



**International Federation of Accountants**

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## Agenda Item

# G

**Committee:** IAASB Consultative Advisory Group

**Meeting Location:** Barcelona

**Meeting Date:** March 1–2, 2010

### **XBRL—Report Back and Project Update**

#### **Objectives of Agenda Item**

1. The objectives of this Agenda Item are:
  - (a) To provide a brief report back on proposals of Representatives on this project discussed at the March 2009 CAG Meeting.
  - (b) To update the Representatives' on the outcomes of the IAASB's discussions at its September and December 2009 meetings, including the issuance of a Staff Q&A publication.
  - (c) To obtain the Representatives' views on a number of key issues to inform the IAASB's determination of whether to develop a pronouncement addressing XBRL.

The discussion on this topic will follow the structure of this CAG Paper.

#### **Background**

2. The project proposal was discussed with the CAG and IAASB at their respective March 2009 meetings. The IAASB also discussed the project at its September and December 2009 meetings.
3. At its meeting in September 2009, the IAASB agreed with the XBRL Task Force's recommendation that a Staff Q&A be developed relating to XBRL and commissioned the development of this publication. The purpose of Staff Q&A was to help raise awareness of XBRL developments and make clear the responsibilities of the auditor under the ISAs regarding XBRL-tagged data. The publication notes that because the filing of XBRL-tagged data is not a discrete document, the requirement of ISA 720<sup>1</sup> for the auditor to "read" the other information for purposes of identifying material inconsistencies or material misstatements of fact would not be applicable to XBRL-tagged data. It also highlights that current ISAs do not require auditors to perform procedures on XBRL-tagged data as part of the financial statement audit and, accordingly, the auditor's report in accordance with the ISAs on the financial statements does not cover the process by which XBRL data is tagged

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<sup>1</sup> ISA 720, "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements."

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or the XBRL-tagged data that results from this process, and no assurance is given on the accuracy, consistency and completeness of the XBRL-tagged data itself.

4. The Staff Q&A, which was issued in January 2010, is included as **Agenda Item G.1**. Representatives' attention is drawn in particular to Questions 5-8, explaining the issue of auditor association, other services that practitioners may be asked to provide with respect to XBRL, and the IAASB's consultation plan.
5. At its December 2009 meeting, the IAASB determined a targeted consultation process to assist it in defining a way forward. This could be, for example, the development of further guidance on XBRL or the development of a new pronouncement, depending on the results of the consultation. The consultation plan is explained in more detail below.
6. The IAASB intends to discuss the results of the targeted consultation at its June 2010 meeting, and the CAG will receive an update on the project at its September 2010 meeting.

#### Report Back on the March 9-10, 2009 CAG Proposals

7. Below is an extract from the approved minutes of the March 2009 CAG meeting, and an indication of how the IAASB Task Force or the IAASB responded to the Representatives' comments.

Representatives' Comments	Task Force/IAASB Response
<ul style="list-style-type: none"><li>Mr. Krantz noted that if he were looking at financial statement information presented in XBRL form he would assume that the auditor had obtained some assurance about the accuracy and reliability of the XBRL data. He would anticipate that other users would assume the same. He therefore believes that as a minimum the auditor should perform some work on financial data tagged in XBRL format with the extent of the auditor's work thereon explained in the auditor's report. However, he was of the view that a broader approach should be taken to the project and that a new assurance standard should be developed for engagements to report on XBRL data.</li></ul>	<p>Point not yet fully considered.</p> <p>The IAASB's current position on auditor association with XBRL –tagged data is explained in paragraph 3 above and was communicated in the Staff Q&amp;A publication included as Agenda Item G.1.</p> <p>However, the Task Force agrees that other users of XBRL-tagged data may have a similar expectation and intends to raise this matter in the planned consultation, as discussed further under "The IAASB's Consultation Plan."</p>
<ul style="list-style-type: none"><li>Ms. de Beer expressed support for the proposed direction of the project, where no XBRL data accompanying the financial statements is released unless it has been subject to some review by the auditor. She was of the view that the most</li></ul>	<p>Point accepted.</p> <p>The IAASB agreed it was necessary to address the immediate needs of users to clarify that assurance currently is not provided on XBRL-tagged data, and believed raising awareness on this matter in</p>

