which are planned to soon become publically available. At the same time, such a register of potential data could incorporate inputs from stakeholders around the value of making such data available. The data could include the planned publication dates, metadata, potential applications, licensing e.g. open and type of data e.g. CSV.

QUESTIONS ON ACCESS TO PRIVATE SECTOR DATA (PAGE 18)

How can the sharing and linking of private sector data be improved in Australia?

We are concerned that some organisations provide electronic transactional data on an "all care and no responsibility" basis. The data typically relates to financial transaction data, such as from a bank, stockbroker, managed fund, investment platform, life insurer or others.

The data might be used in several ways, for example to populate the general ledger of a super fund, to determine a member's interest in a superannuation fund or to report an investor's interest in an investment platform.

The integrity of the data is especially important for financial advisers and superannuation fund administrators and auditors (for APRA regulated funds and SMSF). If they are unable to rely on a data-feed, then they will need to manually check the accuracy of the data received. Doing this removes the benefits of having electronic data, which is meant to improve efficiency and accuracy.

We understand that currently superannuation funds of all sizes and financial advisers are spending significant amounts of time and effort checking data-feeds to ensure greater accuracy. However, we also understand that some funds and advisers are assuming the data-feed is accurate, which means that if the data-feed is incorrect, the data provided to the customer would also be incorrect.

Who should have the ownership rights to data that is generate by individuals but collected by businesses? For which data does unclear ownership inhibit its availability and use?

We note that when a fee dispute arises between an accountant and a client, the accountant may be entitled to retain possession over certain books, records and data of the client until fees have been paid for the services provided. A lien is a legal right and can only effectively be taken over documents and data which belong to the client who owes the outstanding fees. In recent years the sharing and updating of documents electronically and the recording of accounting transactions by both the accountant and the client in the same electronic accounting system has led to disputes as to the ownership of that data.

Further, digitalisation has enabled a number of businesses to accumulated detailed knowledge about their customer's needs and buying patterns. Possession by a business of an individual's data can be a comparative advantage. They know more about the individual than their competitors and can therefore ensure additional services offered to the individual are more tailored and targeted. This can act as a barrier to entry for new market participants. Additionally, they often have more knowledge than the consumer has about themselves (for example telephone and electricity usage).

To overcome this discrepancy in power, the United Kingdom has a 'midata' initiative³. Under this initiative, customers have the right to access their data in a portable, machine readable form. It is hoped that providing this right will enable individuals to use/analyse this data to find a better deal and/or service offering that suits them or to provide them with information to enable them to implement savings (e.g. changing the time that they use electricity for non-essential chores). This is expected to increase competition and stimulate growth through innovation. It is also expected to create opportunities for new markets to develop where businesses help consumers make better choices.

Midata will also be setting time lines and developing online 'personal data inventories' in each sector, which will describe the types of data an organisation holds about each customer. Midata is also working with companies to develop common approaches that will allow customers to access their data including their contact details, current tariffs and contracts etc. and to update basic information about themselves.

Allowing customers to access, view, utilise and correct (if necessary) data held by private entities is important. We also note that there is currently legislation before the UK parliament that proposes that ONS be given the right to request access to private sector data from large to medium-sized enterprises for the purposes of statistical production.

³ <https://www.gov.uk/government/news/the-midata-vision-of-consumer-empowerment>
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QUESTIONS ON PRIVACY PROTECTION (PAGE 26)

Having regard to current legislation and practice, are further protocols or other measures required to facilitate the disclosure and use of data about individuals while protecting privacy interests?

As a member body for Chartered Accountants, our members are individuals. But in many instances, much of their engagement with us is through their employer. However, we are unable to share details of their membership with their employer without full authority specifically provided by the individual member to us. We note the following examples of situations we face as a member body where the privacy laws may have unintended consequences. These consequences may have a potentially negative impact on our relationship with employers or our ability to act in the public interest.

- The employer may fund the candidate's training through the Chartered Accountants Program and ask them whether they passed or failed the exams. Due to the privacy laws, we are unable to inform the employer which candidate passed or failed. Where there are multiple candidates at an employer, we can provide numbers only. We have had a situation where our numbers disagreed with the information provided by the individual candidates. However, we could not assist to resolve this.
- The employers may also pay for the individual's membership fee, however we cannot issue the receipt to the employer's representative making the payment without the member providing their authorisation to us in writing.
- For members who make an outstanding commitment to the profession or society, we may wish to enquire of their firm whether they might be a candidate for Fellowship. However, we are unable to make this inquiry without the member's permission as the information might be sensitive. We therefore have to request permission, which removes the element of surprise and also creates an expectation that they will receive a fellowship, when this was just the first step in the process.
- In some instances, we may be required to take disciplinary action against one of our members. We cannot inform their employer of this action or the outcomes of such action. Additionally, when fees are outstanding, we can only contact the member, not the firm who may normally pay the fees. Therefore, we cannot inform the firm that one of their employees or partners has not paid their membership fees. The outcome of non-payment of fees and certain disciplinary action may be the cessation of membership, however we cannot inform their employer of this outcome, despite this being in the public interest.

Appendix B

Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 115,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international capital markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.