



From NTP to SBR
perspectives on a special project

Commentary on the occasion of
the transition from the
Dutch Taxonomy Project
to Standard Business Reporting Programme



Het < X >
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Foreword

The Dutch Taxonomy Project (NTP) had begun in 2004 as part of the cabinet's objectives to reduce the administrative burdens on businesses. The starting point for the project was to place the business in a central role, in terms of compliance with the obligation of disclosure to the government in the financial domain: it is not 'our' systems which are decisive, but businessmen's financial administration. The common language achieved with the Dutch XBRL-taxonomy enables businesses to generate the required reporting information directly from their own records and the government to then process this information efficiently and effectively.

A great deal has been achieved in a four-year period as the result of intensive co-operation between government and the business community – more than we had initially anticipated. In 'building' the Dutch Taxonomy, not only has the government's (overly) extensive record-keeping been cleaned up, but some opportunities for harmonisation in the underlying legislation also came to light. This led to the amendment of Book 2 of the Burgerlijk Wetboek (Civil Code) which actually effected a convergence between annual accounts and corporation tax return. In addition, NTP has delivered a generic process infrastructure for exchanging communications with the government which, in the meantime, has been adopted as one of the keystones of e-government.

With business administration as a starting point, along with clarity in data definitions and streamlined reporting processes (through using the same international open standards), the Dutch approach is gaining a following in other countries, including Australia and New Zealand. This approach has since been internationally designated as *Standard Business Reporting*. With effect from 2009, the Netherlands has joined the successor to NTP: the SBR programme.

The following commentary 'From NTP to SBR, perspectives on a special project' has contributions which elucidate both the (recent) history of NTP and perspectives for SBR's future, marking the transition from NTP to the SBR programme. This will focus on not only the completion of NTP's implementation in the private sector, but also disseminating the concept into the public domain. The gain in efficiency and quality which can be obtained by applying the concept must not, in any case, be restricted to the business community. The government itself must also – especially in the light of the cabinet's objectives for a smaller and better government service – exploit this to the full.

Minister of Justice



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1 Introduction

In 2004, the Dutch Taxonomy Project (NTP) was initiated, its process infrastructure established to tackle the administrative burden for businesses in the field of financial-reporting obligations. Software suppliers adapted their software, while intermediaries tailored their internal organisation to use the Dutch Taxonomy. In short, from a concept for reducing the administrative burden, a standard was created (XBRL and BPMN), its authoritative taxonomies agreed on and the market mobilised.

Reporting obligations are traditionally characterised by a high degree of diversity, in both content and form, meaning that business people had constantly had to adapt their administration to the reporting requirements of diverse government organisations and other supervisory agencies. The core of the NTP approach is the reversal of this situation. Business administration is taken as the starting point for establishing financial reporting chain(s).

The Dutch Taxonomy is and will be used primarily to compile annual accounts, tax returns and statistical reports. In the meantime, several commercial banks have decided, on the basis of NTP, to compile a 'bank taxonomy', to deliver credit reports. In other reporting domains, too, including healthcare and education, sector-specific taxonomies are being developed.

In a co-operative effort between market and government, the objective of relieving the business administrative burden is being realised jointly. This co-operation, chain reversal, the use of authoritative taxonomies across reporting chains and the process infrastructure make NTP a special project.

The Dutch approach was adopted by the Australian government in 2006. In addition to Australia, other countries, including New Zealand, are also going to apply this approach. In order to totally support these principles' naming, it was decided to stick to the international term introduced by Australia: Standard Business Reporting (SBR). With effect from 2009, NTP will continue as the SBR programme, with the aim of deepening and embedding the results obtained so far and broadening the scope to other domains and applications.

From NTP to SBR, in the space of four years – time to just stop, for a short moment? It really is not part of the tradition or dynamic of NTP to dwell for long on how it all began or what barriers were levelled to get where we are today. To stay more in line with the dynamism with which NTP and the covenant partners took on the challenge, in 2004, it seems appropriate (in this commentary) to take a look, from various perspectives, at the approach and results of NTP and the covenant partners: as a brief look back, yes, yet more especially as the basis for further renewal and reduction of the administrative burden.

2 The NTP approach to reduction of administrative burden for businesses

Businesses and their employees are subject to all kinds of rules and laws. Often, public organisations are charged with duties of implementing and supervising proper compliance with these rules. So, the tax administration is charged with implementing taxation laws and ensuring that businesses apply these laws properly. When it comes to the rules concerning accounting law, there is no specific organisation responsible for its implementation or supervision. The Burgerlijk Wetboek, the Dutch Civil Code, merely provides a framework within which stakeholders make agreements. Even more rules and agreements apply to the delivery of statistical information. It is unclear to the businessman exactly what data, on the basis of which principle and form, to whom, at what point and in what context he must report. If it emerges that the businessman is not complying with the formal and material requirements, the (legal) consequences are all too clear.

The businessman is obliged to interpret laws and rules, then apply these for various government agencies, to enable these authorities to carry out their law-enforcement and/or supervision tasks. To do so, the businessman must collect data from his administration, perhaps refine this data (or have it refined) and complete and deliver it promptly. All of these non-business-related activities for businesses are called 'administrative burdens'.

2.1 Vision

A financial-reporting chain, without the NTP approach, is organised from the government agencies' perspectives and objectives, rather than those of businesses. From the businesses' viewpoint, therefore, this is a suboptimal reporting chain.

With some manipulation, this suboptimal reporting chain can be made more effective and more efficient for each stakeholder. In order to achieve this, the legal framework and regular business administration must become the starting point for the organisation of an optimal reporting chain.

- **Coupling of law-making and law in action**

In the legislative process (law-making), account is taken of the law's feasibility. The clearer and more open to only one interpretation a law is, the better the coupling which can be made with the execution of that law (law in action). By creating data and process definitions based on the law and having these approved by the competent authority, authoritative data and process taxonomies are established which are (no longer) open to discussion.

- **Chain reversal – business administration is central**

It is not the administrative organisation of the government agencies which is central, but the administration of the business which is the starting point for establishing the reporting chain. This improves the administration's quality. After all, the primary objectives of administration (being overseeing, control and reporting) come back to centre stage.

- **Coherence in law enforcement and supervision tasks**
By placing business administration at centre stage, you witness the convergence (from various reporting domains) of terms, process steps and information for the purpose of law enforcement and supervision. For small legal entities, this reporting information is fiscalised, process definitions are made clear and a clear quality framework for guaranteeing the quality of that reporting information is proven.

The above statement is not sufficient to optimise the reporting chain. The chain itself must be mobilised – in order to work differently. This happens if those in the chain (businesses, accountants and software suppliers) see enough advantages and the transition does not cost too much. To make the necessary change process possible, NTP made a covenant with some eighty parties – from government and the business community.