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immediate need of users is to know whether or not assurance is being provided on XBRL tagged data.	the Staff Q&A was the best way to do so in a timely manner. Further views of users will be sought, as discussed further under “The IAASB’s Consultation Plan.”
<ul style="list-style-type: none"> <li>Mr. Peyret expressed support for the proposed direction of the project. He was of the view that XBRL enhances the reliability of financial information particularly in cases where the reporting entity is required to consolidate a number of subsidiary accounts. He indicated that the European Financial Executives Institute will continue its dialogue with regulators towards a requirement for financial statements to be filed in XBRL format.</li> </ul>	<p>Point not accepted.</p> <p>In the Task Force’s view, and as stated in Question 4 of the Staff Q&amp;A, when used correctly, XBRL changes the appearance and improves the delivery mechanism for financial statements, but it does not alter their meaning. However, financial information provided in XBRL instance documents is only as reliable as the underlying financial data used and the accuracy, consistency and completeness of the tagging applied to that data in creating the XBRL files.</p>
<ul style="list-style-type: none"> <li>Mr. Cassel expressed support for the proposed direction of the project. He was of the view that XBRL will ultimately be the primary form in which financial statements are filed. He recommended that the project should also include consideration of the use of electronic signatures. He also suggested that there may be an opportunity for XBRL to enhance practice by minimizing the period between the date of the auditor’s report and when that report is actually signed by the auditor and the financial statements approved by management. In this regard, he stressed the importance of the project’s linkage with ISA 560,<sup>2</sup> ISA 700<sup>3</sup> and ISA 720.</li> </ul>	<p>Point noted.</p> <p>Point not accepted. The Task Force is of the view that issues relating to electronic signatures have broader implications that XBRL and would be more appropriately considered in the context of auditor reporting / ISA 700.</p> <p>Point noted.</p>
<ul style="list-style-type: none"> <li>Mr. Waldron expressed support for the proposed direction of the project. Because users will be using XBRL data more and more to analyze financial information, he believes it extremely important that the IAASB take steps to accelerate</li> </ul>	Point noted.

<sup>2</sup> ISA 560, “Subsequent Events.”

<sup>3</sup> ISA 700, “Forming an Opinion and Reporting on Financial Statements.”

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<p>the development of standards that would require the auditor to obtain some level of assurance on XBRL tagged data. Mr. Johnson supported this view.</p>	
<ul style="list-style-type: none"> <li>Mr. Johnson was of the view that XBRL is the future of financial reporting and that profession needs to be involved at this relatively early stage of the global XBRL movement. He was also of the view that global guidance developed by the IAASB is preferable to different national solutions. He explained that the main challenge in developing a global solution relates to the fact that jurisdictions are moving at different paces with respect to reporting in XBRL; some jurisdictions will remain 'paper societies' for a longer period while others will move variously along a continuum of both paper and electronic mediums. Mr. Uchino supported this view, noting that it will be important that the IAASB survey national circumstances and take into consideration the fact that countries may be at different stage of development. Mr. Johnson noted that he co-chairs a FEE task force on XBRL and that it would be pleased to work closely with IAASB as it moves forward on this important project.</li> </ul>	<p>Point accepted.</p> <p>Further views on national circumstances and the feasibility of developing a pronouncement that is relevant internationally will be sought, as discussed further under "The IAASB's Consultation Plan."</p> <p>The Task Force is pleased to be liaising with the FEE Task Force on an ongoing basis.</p>
<ul style="list-style-type: none"> <li>Ms. Patti was of the view that preparers, practitioners and the public are generally not well educated about XBRL, and that the IAASB itself should be satisfied that it is fully educated on XBRL before making any standard-setting decisions. For example, she explained that XBRL data produced through a 'bolt-on' process to a legacy system will have different audit implications than the case where the XBRL tagging process is embedded in financial reporting system. Mr. Scates supported this view, and suggested that the IAASB survey firms about the nature and level of assurance, if any, they are</li> </ul>	<p>Point accepted.</p> <p>The IAASB received educational presentations on XBRL at its March and September 2009 meetings. The Staff Q&amp;A also provided background information on XBRL to educate stakeholders.</p> <p>The IAASB agreed further consultations are necessary with preparers and firms, among others, as discussed further under "The IAASB's Consultation Plan."</p>

