



23rd XBRL International Conference

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Assurance Track

The Implications of XBRL for the Financial Statement Audit

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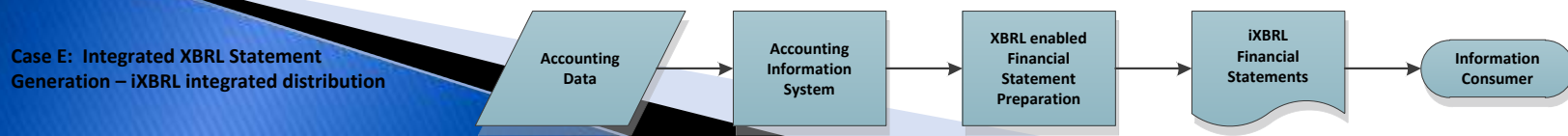
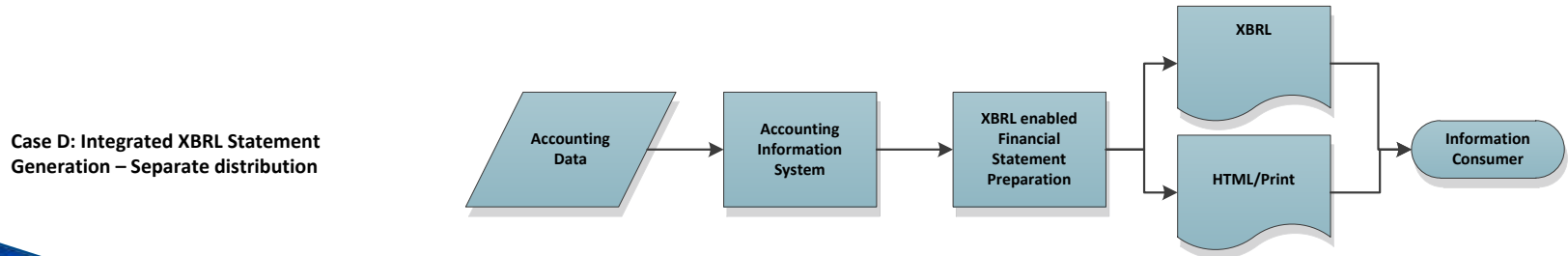
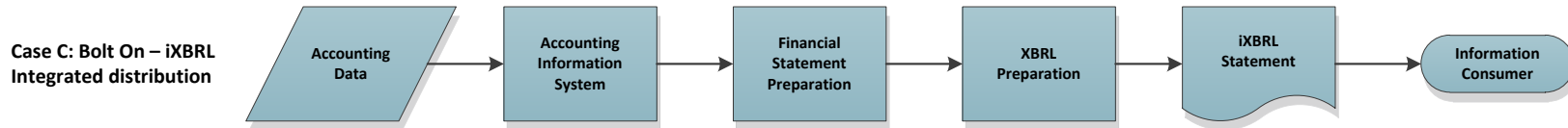
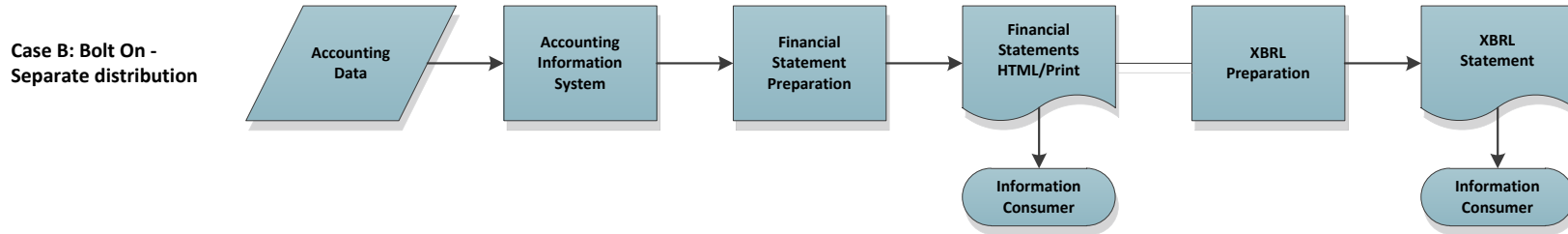
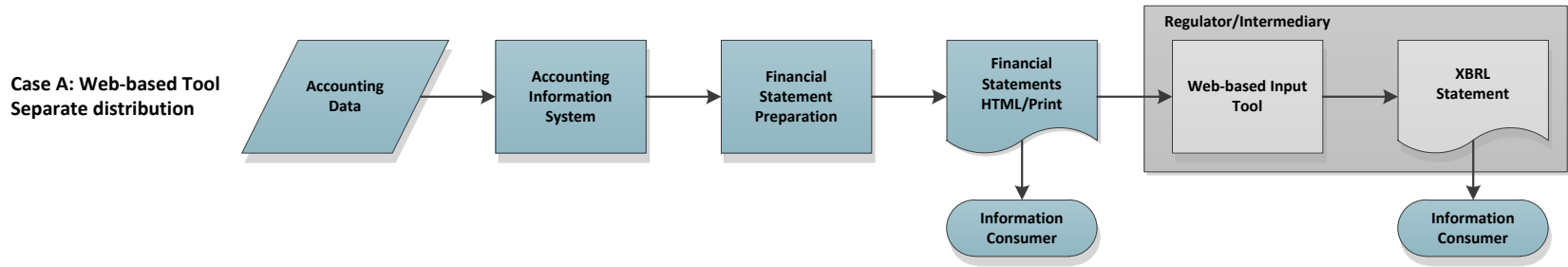
Background