2.2 The reporting chain in view

On the basis of this examination, a reporting chain comes into focus in which (within various frameworks) chain partners make use of facilities and establish their processes accordingly. The reporting chain is established on the basis of international open standards¹ and makes use of the Dutch Taxonomy and the process infrastructure for the compilation and exchange of reports.

A common (and therefore authoritative) ‘data dictionary’, the Dutch Taxonomy has been compiled on the basis of XBRL. The Dutch Taxonomy contains all – clarified – data elements which are (or may be) part of financial reporting obligations of businesses, on the basis of fiscal legislation, statistics laws and accounting law. Because of the Dutch Taxonomy, it is no longer necessary to adapt software and administration constantly for various reporting purposes. The businessman records data once and can use this on many occasions – for various reporting purposes.

In order to use the Dutch Taxonomy, the business’s software and/or its accountant’s software must be made compatible. Subsequently, a pairing is made between the taxonomy and administration data elements – *the mapping*. Once a process is established in this way, it can be repeated over and over, without any extra effort or investment, to compile and exchange reports which come under the Dutch Taxonomy.

In the reporting chain, process steps are clearly described and clarified. These descriptions make clear where and how the various functions are applied for securely and reliably compiling and exchanging reports. The requisite process steps are executed by so-called services within the process infrastructure: users and communications are identified, data compilations validated, XBRL validation takes place, signatures are added and reception protocols executed.

¹ The open standards used: Business Process Modelling Notation (BPMN); eXtensible Business Reporting Language (XBRL); diverse standards, such as Service Oriented Architecture (SOA); Business Process Execution Language (BPEL); Web Services Description Language (WSDL); Secure Socket Layers (SSL)

Because the requirements for services have been standardised and are on 'public' sale by the market, these services can be used for several purposes, within and among organisations. This brings an end to the diversity of exchange protocols, offering considerable savings to software suppliers, businesses and accountants.

In summary, the first, direct effects of the NTP approach (in the reporting chain) are the removal of diversity and promotion of interoperability. The businessman records data once and can use this, with the aid of the Dutch Taxonomy, for several reporting purposes. Accountants, software suppliers and government agencies invest only once in the (re)establishment of processes, to be able to provide their service in the reporting chain as efficiently and effectively as possible.

2.3 The reporting processes

The practical effect of the vision and chain-reversal becomes apparent in the following descriptions of two reporting processes: the filing and requesting of annual accounts at the Chamber of Commerce and the submission of a corporation tax return to the Tax Administration.

2.3.1 Filing and requesting annual accounts at the Chamber of Commerce

At present, annual accounts are provided on paper or as a PDF to the Chamber of Commerce. This executive organisation conducts some formal controls (did the report originate from the director; checking the information's integrity) and inputs the documents for publication into an information system. If someone wants to view the public documents, data can be requested and the Chamber of Commerce provides a certified PDF. The business process of filing and requesting reporting information using the Dutch Taxonomy is organised as follows: the businessman or his intermediary produces the annual accounts (public document) using the Dutch Taxonomy. If the company director delivers the documents, he is identified and authenticated electronically by the process infrastructure. If an intermediary delivers the annual accounts, on behalf of the business, the process infrastructure also verifies electronically whether the intermediary is authorised by the company director. Next, the annual accounts are validated using the Dutch Taxonomy and delivered to the Chamber of Commerce; it is accepted on the Dutch Taxonomy basis and stored in a database. Anyone wishing to request these public annual accounts receives the report produced under the Dutch Taxonomy.

The annual accounts produced under the Dutch Taxonomy can be read and processed by the enterprise, the Chamber of Commerce and the requesting party. There is no lack of clarity about the valuation principles applied, while information also does not require any rekeying. In the process, the role of the Chamber of Commerce changes, with it being impossible to rule out the possibility that, in future, certain functions could be left to the market and that the Chamber of Commerce could retain merely a supervisory function.

2.3.2 Filing a corporation tax return with the Tax Administration

The Tax Administration is charged with the statutory role of the execution and law enforcement of tax laws. Within the frame of law in action, the Tax Administration asks businesses to declare their taxable amount. The taxable amount forms the basis for taxation and comprises taxable profits and corrections thereto. The taxable profits can be determined on the basis of the capital comparison or the result from the profit & loss account, also known as the annual report on fiscal grounds. The purpose of law enforcement is to establish that the taxable profit is fully represented. In other words, are the sales figures complete, are the costs correct and have the fiscal rules been applied properly?

The use, by the business, the intermediary and the Tax Administration, of the Dutch Taxonomy makes it possible to reduce substantially the differences in the interpretation of fiscal facts. The connection among the annual accounts, the annual report on fiscal foundation and the determination of the taxable profit makes it possible that the business, the intermediary and the tax inspector carry out the same controls. This extends even further, if reports to the CBS and the credit institutions are also taken into account. The obvious question is then whether it is, in fact, effective and efficient that the Tax Administration query a multiplicity of data and whether the supervisory burdens could not be shared. After all, if an intermediary has already produced and filed the annual report under the Dutch Taxonomy, on behalf of a business, and has provided periodic information to a banking institution, the Tax Administration can derive certainty from this. In case of doubt, the Tax Administration could always start a detailed audit and conduct observations.

By using the Dutch Taxonomy, the scope of the corporation tax return can be reduced to the annual report on fiscal foundation and information about the use of tax facilities which led to the taxable profit. The enforcement tasks can be introduced more indirectly. This could also be regarded as a form of horizontal supervision.

Once the consequences of the use of the Dutch Taxonomy for the supply of managerial, administrative and organisational information are clear, it is time to check what ICT support is necessary. In the case of the Chamber of Commerce, it would be best if no additional systems were needed whatsoever. For the Tax Administration, a far-reaching data and process system standardisation, clarification and harmonisation led to a reduction of complexity in its ICT systems.

3 Observations and learning moments

Looking back over four years of NTP, a great deal has been achieved and much experience gained. The chairman of the Chain Partner Advisory Board, Mr E d'Hondt, who has been involved in NTP right from the outset, summarises this as follows: "In the first instance, it appears to be a concept which is somewhat difficult to fathom. However, by putting the concept into practice, it has become clear that the potential applications reach further than merely the domain of taxation and annual reports, with several other administrative subjects also affected. Although sometimes laborious, NTP has succeeded in creating a platform for a modernising concept in a recalcitrant and complex environment of many stakeholders. Manifestly high quality and energy will also be necessary in the task of achieving the embedding, broadening and deepening of both concept and results. The transfer of knowledge and experience will then reinforce both the platform and the 'seat' of the concept and project. Co-operation with and among stakeholders within government and with the market continues to be important."

It has turned out to be possible to reverse the reporting chain. With the Dutch Taxonomy and the process infrastructure, the preconditions for optimising the external reporting chain have been realised, with those in the chain now able to carry out the necessary modifications to products and processes.

