

Background

Australia

The Australian Government is intent on reducing the red tape imposed by government on business. The administrative burden faced by business comes not only from legislation and regulation, but also from the processes adopted by government agencies, and imposed on regulated businesses, in the collection and dissemination of information.

In its Australian Government Technical Interoperability Framework (refer www.agimo.gov.au/practice/framework/) the Australian Government Information Management Office (AGIMO) has recommended many open, widely adopted standards for information transfer to streamline (and thus reduce the cost of) the flow of data between government agencies. The adoption of these same standards for moving data between business and government would further reduce the cost of information flow in both the public and private sectors.

New Zealand

On the subject of reducing business compliance costs and reducing red tape, New Zealand holds similar objectives to those held in Australia. It is acknowledged that web-based technology can assist in not reducing compliance costs, but also in providing higher quality data more quickly to decision makers.

In September 2005, an e-Government Interoperability Working Group was established to evaluate what technology currently exists to efficiently and effectively promote the consumption and rendering of business information. The lead government agency sponsoring the activities of this Working Group is New Zealand's Inland Revenue. Eight significant government departments and agencies, together with observers from the New Zealand Institute of Chartered Accountants and XBRL New Zealand are supporting this initiative.

Business Reporting Standards

High profile business reporting abuses in the US (e.g. Enron, Worldcom), in Australia (e.g. HIH) and more recently in Europe (eg Parmalat) have prompted the accountancy profession to investigate the problems with business reporting that allowed such events to occur. The content of the reports was found to have significant issues and that is being addressed by initiatives such as International Financial Reporting Standards (IFRS) adoption and recommendations on business reporting information from the Enhanced Business Reporting Consortium (refer www.ebrconsortium.org).

Another significant problem identified with the business reports those organisations produced was the timeliness and completeness of the information provided. This time included not only the time it took business to report the data to the market, but the time it took the market to consume and analyse that information. The main reason for the delays was identified as a lack of standardisation in the data formats used, which

resulted in delays and errors caused by rekeying data between computer systems within business groups and then between the businesses and the markets.

Participants in the business reporting supply chain – software developers, regulators, accountants, stock exchanges, banks, infomediaries and advisers – have come together as never before in the interests of solving the standardisation problem. Just as the standardisation of shipping containers opened up enormous opportunities and markets for transport and supply logistics through removing inefficiencies in low value add parts of the process, the same should be true of business reporting.

A programming language called HyperText Markup Language (HTML) revolutionised information sharing via the Internet. This language is concerned only with the display and presentation of information, which is adequate for viewing information, but is inadequate for processing information.

To deal with this problem, a language derived from the same base as HTML, called eXtensible Markup Language (XML), has been adopted globally for information transfer between computer programs. It's been developed to facilitate interoperability – that is, getting information from one organisation to another in the most efficient way possible. So this standard language can be thought of as the road surface of the information superhighway. Just as roads are similar the world over in the sense that they are designed to allow people to travel from one place to another as efficiently and effectively as is possible given available resources, car manufacturers build different types of vehicles to convey things with some certainty along that road. So XML, like a road, provides a solid base on which those with specific needs can build software applications to convey information.

Even though roads are broadly similar in design, a set of rules for how to use them was needed to avoid chaos. The world, over the last 100 years, has adopted a framework for communicating these rules so that people can move safely from one place to another and use the roads without having to learn a completely new system each time. That framework consists of road markings and signs and their placement so that users of the road know where to look for indications of what the rules are when they driving – regardless of where they are. For example, lines on the road indicate constraints on where to drive on it, the signs face the direction of travel so they can be read, arrows indicate which way you can turn, lights and signs indicate when you must stop or how fast you may go. Within that framework, countries are free to create rules specific to their needs – what side of the road to drive on, speed limits, etc.

In the same way, a framework is required for business reporting using XML to avoid chaos. The consortium referred to earlier has created such a framework and called it “eXtensible Business Reporting Language” (XBRL). This simply sets out the framework for where things should be located and how they should be described in a data file that conforms to this standard. Just as the road rules framework allows for variations according to local needs, so XBRL allows variations for specific reporting needs – e.g. tax, statistics, external financial reports, internal management reports, etc.

This common framework allows software developers to build computer systems that can share data as they all understand the common framework in which data will be sent to them and in which they need to send data. The rules, whilst different from one

domain to another (e.g. tax to accounts) are set out in the same way and are thus easily discoverable and adapted to – just as you know you can only drive on one side of the road (the framework) and need to see the local conditions to know if it's the left or the right (the rules).

Right now, the authorities in many domains are building those sets of rules using the XBRL framework. These include the Securities and Exchange Commission and Financial Deposits Insurance Commission in the USA, the Committee of European Banking Supervisors in the EU and the Australian Prudential Regulation Authority and Australian Taxation Office in Australia. These sets of rules are called “Taxonomies”.

Consortia in both Australia and New Zealand are looking to create XBRL taxonomies to cover the annual reporting requirements for businesses set out in accounting standards, corporations laws and stock exchange listing requirements. As the requirements for these things are very similar in both countries, and many businesses operate in both countries, it is thought beneficial to create a common set of rules (taxonomies) so that data may flow freely between business and government in both countries. Just as having identical road rules in both countries makes moving from one country to another extremely easy, so having the same information rules would make moving business related data from one country to another extremely easy.

Recommendation

1. This “Taxonomy” is public infrastructure and thus should be funded at least initially, by the governments of both Australia and New Zealand to ensure it has integrity and longevity.
2. Similarities between reporting requirements mean that cooperation between Australia and New Zealand is both possible and efficient in terms of cost and resources.
3. Funding arrangements for the organisation charged with maintaining the taxonomies will need to be committed for at least the next ten years to provide the market with certainty on the availability and maintenance of the standard. Funding may or may not be equal between Australia and New Zealand. A feasibility study should be commissioned to investigate the costs and benefits of this proposal.
4. The terms of reference for what this entity is responsible for will need to be formalised, but should include:
 - a. Promotion of the XBRL standard and use of the jointly developed taxonomy;
 - b. Development and maintenance of the taxonomy;
 - c. Overview of public sector taxonomies to ensure duplication minimised;
 - d. Provide training and support in the use of taxonomies and the XBRL standard.

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