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currently providing on XBRL data, the level of assurance that they would not be capable of providing, and their views on the major risks and cost implications of different assurance approaches. Messrs. Fogarty and Morris noted that an important objective of the project will be to create an understandable explanation of XBRL.	
<ul style="list-style-type: none"> <li>Mr. Sylph indicated that a key issue the IAASB will face is whether to focus on addressing contemporary issues such as that of 'bolt on' versus 'embedded' XBRL processes, or to seek to develop a broader solution that anticipates the future form of financial reporting under XBRL. Messrs. Johnson and Krantz were of the view that the IAASB may need to consider both, as different jurisdictions will be at different stages of development for some time. There are specific needs that must be addressed now, but resolving them will not be the end of the work of the IAASB as there will be continuing developments in XBRL and therefore continuing demands on the profession. Mr. Morris supported this view, noted that the US banking sector has been using XBRL for many years but is still principally operating a 'bolt on' approach.</li> </ul>	<p>Point accepted.</p> <p>The IAASB intends to raise these matters in the planned consultation, as discussed further under "The IAASB's Consultation Plan."</p>

#### The IAASB's Consultation Plan

8. The parties identified in the timetable below reflect those who, in the IAASB's view, have the most experience with XBRL to date and from whom the Task Force stands to gain the most relevant information. The timetable also indicates the planned timing of the discussions.

January 2010
<ul style="list-style-type: none"> <li>Issuance of Staff Q&amp;A, <i>XBRL: The Emerging Landscape</i></li> <li>Task Force discussion of key aims of consultation and planned approach to be taken with those being those being consulted</li> <li>Meeting with representatives from the Institute of Chartered Accountants of England and</li> </ul>

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Wales (ICAEW) XBRL Task Force
<b>February 2010</b>
<ul style="list-style-type: none"><li>• Attending the Fédération des Experts Comptables Européens (FEE) Roundtable to launch the FEE Policy Statement,<sup>4</sup> <i>eXtensible Business Reporting Language (XBRL) – The impact on accountants and auditors</i>. This Roundtable will focus on enhancement of awareness of accountants, auditors, and others about the use of XBRL in financial reporting, its benefits and its challenges and facilitating a debate about the next steps.</li><li>• Meeting with FEE XBRL Task Force</li></ul>
<b>March 2010</b>
<ul style="list-style-type: none"><li>• Discussion at the CAG meeting</li><li>• Discussion at the IFAC Small and Medium Practices Committee meeting</li><li>• Joint meeting of the IAASB XBRL Task Force and the American Institute of Certified Public Accountants (AICPA) Assurance Services Executive Committee XBRL Assurance Task Force – their Task Force is focusing on addressing overarching issues related to voluntary assurance on information reported in XBRL format. The AICPA Task Force has begun working on addressing issues and developing draft assertions, objectives, procedures and a sample auditor’s report related to providing examination<sup>5</sup> engagements on XBRL-tagged data. The task force is working to develop an approach to determine the criteria that could be included within the scope of such engagements. The AICPA Task Force is also considering issues related to the expectation gap that is caused when auditor reports are included with financial statements that include XBRL-tagged data, and is reviewing different approaches to communicate auditor association with the XBRL-tagged data to mitigate this potential expectation gap.</li></ul>
<b>April 2010</b>
<ul style="list-style-type: none"><li>• Meeting with XBRL International Assurance Committee (formerly known as the Assurance Working Group) – this group aims to function as the official liaison role</li></ul>

<sup>4</sup> The FEE Policy Statement, issued in December 2009, is included as a CAG Reference Paper. Representatives from FEE will give an overview of the publication and brief the Representatives on the Roundtable at the CAG meeting.