As an interdepartmental project, with a particular approach to the reduction of administrative burdens, the results of NTP have been produced in a relatively short period. As in any modernising project dealing with many aspects and stakeholders, there are (of course) progressive insights and learning moments.

3.1 Observations

There is now an authoritative and professionally administered the Dutch Taxonomy. More and more software suppliers have built the XBRL specifications into their software and are enabling their clients (businesses, intermediaries and government agencies) to produce, control and process reporting information in an automated way, with the aid of the Dutch Taxonomy. The necessary preconditions for optimising the external reporting chain have been realised. That said, the chain is just starting to move slowly and shows a tendency to fall back on the 'old' ways. There are several reasons for this as will become apparent from the following observations.

3.1.1 'What's in it for me?'

In order to benefit from optimised processes in the external reporting chain, businesses must make an effort. This relates mainly to making changes in the administrative organisation and internal controls of administration and supporting systems. Businesses still regard these efforts not as investments, but as extra cost. For businesses, there is no certainty about what the return-on-investment will be or how long the earn-back time might be. This attitude is explicable by the fact that the average businessman has limited affinity with external reporting.

The businessman 'buys off' the risk (from various perspectives) of inaccurate economic reporting by calling in a financial and/or fiscal intermediary. The result is that the businessman distances himself from the external reporting process, finds it difficult to recognise optimisation measures in this process and sees associated costs as an insurance premium and takes it for granted.

To keep any kind of grip on the amount of the 'insurance premium', more and more businesses agree on a fixed sum for intermediary services. In this way, a package of services is created, eg compiling annual reports, filing corporation tax returns, filing payroll tax/VAT forms and providing information for banks. All other activities, such as guidance of a tax audit or compiling interim figures, are charged as extra, on an hourly basis. The full range of service provision must be in place, ie the service provision's scope and range must be sufficient for the required external reporting.

For the intermediary, reporting on behalf of businesses forms the primary process of operational management. The turnover is in direct proportion to the number of hours spent. Efficiency measures in the primary process will not necessarily deliver a more cost-effective practice. This depends on the question of the extent to which the inefficient hours are not cost-effective. If an intermediary has made a service package fixed-price agreement with his client, then efficiency measures will certainly lead to better returns. In other words: if the efficiency measures are not implemented, the continuity of the intermediary's business activities may be at risk.

The optimisation of the external reporting chain will be successful only if the business economic principles 'value for money' and 'what is in it for me?' are realised. For a businessman, this means that he would have to agree on a fixed price for a complete package of services with his intermediary (and must be alerted to this). In line with many other products and services, it would help to make service packages transparent. This not only makes it possible for the businessman to gain an insight into the service delivered by the intermediary, but also stimulates the market game: the businessman can make a (price) comparison with other competitive parties also offering these services.

3.1.2 Organisational problems

The consequences of chain reversal, the central position of business administration, the use and constant further harmonisation and clarification of data and process taxonomies and the use of open standards are organisational problems and have only a secondary impact for the implementation of ICT resources. If this is regarded as an ICT problem – *and that is the observation* – then suboptimal solutions are offered; otherwise, ICT stands in the way of a more effective and efficient chain of external reporting.

In the current situation, businesses and intermediaries tend always to use a single ICT solution for a specific external reporting purpose. Most bookkeeping systems are able to produce a VAT return, while, for annual reports, the (consolidated) balance is read into a report generator, with any adjusting entries made; for the corporation tax return, the (consolidated) balance is again used, with adjustments made to determine the taxable profits and tax amount; for statistical returns, often non-integrated information is

processed. So, there is a plurality of ICT systems which, one way or another, take the balance sheet as the starting point for compiling external reporting. There is no semantic connection among terms, contexts and reporting obligations, since each system uses its own definitions.

By placing the administration of the business at the centre and using a taxonomy with related reports inherent, the need to use multiple systems is reduced. It must be possible to obtain (from a bookkeeping system which supports administration) not only corporate business information, but also annual reports, VAT returns, corporation tax returns and financial institutions' banking information. Ultimately, it will also be possible to obtain payroll information from this bookkeeping system.

In order to realise the advantages of using taxonomies, businesses must hone their administrative organisation and internal audit measures in such a way that financial administration actually becomes the central system for operational management and that the bookkeeping systems are linked to it. In this way, by using the taxonomy, it becomes possible to compile annual reports, VAT returns, corporation tax returns and other external reports – directly from within the administration. The result is that the need for a whole range of ICT systems is reduced, with interoperability among ICT systems increased. In other words, as the result of using the Dutch Taxonomy, the businessman can migrate easily from one ICT to the next.

The role of the intermediary will change. Service provision to small businesses (97% of all businesses are small) will be further fiscalised with the advent of the Dutch Taxonomy. There are intermediaries which have dismantled their compilation practice and substituted the fiscal practice. The changes in the (accounting) business processes are followed by the ICT systems – which will, and must be able to, keep up with the rate of change.

Governance information and administrative organisation in the government agencies will alter radically as the result of the use of the Dutch Taxonomy. This is obvious: since the external reporting chain is reversed, there must be intensive co-operation among government agencies, with the issue of determining the reliability of reporting information organised differently.

This is fairly significant because, until now, each government agency had been acting according to its own purposes. The fact that these vary greatly from one another is apparent from the huge differences in both the data which must be reported and the way in which reports are exchanged, together with how the reporting processes are handled. This difference exists not only among diverse government agencies, but also among departments within agencies. There is no supervision of co-ordination or co-operation from above, both important conditions in allowing businessmen's interests to prevail above the interests of diverse government agencies.

3.1.3 Is there a political and corporate need?

An agency-orientated reporting chain did not evolve from politics, neither did politics prevent it from coming about. There was, and is, (too) little attention paid in the legislative process to the voluminous administrative burdens and ever-increasing regulatory pressure on businesses. Also, the cohesion among the various laws and rules in the field of external reporting is not recognised, still less is the administration of the businessman placed at the centre. Again and again, the wheel is being reinvented in several variants. At government level, it is difficult to organise a coherent view, as different ministries are responsible for different external reporting. So, the Ministry of Justice is responsible for annual accounting law, the Ministry of Finance for fiscal legislation and the Ministry of Economic Affairs controls the Chamber of Commerce and the Centraal Bureau voor Statistiek at a distance, while the Ministry of Economic Affairs is responsible for distributing subsidies. There is no direction whatsoever at government level.

The question arises whether direction is, in fact, desirable. Ambiguous interpretation of the law is restricted. Coherence in legislation is self-evident and the consequences for businesses (for example) can be estimated or established. The policy conducted by politicians is rationalised. The exercise of control means that policy areas are interrelated; this limits the degrees of freedom for politicians and government.

