

## AUTOMATIC BUSINESS REPORTING (2016.11)

### IDENTIFICATION OF THE ACTION

Type of Activity	Common Frameworks
Service in charge	DIGIT.B6 (tbc)
Associated Services	TAXUD, FISMA, ECFIN

### EXECUTIVE SUMMARY

Automation and data exchange between companies and authorities is relevant for many European countries as well to increase productivity. Thus for the European countries to become particularly strong in the digital area, there is a need for a good infrastructure, sound public data and a willingness to develop digital solutions that can create jobs and economic growth.

The project will work to investigate the potential of establishing ways of automating data exchange between companies and authorities in the European Union. The idea is that this project will help to strengthen the region as a digital forerunner and greatly improve the digital inner market in Europe.

Automatic business reporting is an ambitious vision that potentially can revolutionize the way companies do accounting. Key to fulfilling the vision is to replace the burden of reporting on companies with a digital infrastructure that involves a greater use of automation and data reuse between authorities and companies. Automatic business reporting is a paradigm shift from the current state of reporting where businesses report data to the authorities again and again, to a new state where the authorities can “pull” or “harvest” relevant data from the companies through the use of a central data repository. The goal is to harvest data at the lowest level possible in the companies to enable full automation of the reporting.

Automatic business reporting is a new concept where production data from the companies are stored in a central solution. The central infrastructure can be accessed by public institutions and private organizations. Access and privacy issues are managed by a user authentication system to regulate the distribution of data. The software needed to deliver the data is developed by private companies according to specific standards specified by the government. Once the standardized format is settled the market can develop and modify existing systems to the new standards.

Ideally, once the user authentication, the standardized format and the central repository is developed the following outputs will happen:

- Business reporting to public institutions will cease to exist. Instead public institutions will harvest the necessary data using the central repository
- Documentation requirements in the form of financial statements and budgets are replaced by granting access to the data in the repository
- Automatic business reporting facilitates new and innovative ways of linking sales, inventory management, supplier management and bookkeeping in the individual company
- The Danish government cut spending on controlling the companies for tax fraud and etc. as the quality of the data improves both by the increased mass of data and the level of detail.
- The individual companies will have much better business intelligence (BI) options as the general level of digitization is increased and systems providers can develop new BI solutions and improve the growth potential.

While Automatic business reporting is very advantageous for the government in terms of better control mechanisms and more accurate reports, the real benefits of Automatic business reporting are actually reaped in the companies. Fully implementing Automatic business reporting will eventually increase the digitization level in the companies by a large margin. Having better technologies and a more detailed insight in the company will strengthen the company's business intelligence and improve B2B-relations due to more accurate information about the individual companies as well as entire business sectors.

This project is a study of the potential of establishing Automatic business reporting in the European countries. The primary actions will be analysis and the outputs will be extensive knowledge about the subject at hand and executable results on how to proceed with the Automatic business reporting vision.

## **OBJECTIVES**

- Investigate the potential of data sharing and reuse in the European region.
- Investigate the possibility of increased automatic and standardized reporting in the European countries.
- Investigate the potential and possibilities of efficient business intelligence and business-to-business relations for SME's in European countries.

## **SCOPE**

The scope of the project is to:

- Define the vision and scope for an Automatic Business Reporting.
- Identify and analyse the potential of automatic business reporting in terms of public savings and benefits for private businesses. Deloitte has made a rough estimate of the potential savings of automated reporting in Denmark. The estimate concludes that automatic business reporting has the potential of saving businesses 5-7 billion DKK every year. This estimate has to be further qualified in a more detailed analysis. Similar analysis can be initiated in the other European countries
- Initiate a range of technical, legal, cultural, organizational and political analyses to evaluate the potential of automatic business reporting in the European countries and identify solutions to overcome these barriers in close coordination with the other two European case studies.

## **PROBLEM STATEMENT**

Big data and data-driven companies will be essential if the European Union wants to maintain a key role in the global economy. Automatic business reporting incentivises SME's to become more data-driven and reduces the burdens of administrative reporting by introducing automatic data collection.

## **EXPECTED BENEFICIARIES AND ANTICIPATED BENEFITS**

This initiative will strengthen the competitiveness and create growth for small and medium enterprises, which will be the expected beneficiaries. The companies spend a lot of time and resources on administrative reporting – a cost that is estimated to 1 billion euros in Denmark alone. Deloitte has made a rough estimate of the potential savings of automated reporting in Denmark. The estimate concludes that automatic business reporting has the potential of saving businesses 1 billion euros every year in Denmark. The potential savings in the European Union are not calculated, but similar results can be expected.

Beneficiaries	Anticipated benefits
Small and medium enterprises	1) Fewer administrative burdens 2) Higher degree of digitization in the individual companies 3) Increased business intelligence and easier business-to-business relations

## RELATED EU ACTIONS / POLICIES

Action / Policy	Description of relation, inputs / outputs
ISA2: Specific activities in the field of financial reporting and auditing	In a global economy, there is a need for a global accounting language. Automatic business reporting requires a standardized accounting language to pull the data from the ERP-systems, so the two policies synergizes well.

## REUSE OF SOLUTIONS DEVELOPED BY ISA, ISA<sup>2</sup> OR OTHER EU / NATIONAL INITIATIVES

Data standardization in the European union
Digitization strategies in the European countries
Development and use of digital reporting in other countries (Netherlands, Australia, etc.)

## EXPECTED RE-USABLE OUTPUTS (solutions and instruments)

Output name	State of the art report
Description	The report will assess already existing building blocks, solutions, identify users, needs to assess the feasibility of the proposal.
Reference	To be published on Joinup
Target release date / Status	2016

## ORGANISATIONAL APPROACH

### Expected stakeholders and their representatives

Stakeholders	Representatives
The Danish Business Authority	Rasmus Eskild Jensen, Nils-Bro Müller
Agency for Digitisation in	n/a

Denmark	
Business authorities in MSs	The action will identify further stakeholders in the course of the project

### Communication plan

The Automatic business reporting project requires legal adaption to become a success. As such the project is much more a political and administrative complex project rather than a technical issue. Thus, the communication plan will be built around this assumption and will rely heavily on gaining political support in the member states. Automatic business reporting can be introduced in different tempi and is thus flexible in the adaption phase.

### TECHNICAL APPROACH

The action will first analyse the current state of affairs in the MS and on the EU level.

The report will serve as a basis for potential further actions.

### COSTS AND MILESTONES

#### Breakdown of anticipated costs and related milestones

Phase: Inception Execution Operational	Description of milestones reached or to be reached	Anticipated Allocations (KEUR)	Budget line ISA/ others (specify)	Start date (QX/YYYY)	End date (QX/YYYY)
Inception	Analysis of the state of affairs in the MS and on the EU level (including existing accounting standards) and potential barriers	150		Q2/2016	Q4/2016
Inception	Creation of a data taxonomy for financial data	200		Q1/2017	Q3/2017
	Total	350			

#### Breakdown of ISA funding per budget year

Budget Year	Phase	Anticipated allocations (in KEUR)	Executed budget (in KEUR)
2016	Inception	150	
2017	Inception	200	
2018			
2019			
2020			