<sup>5</sup> Examination engagements are assurance / attest engagements designed to provide a high level of assurance. This Task Force also developed Statement of Position (SOP) 09-1, “Performing Agreed-Upon Procedures Engagements That Address the Completeness, Accuracy, or Consistency of XBRL-Tagged Data,” for engagements in which a practitioner performs and reports on agreed-upon procedures related to the completeness, accuracy, or consistency of XBRL-tagged data.

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between market participants and XBRL International on assurance matters and proactively develop awareness materials. In addition, Staff is also participating as an observer in the group's biweekly calls.

- Discussion at the Forum of Firms / Transnational Auditors Committee meeting – to understand their views on what services could be offered with regard to XBRL to determine whether new standards need to be developed for these services
- National Standard Setters meeting

#### **Ongoing work by Task Force and the XBRL Research Team<sup>6</sup> between January 2010 – April 2010**

- Liaison with XBRL International Representatives from countries moving forward with XBRL – to leverage research and work already performed
- Firm representatives – particularly in Australia, China, Japan, Korea, Singapore, and South Africa, where XBRL is moving forward
- Regulators and oversight bodies such as the International Forum of Independent Audit Regulators (IFIAR), the International Organization of Securities Commissions (IOSCO), and national regulators such as the Dutch government – to understand any potential future requirements for auditor involvement or assurance
- Treasury departments and tax authorities, such as the UK HM Revenue and Customs – these organizations may in some cases be the primary or only users of XBRL-tagged data initially
- International Accounting Standards Board (IASB) – through liaison representative and in the context of International Accounting Standards Committee (IASC) Foundation developing the International Financial Reporting Standards (IFRSs) taxonomy – to understand how annual or ongoing changes to the taxonomies may have audit or assurance implications
- Preparer and user groups (to be determined through consultation with CAG, XBRL International and IFAC's Professional Accountants in Business (PAIB) Committee) – to better understand how preparers control the accuracy of the XBRL tagging process and what user expectations about auditor association or assurance on XBRL-tagged data

<sup>6</sup> A research team of three universities received funding through a collaborative initiative with the International Association for Accounting Education and Research (IAAER) and the Association of Chartered Certified Accountants (ACCA) to evaluate the implications of XBRL for the financial statement audit. The research team will work closely with the IAASB Task Force and is currently conducting individual and focus group interviews, and will survey a variety of interested parties and stakeholders. CAG Representatives will be asked to indicate their interest in participating in focus groups to be held during the March 2010 CAG meeting in separate correspondence. An overview of these focus groups is provided as a CAG Reference Paper.

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<b>June 2010</b>
IAASB meeting – Discussion of key issues arising from targeted consultation and possible survey, and consideration of way forward
<b>September 2010</b>
Discussion at CAG and IAASB meetings

#### Matters for CAG Consideration

1. Do Representatives believe the list of stakeholders to be consulted is comprehensive?
2. Do Representatives have suggestions for how the Task Force could more effectively liaise with preparers and users of XBRL-tagged data? For example, are there organizations or individuals that should be approached for targeted consultation?

#### Key Areas of Focus in the Consultation

9. The Task Force believes that it would be beneficial to develop fundamental information gathering questions<sup>7</sup> to be asked in each of the consultations. Answers to these fundamental questions will facilitate development of a well-informed project plan for presentation at the June 2010 IAASB meeting. The following preliminary fundamental questions are provided for your consideration and comment. Some questions may be more relevant than others, in particular based on the global nature of certain Member Organizations, however Representatives are encouraged to share views on any question they wish.

#### *Usage of XBRL in Particular Jurisdictions*

- How is XBRL used in your jurisdiction? Are financial statements or any financial information required to be filed, provided or issued using XBRL?
  - Is XBRL filing mandated by securities regulators and is the filed information available publicly?
  - Is XBRL filing mandated by taxing authorities, or other regulators, such as banking supervisors? Is the filed information available publicly?
  - Are XBRL filing requirements applicable for entities of all sizes? Are there individual industries that are subject to XBRL filing requirements?