If politicians and government do not conduct an active legislative quality policy, then the present legislative process has not a single stimulus to harmonise rules with other rules. Changing rules from Brussels or changing insights into income policy are often the starting point for new legislative processes. It rarely happens that a legislative process is started with the aim of improving the quality of law enforcement and supervisory functions. There are insufficient instruments available in the present legislative process to recognise mutual links, as regards terms, contexts and reporting obligations, as well as process-handling or, rather, extraction. Policy advisers and legislative jurists are given too much leeway to prepare laws according to their own, *limited*, insights.

3.1.4 Ultimately, it comes down to moderating the chain

The observations show that, for external reporting chain participants, there are many reasons not 'to benefit' from far-reaching standardisation of data and process taxonomies. One businessman recognises the advantages more quickly than another and will ask his intermediary how he can capitalise on the advantages. This also applies for intermediaries. One intermediary wants his turnover to grow and is looking for an attractive offer for potential clients. The other intermediary is conservative and waits until he is forced to innovate. There are also intermediaries who play only a (small) role in certain reporting chains and are, therefore, less likely to migrate quickly. For the software suppliers, it is hard to say what they can and must do. Some software solutions come to the end of their economic life more rapidly, while others are given new chances. Government agencies will have to think more and more about data and process optimisation. Proposals for integrating services will not take long to come.

Whichever position chain participants adopt, there will have to be a transition. Old shoes are not thrown away, until the new shoes have been tried and tested. It is

therefore expected that old and new situations will co-exist for a certain period. The speed at which changes take place is determined by the degree to which the change process is moderated.

Moderation means the braking or appropriate acceleration of changes. This implies that the current balance is disturbed, with the aim of finding a better balance in a *more effective and more efficient chain*. To achieve this, the necessary preconditions for a better chain must be present and guaranteed for a specific time. In doing so, consideration must be given to the data and process taxonomies related to the law and also the ability to operationalise those taxonomies. Furthermore, a complete set of services must be possible. Of the whole reporting chain, this means that not only some of it could be facilitated, but a sufficient part of it to create the added value.

This moderation also relates to mobilising communal efforts – on behalf of general objectives. An example of this is the broadening of the application of taxonomies in other domains. This relates to activities which do not interfere with competitive relationships.

This moderation also relates to discreet, yet transparent, support for initiatives which give impetus to change in the chain. Examples of this are the stimulation of the *early adopters* and the bringing together of businesses, intermediaries and/or software suppliers who are involved in realising the advantages of chain optimisation. The key to this moderation is that participants in the chain must be able to trust that information will be circulated only if those participants have given such consent.

3.1.5 Conclusions

The status quo, the objective and the effects of chain and process optimisation can be organised. That is excellent. It is also possible, without doubt, to realise the necessary preconditions for optimisation. Whether optimisation will also actually lead to the intended results depends on the question of how far the balance in the current situation can be disturbed and how far all chain participants find sufficient added value to migrate to the target situation. The observations described above show that the race is far from over.

Several conclusions:

- The necessary preconditions must remain in existence for a specific time and so be 'future-proof', to justify the participants' investments.
- The participants must be able to realise a complete set of services. Complete means that feedback loops must be able to be closed, so preventing participants from being landed with extra channels.
- The investments made and costs incurred must be offset by the revenues anticipated in the near future.

3.2 Learning moments

Like any modernising project, NTP also involves progressive insights and learning moments. This has been anticipated during the approach phase by the timely adjustment of that phase, the planning and products. While the original objective was to develop the Dutch Taxonomy, as the result of progressive insight, this has expanded with the introduction of process method and the realisation of ICT resources (both the infrastructural service and some adjoining services, such as a validation service).

One of the most important lessons is the insight that central direction, by one party like NTP, is required, in order to effect changes in the complex financial reporting chains. Each participant in a chain has, in years past, followed an optimisation policy in his own interests. Seen over the whole domain, this has led, for the businesses concerned, to a deep-rooted suboptimum. By placing chain control in the hands of a relatively 'independent' party like NTP, it has been possible to move out of the stalemate which had arisen and towards an integral optimum.

Since NTP makes it possible for chain partners to get rid of surplus air in the chain, a dynamic has been created – not always appreciated by all stakeholders. Especially for participants with low changing abilities, the course of events may appear threatening, yet most chain partners in the financial domain are slowly becoming convinced that the developments which have been started are irreversible. This also emerges in the 2007 update on the progress of NTP/XBRL by State Secretary of Finance, De Jager. He is convinced that it is only a matter of time before businesses see the advantages of using XBRL. "It's just that it's going at a slightly lower rate than was originally assumed." On the use of XBRL as standard, he says the following:

"Even the greatest sceptics from the profession are saying that XBRL will become the standard and that the development of the Dutch Taxonomy is of great importance for accountancy and software sector innovation. The Dutch model is also being copied in other countries. In order to actually put into effect the reduction of burdens, however, the step will have to be taken to make use of the software options. I want to emphasise that this is not a reduction of administrative burden which automatically returns to the business, as would be the case if an obligation were abolished. The responsibility lies with the business itself. In order to take this step together, stakeholders must talk to one another. A large group of businesses is, however, continuing to adopt a wait-and-see attitude; for various reasons, this group is not yet taking this step. There are also still only a few reports coming in for 2006 in XBRL."¹

From this update, it is apparent that there is still a need for NTP's moderating role, to speed up matters. This is a role which NTP, on the basis of the experience which it has gained in the past few years as chain director, can continue to play. Experience gained in the mutual differences among chain partners at organisational level, in knowledge and skill, availability of financial resources and the influence of their relations, is always useful here. The approach has been shaped (standardised) in such a way that it is organisationally and technically possible for a participant to join any time he likes.

¹ In 2008, this situation had scarcely improved.

The arrangement of the participants' functions, responsibilities and powers turns out to be an essential part of the process descriptions of the exchange and management processes. NTP has gradually and continuously learned how to deal with interorganisational fulfilment of participants' functions, responsibilities and powers, in the financial reporting chains.

It has once more become clear that changes in chains is an interaction of processes and data and that the ICT resources play a subservient (and thus non-leading) role. An advanced technical solution which does not meet the requirements imposed by the process or data all too quickly has a damping effect. This view is also confirmed in diverse publications.¹ The process infrastructure, as realised on the basis of 'the Programme of Requirements of the generic infrastructure' is supporting the reporting processes and provides the necessary flexibility to capture diversity within the reporting processes.

The use of open standards, while contextualising and clearly expressing their use properly in advance, encourages the adoption of innovations. Full use is made of open standards to both describe processes and establish the data model and infrastructural services. Use of standards on diverse levels has proven its benefit:

- It has emerged that, by using standards for process-modelling, a far-reaching automated execution of those processes can be realised. This promotes both the flexibility and reliability of the processes to be executed. Owing to the link between the descriptive standard (BPMN) and the execution standard (BPEL), an optimal link is achieved with the use of ICT resource.
- The use of an open standard for reports and data (XBRL) has led to a data model, the Dutch XBRL taxonomy, in which the reports, data and their mutual relations are established unequivocally. As a result, one and the same picture is produced for all participants.
- In addition using the standard for executing processes (as already mentioned above), the ICT resources are based on Web standards. For both the software suppliers and the processing agencies (the requesting parties), these are often not new techniques. Furthermore, there are off-the-shelf products available which can be used and it has become more a question of organisation than development.