- ▶ Received grant from the ACCA and IAAER in program to support the work of the IAASB
 - ▶ Commenced in early 2010, recently completed final data collection
 - ▶ Draft of our 165 page report now available
 - ▶ Final review by ACCA/IAASB team in early November
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XBRL Around the World Today

- ▶ **India**
 - ▶ **Japan**
 - ▶ **Netherlands**
 - ▶ **Singapore**
 - ▶ **South Africa**
 - ▶ **Sweden**
 - ▶ **United Kingdom**
 - ▶ **United States**
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Alternative Perspectives of Production of XBRL Reports



We conducted four studies ..

**Experiment -
Investor
perceptions of
XBRL - USA**

**Focus group
analysis of
assurance issues**


**Experiment -
Investor
perceptions of
XBRL -
Netherlands**

**Analysis of
practical
implementations –
US & Netherlands**

Focus Groups

- ▶ **FEE XBRL Task Force (February 2010)**
- ▶ **CAG (February 2010)**
- ▶ **Supplemental interviews**
 - **AICPA XBRL Task Force (selected members)**
 - **China**
 - **New Zealand**

Focus Group Conclusions

- ▶ **Mandatory assurance**
 - ▶ **Integrated or separate assurance report**
 - ▶ **Level of assurance**
 - ▶ **Need for specialty XBRL assurance guidance**
 - ▶ **Communicating XBRL assurance**
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Experiment



Experiments: Overview

- ▶ **2 X 7 Repeated Measures**
 - XBRL Complexity – US
 - Belief about XBRL in audit – Netherlands
 - Assurance Report
- ▶ **Dependent Variables:**
 - Level of assurance on XBRL report
 - Likelihood of residual errors in the audited XBRL report
- ▶ **Setting**
 - US SEC reporting environment
 - Dutch reporting environment
- ▶ **Participants**
 - United States: 853 participants (292 own shares; 561 do not own shares)
 - Netherlands: 126 participants (76 own shares; 50 do not own shares)

Primary questions

- ▶ **Do investors react to alternative report scenarios with different levels of assurance?**
 - ▶ **What type of assurance reports on XBRL do investors want?**
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Communication

Auditor

**Sets nature and
level of assurance
on XBRL**

Communicate



Investor



Seven alternative reports

- ▶ **Traditional audit reports**
 - Vanilla – no mention of XBRL
 - Include XBRL
 - Exclude XBRL
- ▶ **Reasonable Assurance on XBRL**
 - Stapled to audit report
 - Standalone
- ▶ **Limited Assurance on XBRL**
 - Stapled to audit report
 - Standalone

United States and Dutch Comparison

Audit Report	Statistics	Levels of Assurance			Errors		
		NL	US	All	NL	US	All
Aud Rpt	N	38	95	135	41	111	152
	Mean	81.1	57.4	64.1	41.1	61.3	55.9
	Std Dev	18.7	29.7	29.0	22.4	21.1	23.2
Aud Rpt with XBRL	N	41	92	133	43	114	157
	Mean	62.3	65.4	64.5	49.8	55.1	53.6
	Std Dev	34.2	26.4	29.0	28.1	22.8	24.4
Aud Rpt excl XBRL	N	39	88	127	42	108	150
	Mean	25.6	42.8	37.6	50.0	65.2	61.0
	Std Dev	35.3	33.3	34.7	24.3	17.5	20.7
Aud Rpt + Reasonable Assrce	N	59	117	176	62	135	197
	Mean	79.6	64.2	69.3	42.2	55.0	51.0
	Std Dev	17.1	26.2	24.6	22.8	23.2	23.8
Reasonable Assrce	N	58	112	170	62	128	190
	Mean	80.0	65.8	70.7	42.2	55.6	51.2
	Std Dev	18.8	26.8	25.2	23.2	24.4	24.8
Aud Rpt + Limited Assrce	N	62	110	172	64	137	201
	Mean	69.3	67.4	68.1	43.1	60.2	54.7
	Std Dev	21.6	25.6	24.2	21.2	22.4	23.4
Limited Assrce	N	63	75	138	64	90	154
	Mean	59.8	67.0	63.7	46.0	61.3	55.0
	Std Dev	24.1	26.0	25.3	22.7	20.8	22.8
All	N	360	689	1,049	378	823	1,201
	Mean	66.8	61.8	63.5	44.6	58.9	54.4
	Std Dev	29.2	28.7	29.0	23.4	22.2	23.5