<sup>7</sup> These questions, or some variation thereof, also will be used in the XBRL Research Team's process, and may form the basis of a survey or formal consultation paper at a later date. These questions are consistent with the matters described in Question 8 of **Agenda Item G.1**.



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##### *Auditor Association with XBRL-Tagged Data*

- Is there a move towards requiring auditors to be associated with XBRL-tagged data in your jurisdiction? What is driving this momentum (regulatory activities, perceived user needs, preparer requests)?
- Have regulators publicly determined whether assurance is (or is not) required? If assurance is not required, is it anticipated that this is likely to change in the future?
- Do stakeholders believe it is in the public interest for auditors to be required to perform some level of procedures on XBRL-tagged data absent a regulatory requirement to do so (recognizing this will likely increase the cost of an audit)?

##### *User Perceptions about XBRL*

- What do users of XBRL-tagged data (whether true end-users or intermediaries like regulators and tax authorities) perceive is the level of auditor association with XBRL-tagged data?
- How are analysts and others using XBRL-tagged data to make investment decisions?<sup>8</sup>
- Would language in the auditor's report explaining the auditor's lack of association with XBRL-tagged data serve to reduce the expectation gap?
- The Task Force is of the preliminary view that, if assurance is required, it may only be feasible for practitioners to report on the efficacy of the XBRL-tagging activity. Would this result in a meaningful service given how XBRL-tagged data is used or would users be expecting data-level assurance?
  - How would important concepts in a typical financial statement audit (for example, "true and fair" opinions and materiality) need to be adapted to provide assurance on XBRL-tagged data?

##### *Preparing XBRL-Tagged Data*

- What process do preparers use to prepare XBRL-tagged data (for example, by using tagging software, outsourcing the tagging to a third-party, use of XBRL GL, other)?
- Do preparers request their auditors or other practitioners to be involved with XBRL in any way? For example, is there value in engaging the auditors to perform agreed upon-procedures to give comfort to those charged with governance that the tagging is consistent with the applicable taxonomy? Have preparers considered the costs and benefits of doing so?

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<sup>8</sup> It will be important when dealing with users to be mindful that analysts already extract line items from the financial statements and may not understand the concept of materiality in a typical financial statement audit (i.e., they may already assume the individual line items are "audited.") There is an added risk when XBRL-tagged data is used that the tags have been incorrectly applied by the entity.

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##### *General Views about XBRL*

- How do you see the landscape emerging with regard to XBRL? Is it likely that XBRL will replace paper-based or other electronic filing in your jurisdiction? If so, what is your best estimate as to timeline?
- Are there options the IAASB could pursue to clarify the level of assurance obtained by the auditor on XBRL-tagged data?
- Stakeholders are also asked to inform the IAASB of any relevant thought leadership or developments in their respective organizations which may inform the project going forward.

##### **Matter for CAG Consideration**

3. Representatives are welcome to raise views on the questions noted above that are most relevant to their Member Organizations. Representatives also are asked to consider whether there are experts or other interested parties within their Member Organizations who may be contacted by the IAASB Task Force, Staff or the XBRL Research Team in order to provide further information on the key areas of focus.

##### **Action Requested**

10. The CAG is asked to review and comment on the key issues highlighted in this paper, as well as on any other matters which may be of relevance to the project.

##### **Material Presented – IAASB CAG PAPERS**

Agenda Item G.1                      IAASB Staff Q&A – *XBRL: The Emerging Landscape* issued January 2010

##### **Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY**

Fédération des Experts  
Comptables Européens  
Policy Statement issued  
December 2009                      [FEE Policy Statement - eXtensible Business Reporting Language \(XBRL\) – The impact on accountants and auditors](#)

XBRL Research Team                      [Word File attached](#)  
Focus Group Overview  
and FAQ