The effort to move towards a single data model, within financial reporting chains, has resulted in a clearly perceptible decrease in the amount of data used within the reporting systems. This is because (some of) the data has been reduced by around 98%, owing to clarification methods. Another advantage of the application of one data model is that all information *about* the data must be defined and set as metadata, data about data. By this explicit capture, information is defined in an unequivocal manner, transparent to all, with differences of interpretation therefore avoidable.

¹ One of the recent publications is an article in *Computable* (11 January 2008) in which IDS Beheer, a big player in the field of business-process management, relates from experience that many implementations to do with SOA fail because they are aimed at ICT objectives, instead of business objectives. There has also been a report published recently by the government 'Lessons from ICT projects in government', dated 29 November 2007, in which it is confirmed.

By making use of generic ICT resources (the process infrastructure), an unequivocal method is created, one 'interface', for the exchange of information with government. The result of this is not only that the exchange processes can operate in a transparent fashion, but that the (ICT) efforts, on the part of software suppliers, are limited.

During the execution of the NTP, it emerged that some simplifications in the execution and/or supervision are possible only if legislation is adapted. Leading professionals, in the 'harmonisation' subproject, explored how far it is possible for small and economically inactive legal entities to produce their annual accounts and publishing documents on the basis of fiscal principles.¹ They came to the conclusion that, with a modest adjustment in BW2 (Civil Code), this can be made possible. This resulted in an annual report for tax purposes for small legal entities; in 2008, a limited corporation tax return for small legal entities became available.

Also, right from the start, the emphasis was placed on intensive co-operation between market parties and government. This is a very important precondition for success. The agreements between market parties and government are set down in a covenant, in which the government pronounces in favour of guaranteeing the maintenance and control of taxonomy and process infrastructure. Market parties, especially intermediaries and software suppliers, promise that they will use taxonomy and the process infrastructure and will pass on any efficiency benefits to their clients, the businesses, wherever possible. In this respect, it has emerged that, in order to stimulate businesses and intermediaries to work with open standards, all chain partners must be able to find sufficient added value in the chain of accountability information.

The position of NTP has played an important role in the co-operation among chain partners. The NTP really is unrelated to the 'established order' within the government and, as a result, from departmental interests. This has had a positive effect on the co-operation among governments and the market: parties have spontaneously signed up to participate; with voluntary participation, there is often also greater support. The customers and administrative managers' contribution to this has also had a positive effect with respect to market parties. Government managers' active contribution was an important signal for market parties that government is making an active contribution to the realisation of the complete set of services.

On the other hand, it has also emerged that, although government managers view the NTP approach positively, implementing agencies or departments have the usual resistance to implementing changes. The interest of their own organisation at that level is seen as more important than the interest of the businessman. So, the chain reversal has not yet been well received everywhere.

One very well-known phenomenon of projects is that complex projects must not be carried out as one large, unwieldy, monolithic project, but split into neatly manageable and executable parts. Moreover, a phased approach is necessary: in the case of complex projects with multiple interests, the ultimate goal can be achieved only by advancing, step by step, towards the ultimate goal. This also came to light in the NTP. There are diverse parallel paths being taken, with no effort made to reach the ultimate

¹ Reports from the project Harmonisation: 1 March 2006, 25 April 2006 and 11 December 2006.

goal in one go. That is also the status of NTP now: processes are being established, there is a data model and there are ICT resources to support those processes. However, this is not yet the ultimate goal: there's a complete set of services in the financial reporting chains – as the result of which the administrative burden and also regulatory pressure will be reduced for businesses as far as possible. If the NTP had wanted to achieve that in one huge step, however, it would never have worked. The learning process of both market and government parties (and naturally the NTP, too) could never have taken place and diverse chain partners would have pulled out. Without the involvement of these chain partners, a complete set of services can never be realised.

Several lessons can also be learned in the project's organisation. The NTP comprises a small, multidisciplinary core team. By linking to one another quickly and briefly, it has proven possible to intervene in a highly dynamic fashion during changes, progressive insight and bottlenecks. For those not involved, this has perhaps given the impression of too dynamic a project which could not always be understood and/or followed. It has become clear that communication with those directly and indirectly involved is very important; in the coming years, a great deal of attention will be devoted to this.

The whole organisational structure is, in comparison with other projects of this size, reasonably 'flat' and the relationship with customers close. This, too, has proven its advantages. Decisions can be taken quickly and there is great involvement of customers and chain partners.

4 From NTP to SBR – a concept with a future

It has turned out that the interest in standards, such as XBRL and BPMN and the NTP approach, has increased more rapidly than was initially thought. The results of NTP and developments at home and abroad¹, with respect to Standard Business Reporting (SBR) and XBRL, have increased interest in a transparent and clear exchange of accountability information between public and private parties. SBR is regarded by both public and private participants as a point of application to reduce the current complexity, ineffectiveness, inefficiency and administrative costs in the reporting chains.

In the plan of action forming part of the 'Plan to reduce the regulatory pressure on businesses'², the following is said about this: 'The complexity of (compliance with) reporting obligations can be considerably reduced by the use of standards for the modelling of data and processes, so that a clear interpretation of legislation is realised for both the systems/software used by the business community and the systems which are used at the government end (one common language) and that the processes are dealt with via a generic process infrastructure.'

In the plan to reduce regulatory pressure of VNO-NCW and MKB Nederland (business representative organisations), the deployment of ICT based on open sources and standardisation are seen as important resources to limit the regulatory pressure from existing legislation.³ The developed NTP approach endorses this.

The Adviescollege toetsing administratieve lasten (ACTAL, Dutch Advisory Board on Administrative Burdens) is convinced that the use of taxonomy by businesses themselves, in common with the communication between businesses and the government, can lead to a great reduction in administrative burdens for the business community. In its advisory letter to Minister Hirsch Ballin, ACTAL writes that major steps are being made in the progress of NTP. For a large-scale reduction of burdens, a broader implementation of the Dutch Taxonomy is, however, necessary.

In the Government Services Renewal Programme⁴, the following can be read: 'Reduction of regulatory pressure, especially for businesses, and a more efficient and more effective execution on the part of government go hand in hand in the application of the concept of standardisation of data and process models, with the aid of open standards.' In this context, NTP is classed as part of the Government Services Renewal Programme.

¹ On 14 May 2008, the SEC decided that stock-exchange-listed companies in the US will be obliged, from 2011, to use XBRL. Australia and New Zealand have made their own NTP, with objectives matching those of the Netherlands.