United States Experiment Results: Level of Assurance

<i>Predicted Order</i>	<i>Actual Order</i>	<i>Case</i>	Description of cases
1	1	2	Standard audit report with explicit <i>inclusion</i> of XBRL
2	3	4	Standard audit report with separate reasonable assurance report on XBRL
3	5	5	A standalone reasonable assurance report on XBRL
4	4	6	Standard audit report with separate limited assurance report on XBRL
5=	6	1	Standard audit report with no information on XBRL
5=	2	7	A standalone limited assurance report on XBRL
7	7	3	Standard audit report with explicit <i>exclusion</i> of XBRL

Netherlands Experiment Results: Level of Assurance

Predicted Order	Actual Order	Case	Description of cases
1	5	2	Standard audit report with <i>explicit</i> inclusion of XBRL
2	3	4	Standard audit report with separate reasonable assurance report on XBRL
3	2	5	A standalone reasonable assurance report on XBRL
4	4	6	Standard audit report with separate limited assurance report on XBRL
5=	1	1	Standard audit report with no information on XBRL
5=	6	7	A standalone limited assurance report on XBRL
7	7	3	Standard audit report with explicit <i>exclusion</i> of XBRL

Desired Assurance Report – US

Assurance report	Rank	Rank		
		Mn	Std	N
			Dev	
Standard audit report – explicit XBRL	1	2.29	1.56	117
Standard audit report & separate attestation	2	2.58	1.45	117
Separate attestation report on XBRL	3	3.50	1.74	117
Standard audit report	4	3.79	1.49	117
The standard audit report explicitly excludes XBRL	5	3.85	1.56	117
None	6	5.67	1.49	117
Other	7	6.32	0.57	117

Does the audit include XBRL? Netherlands

Change in Fees	All	Own shares		Quality Screen
		No	Yes	
Strongly agree	23	9	14	10
	18%	18%	18%	23%
Somewhat agree	3	2	1	0
	2%	4%	1%	0%
Agree	11	3	8	4
	9%	6%	11%	9%
Neutral	9	5	4	2
	7%	10%	5%	5%
Disagree	36	13	23	17
	29%	26%	30%	40%
Somewhat disagree	11	3	8	3
	9%	6%	11%	7%
Strongly disagree	33	15	18	7
	26%	30%	24%	16%
N	126	50	76	43
	100%	100%	100%	100%

Real World Assurance



Real World XBRL Assurance Engagements

- E & Y Netherlands Audit of Deloitte Netherlands
- US Audit Firms Conducting AUP Engagements with SOP 09-1

Ernst & Young's Netherlands Experience

Auditing Deloitte Netherlands

- ▶ 3 year history providing XBRL audit service to Deloitte
- ▶ Based on ISA 3000
- ▶ Key characteristics:
 - Taxonomy maintained by government
 - No extensions allowed
 - Fixed view (rendering) of the XBRL instance document
- ▶ Evolution
 - 2008–2009: Assurance on correctness
 - 2009–2010: Assurance on correctness and completeness
 - 2010–2011: In process
- ▶ Audit Process
 - Mapping
 - Accuracy
 - Completeness


US Auditor Experiences

- ▶ **Big 4 and second-tier audit firms**
- ▶ **One filer**
- ▶ **SOP 09-1**
 - **In general firms closely follow the SOP**
 - **Most offer the SOP procedures ala carte**
- ▶ **About 40% of US SEC filers have sought an AUP**


Recommendations



Our Recommendations

- ▶ **The IAASB should reinvigorate their consideration of XBRL**
 - ▶ **Multi-dimensional levels of XBRL assurance**
 - ▶ **Provide clear audit and review procedures that can be used to form an appropriate opinion or conclusion**
 - ▶ **Data level assurance**
 - ▶ **Development of interactive tools to facilitate the audit process**
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Future Research

- ▶ The interaction between local regulatory environment, auditing standards, and the nature of XBRL adoption
 - ▶ The views of other stakeholders and participants in the financial reporting supply chain
 - ▶ Alternative perspectives on materiality
 - ▶ Communicating the audit report
 - ▶ Continuous assurance
 - ▶ Maintaining the instance document and audit report over time
 - ▶ Reducing the expectations gap
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Questions