² Ministry of Economic Affairs (2007), Policy Note 'Plan to reduce regulatory pressure on businesses', dated 16 November 2008.

³ Letter from VNO NCW and MKB Nederland, dated 2 June 2008 'Reducing regulatory pressure'.

⁴ Government Service Renewal Programme (2007), Policy Note 'Government Service Renewal Note' Kamerstukken II 2007/08, 31 201 no. 3 (reprint), paragraph 4.1.

With NTP, the foundation has been laid for Standard Business Reporting: the standardised formulation, control and exchange of reporting information with and within the Dutch government. Owing to the interest in the approach and results, the business case of NTP has moved from 'let's wait and see', to 'sign me up'. This development indicates a significant broadening of scope. From 2009, NTP will continue as SBR programme. The core of NTP (the standardisation of the administrative reporting information and the reporting process) remains. The accent will now be placed more on the creation for parties of the preconditions for the self-realisation of a complete service provision in accountability reports.

Where this can lead to was put into words in May 2008 by Mr Bekker, Secretary-General Renewal State Services, at the Dutch Taxonomy Event in his presentation.¹ He foresees an optimisation of government functions as the result of the use of data and process taxonomies. So, filing annual accounts can be done by market parties, AuSP services can be left to the market, the subsidy-granting can be streamlined and the preconditions for horizontal supervision created. The Dutch Taxonomy is also highly suitable for application within the government itself. The numerous different reporting standards and exchange processes can be 'tidied up' and reduced to a common denominator. This makes government better and sharper.

4.1 What will the SBR programme do?

The activities of the SBR programme are aimed at perpetuating and deepening the NTP approach and results. In addition, activities such as the management of the Dutch Taxonomy should be brought within existing organisations, with attention paid to innovation.

4.1.1 Continuation

Continuation focuses on the application of SBR across the present reporting domains of the Chamber of Commerce, the Tax Administration and CBS. This includes the following activities:

- Intensification of participants' involvement in the newly established chain of reporting information, so that the actual application grows to such a scale that the estimated reduction of the administrative burden is reached within the term of SBR and also guaranteed thereafter. The current platform must be expanded to a critical mass of users. This demands effort from market parties, while government must also convincingly demonstrate that all preconditions are and will remain in place, to realise this.² The SBR programme continues to moderate the

¹ See 'The value of Standard Business Reporting for the government', 7 May 2008, <http://www.sbrconference.nl/subpages/presentaties.php>.

² The preconditions relate to the maintenance of the NT, the process model, services (validation and AuSP) and the associated infrastructural service. The preconditions also relate to the mobilisation of, for example: intermediaries (accountants, tax specialists and/or bookkeepers) and software suppliers of financial and fiscal software, who must enable the businessman, by using NT, to compile and to control reporting information and also to exchange it with implementing agencies.

government parties and market parties in the chain, in order to achieve this. The covenant therefore forms an important instrument.

- Optimisation of the Dutch Taxonomy and the associated process models for the reporting chains realised with the CBS, the Chamber of Commerce and the Tax Administration.

4.1.2 Deepening

The deepening process focuses on the further development of options within the current domains.

- The covenant parties have already made it known that they have a great interest in the mobilisation of other (reporting) processes within current domains. Other possible scenarios are processes relating to the delivery of estimated information, electronic copies of assessments, precompleted returns and benefit checks.
- Making proposals for further harmonisation of legislation. One good example of this is the 'Convergence' law, making it possible for small legal entities to draw up annual reports and publication documents for both tax purposes and filing at the Chamber of Commerce. Other subjects, also candidates for harmonisation, include equalising the limited corporation tax return for small legal entities, with the profit determination method (as applied for businesses liable for income tax and corporation tax), and the replacement of the capital test.

4.1.3 Broadening

The broadening of SBR is focused on other reporting domains of administrative reporting. By broadening, SBR delivers a substantial contribution to the creation of one data model, one process model and generically applicable services for financial reporting chains. Broadening includes, among other things, the following activities:

- SBR projects for (government) parties which have announced their desire to join. NTP has already participated in the initiatives already under way to carry out the actions of the Government Services Renewal Programme (PVR) in the field of subsidy-granting simplification. Projects are being, or have been, started with ministries in the field of social accountability simplification. There are also contacts with the Ministry of Finance concerning the possibility of optimising the reporting of the financial economy of the state.
- There have been talks with the Ministries of Economic Affairs (EZ) and of the Interior and Kingdom Relations (BZK) on extending the application of the AuSP services. The scope and range of the service provision is being worked out in more detail in close co-operation with the covenant parties and providers of AuSP services.

4.1.4 Structural investment

In structural investment, products and project organisation are incorporated in line. This includes, among other things, the following activities¹:

- The establishment of a managerial structure, for managing data and process models, which guarantees authority.² The Tax Administration and CBS are responsible for managing the fiscal and statistical domains respectively. They have ways to make the transition from legislation to reports in their own organisation. For the annual reports part, this is more complex. This expertise is not sufficiently available within the Ministry of Justice or the Chamber of Commerce; furthermore, a substantial part of the NT is international in origin (IFRS, International Financial Reporting Standards). This is why close co-operation with the Raad voor de Jaarverslaggeving (RJ, Foundation for Annual Reporting) and the International Accounting Standards Board (IASB) is necessary.
- For structural incorporation of the management of data and process models, it is necessary for the project organisation to be transformed into an organisation in 'line', so that the management, deepening and broadening of use is adequately embedded and the desired standardisation policy in the field of financial accountability, both inside and outside of the government, can be realised.
- Good management of taxonomy and the process model demands firm control from the legislative chain. The statutory principle of the elements must be monitored, to ensure legitimate execution. In the structural investment of management, attention to the managerial legal side is of great importance.
- For a reliable exchange of reports, an authorisation service has been realised by the NTP and market parties. This authorisation service will have to be expanded in the coming years, in synchronisation with the increase in the use of SBR, to guarantee sufficiently reliable use – at minimum cost. The organisation and associated processes must be established to provide this.

4.1.5 Innovation

Innovation focuses on the design and development of those generic products³ required for a large-scale use of SBR in multiple domains. This includes the following activities:

- Design and development in the area of processes, data, technology and managerial approach. From this programme activity, on the basis of design questions from other activities and projects, functional specifications are drafted and guidance given in the development of products. The steering of public and private development organisations is an important role.

¹ In this cluster, activities are executed in close co-operation with the Legis programme.

² The taxonomies are authoritative because the responsible government parties have defined the elements in the taxonomy and the relations between them on the basis of the applicable legislation. The taxonomy user may rest assured that the taxonomy contains a correct and complete dataset, according to the latest legislation. The same applies for the process models, as these are also defined by the responsible government parties.

³ Goods and services.

- Assure the establishment of the knowledge and experience built up, so that they can be reused and shared. This involves not only technical and intrinsic knowledge, relating to the application of taxonomies, data and process standards, but also knowledge and experience relating to the (managerial) process followed by the NTP/SBR.

With these activities, the SBR programme, in the now-familiar dynamic manner of NTP, will continue along its path, to achieve the objective of reducing the administrative burden for businesses, in intensive co-operation between market and government.

5 International SBR initiatives

Governments worldwide are active in reducing the administrative burden for businesses. Clear data definitions, the streamlining of processes and the single capture and multiple use of data are thereby also important starting points in other countries. Standard Business Reporting is also enjoying attention in countries such as the United Kingdom, India, Belgium, Germany and Sweden. In this chapter, you can read contributions from Australia and New Zealand.

Australia is the first country to adopt the Dutch approach and has introduced the term Standard Business Reporting. In an article in CFO Professional, September 2008, the Prime Minister Kevin Rudd describes SBR as “the most significant change since Federation”. The Australian SBR programme is now well on its way to bringing about the change.

New Zealand is following in its footsteps and currently involved in the creation of the business case to be able to state where and how much of the administrative burden can be reduced through the SBR programme.

Internationally, stakeholders in SBR programmes contact one another in the SBR Forum. Within this Forum, experiences are exchanged and learning effects adopted. From this international link, it was decided to organise an annual international SBR conference, where various programmes can present their progress and results and demonstrate their solutions. In 2008, NTP organised this conference: the Dutch Taxonomy Event took place in Eindhoven, with special attention on the first day being paid to the international and managerial aspects of SBR. The next international SBR conference is expected to take place in May 2009, in Sydney, Australia.

5.1 SBR Australia¹

Standard Business Reporting (SBR) is a multi-agency program that will reduce the regulatory reporting burden for business by:

- removing unnecessary and duplicated information from government forms;
- utilising business software to automatically pre-fill government forms;
- adopting a common reporting language, based on international standards and best practice;
- making financial reporting to government a by-product of natural business processes;
- providing an electronic interface to enable business to report to government agencies directly from their accounting software, which will provide validation and confirm receipt of reports; and
- providing business with a single secure online sign-on to the agencies involved.

¹ Integral contribution from SBR programme Australia

SBR is being co-designed by Australian, State and Territory Government agencies in partnership with business, software developers, accountants, bookkeepers and other business intermediaries from across Australia.

Led by the Australian Treasury, the agencies participating in SBR are the Australian Bureau of Statistics (ABS), Australian Prudential Regulation Authority (APRA), Australian Securities and Investments Commission (ASIC), Australian Taxation Office (ATO) and all State and Territory Government revenue offices (SROs). As well as improving the reporting processes, SBR is developing a new e-channel for business and accountants, and will also provide a single secure sign-on to on-line services across the agencies in scope.

Government Commitment

Following the development of a business case in 2007, the government has signalled support for SBR and provided funding for its development and delivery. The reduction of regulatory burden is the driving principle for SBR, and this aligns with current policies. There are 13 Australian, state & territory government agencies collaborating in the delivery of SBR. A communiqué about SBR was released by the Coalition of Australian Governments (COAG) in July 2008, and ongoing progress reports are provided to the Business Regulation and Competition Working Group of COAG.

Partners in SBR

The development of the overall design and implementation plans for SBR is occurring in collaboration with the agencies, businesses, intermediaries (in particular the accounting community), and software developers and suppliers. These groups have a key role in the reporting chain, and the program will not succeed without their ongoing support.

The Business Case for SBR

The overriding benefit expected from SBR is a reduction in the regulatory reporting burden for business. During the development of the SBR business case in 2007, a broad conceptual solution was developed and used as a basis for consultation. The reduced workload was largely in the gathering of required information and the analysis and assembly of this information into the forms to be reported to the government agencies involved. In particular, it is envisaged that the Taxonomy's use within accounting software will allow pre-filling of much of the information reported on the forms.

In the calculations, the business case estimated the total business population to be 2.1 million businesses. If these some 600,000 were excluded from the calculations on the basis they did not have contemporary accounting software. All of these excluded businesses were part of the small business segment. It is likely that their record keeping and accounting is undertaken by a third party provider – a bookkeeper or accountant, though in some cases they used older versions of software simply to produce a BAS. The business case did not assume any benefits for these businesses, as it was seen as unlikely that many would purchase modern accounting software to participate in SBR. However, even in this sector those businesses using a bookkeeper or accountant may still see a reduction in the reporting workload.

This left some 1.5 million businesses that could potentially access SBR services via their software. Based on observed usage patterns and take-up rates for comparable on-line reporting systems, the business case assumed that the likely take-up rate for SBR would be 12% in year 1, 24% in year 2, 48% in year 3 and 60% in year 4 – 2013/14.

Benefits are assumed to plateau in the fourth year, reaching a total of \$795m in savings annually, as it is not envisaged that user take up rates will exceed 60% (of the 1.5 million businesses).

These estimates reflect that SBR is a new optional channel for reporting that will be seen as attractive to many but not all business, ultimately becoming the channel of choice. Obviously there would be further cost and benefit implications if such a service were mandated.

Two large Australian accounting firms have been experimenting with XBRL in the preparation of Financial Statements. Both have reported publicly that they have experienced large reductions in both time and labour input to the process. Both have also stated that some of the savings will be passed on to their corporate clients.

The Dutch Case

The Australian SBR program is based quite closely on a similar development in the Netherlands which is about 3 years ahead of our SBR program. We maintain constant contact with the Dutch Team on developments and issues. The Dutch Taxonomy has had a good take-up by developers, accountants and business. There are two Dutch case studies accessible via the SBR website which detail the resource savings that have been achieved by the two mid-sized national accounting firms. They also convey the shift in focus from post-event reporting to real time financial reporting, analysis and advice that is now provided to their business clients.

When is SBR being implemented?

1. Version 1 of the reporting taxonomy - March 2008
2. Version 2 of the reporting taxonomy - September 2008
3. TFN Declaration Pilot release - January 2009
4. TFN Declaration available to all in production - June 2009
5. New reporting channel (Core IT services) complete – March 2010 for use by July 2010
6. Version 3 of the reporting Taxonomy - March 2009
7. New whole of government authentication processes and systems – from September 2009
8. Fully operational end-to-end testing - September 2009
9. Full production availability for financial reporting through SBR including compliant financial software from suppliers - March 2010
10. Reductions in business reporting burden - July 2010 and onwards

More information on the SBR Program can be accessed on www.sbr.gov.au

Some reactions to the Australian SBR Program in the following article.

Reform waive¹

Businesses drowning in a sea of reporting protocols will get relief under changes that standardize processes, Leon Gettler writes.

Described by Prime Minister Kevin Rudd as the most significant change since Federation, the standard business reporting (SBR) reforms will see various laws and forms standardized across 95 areas. These include payroll tax sent to the Australian Taxation Office, and quarterly indicators and financial statement sent to the Australian Securities and Investments Commission. SBR is being out together by federal, state and territory government agencies- such as the Australian Bureau of Statistics, the ATO and state revenue offices- in partnership with business, software developers, accountants and bookkeepers. The aim is to have a single sign-on process or system allowing companies to work securely online with the whole Australian government. At present, a new process and system is required for each agency.

Finance and Deregulation Minister Lindsay Tanner says the changes will save businesses \$800 million a year. They are expected to kick in by mid-2010. Take-up is expected to escalate over the following three years. SBR aims at improving processes and does not involve any transfer of power from the states. "At the moment, you have this endless array of different reporting obligations and different bodies," Tanners says. "The aim of (SBR) is to increase efficiency without changing content." The classic example is payroll tax. Although the system will be harmonized, the rates will still vary state by state.

"The idea is to develop a standard pipe that would have everybody using a single password and a single language- XBRL. "What it should mean is that you will have a very simple, automatic, universal mechanism to transfer your data from your computer to a wide variety of government agencies, without having to do that in essentially a customized way each time. It's like clearing house.

"The government estimates it will save business about \$800 million a year in just streamlined processes (because companies will be communicating) with government in financial information through just a single channel, rather than through the enormous variety of iterations that occurs at present."

Expect some growing pains

However, developing these changes will take time. The terms different agencies use on forms and reporting requirements vary. This makes the process complex. Changing it won't be easy. Clearing red tape is no small feat, which explains why it is taking so many decades to do it. However, Tanner says technology is facilitating the process. From October 2008, there will be workshops to get user feedback on the design. That includes the single sign-on process, as well as the core services allowing businesses to send government reports directly from accountings software. There will also be a pilot of the SBR's tax file number declaration plan, commencing on January 31, 2009. This will test the TFN declaration transaction in business software and the ability to send the data securely to the Tax Administration. Still, massive changes are rarely smooth and there will probably be speed bumps. Tanner says the changes will have to be acceptable to business; otherwise, the exercise is pointless. "It would have to involve consulting pretty closely and regularly with business organizations all the way through,"

¹ Interview in CFO Professional, Published in Australia, September 2008.

he says. "It's understood at our end that if this is not very business friendly, then it's not worth doing. Clearly, we've got a fairly strong appeal on us as a government to ensure that the end product is, by definition, attractive to business as an alternative to what we currently have to do."

However, although the government is touting these reforms as revolutionary, it is unlikely that businesses- and their chief financial officers- will feel that disclosure requirement have lightened. In fact, the demands are increasing in a range of areas. For example, the cap-and-trade carbon scheme and National Greenhouse and Energy Reporting Act will, most likely, add to compliance and disclosure requirements. New rules will compel businesses, particularly those high emission industries, to monitor their outputs and keep appropriate documentation.

It's still a market environment

But disclosure requirements are all parts of operating in a market environment. "Those sorts of things are going to ramp up disclosure." Partner in KPMG's audit division, Peter Carlson, says. "But on the other side of it, think about how all that sort of information is being sought for various reasons. People who are doing (merger and acquisition) transactions, they want to know what your exposure is to this stuff. They don't want to buy some turkey, do they? It's not just the government that's got an interest in this, it's actually the market itself.

"Think about this carbon debate, for example. If you are going to have an expectation to manufacture products that have an lighter carbon footprint, won't you want to have an understanding of how much carbon was used to make the raw materials or the mid-manufacturing process materials that you use or what you put on your retail shelf?"

This won't fix everything

But as regulations increase, some argue that they still fail to achieve their ultimate purpose- protecting investors. In their book, *Indecent Disclosure* (Cambridge University Press, 2007), Sydney University accounting academics Frank Clarke and Graeme Dean argue that scandals such as Enron can occur while keeping with accounting rules. Indeed, they argue that the standards can be useless and even misleading, and that nothing had changed. "There is so much flexibility in the standards, and the standards actually require directors and auditors to attest to information that's virtually unverifiable," Dean tells CFO magazine. "Whenever you have assets that are deferred tax debits or deferred liabilities, they are all based on conjectures that no one can verify."

He says the problems confronting troubled companies such as Centro Properties Group and Allco Finance, where there are issues and allegations about related-party transactions, show up the difficulties with standards.

So although agencies are making attempts to clear up red tape, disclosure requirements continue to escalate. And some question whether that extra work serves the intended purpose.

5.2 SBR New Zealand

Working towards simpler business reporting¹

Although the Standard Business Reporting (SBR) Programme in New Zealand is currently in the initial scope and planning stages it is still able to benefit from the experience of countries, like the Netherlands, which are leading the way in implementing simpler business reporting for business.

Presently focused on finalising the Stage 2 Business Case, requested by Cabinet – the New Zealand Government's decision-making body - in May 2008, the SBR Programme in New Zealand is undertaking in-depth research and analysis on the benefits that SBR will provide to New Zealand business and the overall New Zealand economy. Once finalised the Business Case will be submitted to Cabinet in early 2009, and if it receives approval SBR will be working towards full implementation by 2012.

Similar to the Netherlands and Australia – who share a common approach to implementing SBR – the SBR Programme in New Zealand is a cross-agency government initiative which is taking a phased approach to implementation, beginning with the financial reporting cluster - the area which produces the most workload for business. Based on initial investigation and international experience there appears to be substantial cost savings to New Zealand business in streamlining reporting and reducing the compliance costs for businesses. The New Zealand SBR Programme Office will be better able to provide exact figures once work on the Business Case has been finalised in early 2009.

The New Zealand SBR Programme benefits significantly from the international SBR experience, and particularly the Netherlands and Australia as they are further down the track in their implementation schedule. The experience in the Netherlands provides a strong precedent and, thanks to a strong collaborative relationship, enables the SBR teams in both countries to share experiences, strategies, and help resolve shared or common issues.

Australia is New Zealand's most important economic partner and the largest market for New Zealand goods and services. The New Zealand government is continuously working towards policy alignment with Australia wherever possible and the implementation of SBR in both countries would enable both governments to create a more efficient and friendlier trans-Tasman business environment. Historically the New Zealand – Australian relationship has been uniquely close and cooperative and SBR is no exception to that rule. SBR in Australia is approximately one year ahead of New Zealand and they have progressed to a stage where New Zealand can learn from their experiences, gain advantage through sharing of information and reduce costs through potential duplication of work.

¹ Integral contribution by Programme management SBR New Zealand

So while SBR is slowly gathering pace in New Zealand there is still a significant amount of work to be done. The New Zealand SBR Programme continues to make the most of strong cooperative international relationships from teams of officials with shared goals, including automating the way government collects information, introducing an international standard for the preparation of financial statements and making government reporting easier and faster for businesses.