



23rd XBRL International Conference

“XBRL: Enhancing Business Performance”

25-27 October 2011

Montreal, Quebec, Canada

AS5. Assurance projects around the world

The research paper on Agreed Upon Procedures engagements of XBRL data (Exposure draft), JICPA

Daisuke Ikadai

26 October 2011

Implement of XBRL in Japan

The main introductory examples of XBRL in Japan are as follows.

Regulatory agency	System /Process	Implementation of XBRL	Cutover	The main features
Financial Services Agency	EDINET	<ul style="list-style-type: none"> – Face of the Consolidated financial statement* – Face of the Non Consolidated Financial statements* 	April, 2008	<ul style="list-style-type: none"> – Mandatory – The submitted XBRL data is exhibited. – About 4,500 listed companies – About 3,000 funds
Tokyo Stock Exchange	TDnet	<ul style="list-style-type: none"> – Summarized financial information – Face of the Consolidated financial statement* – Face of the Non Consolidated Financial statements* 	July, 2008	<ul style="list-style-type: none"> – Mandatory – The submitted XBRL data is exhibited. – About 4,500 listed companies
		Corporate governance report	July, 2008	<ul style="list-style-type: none"> – Qualitative information (non-financial information) – The submitted XBRL data is exhibited.
		<ul style="list-style-type: none"> – Reissued report of an earnings forecast – Reissued report of dividend anticipation 	July, 2008	<ul style="list-style-type: none"> – It is submitted when correction of an earnings forecast and revision of dividend anticipation are made. – The submitted XBRL data is exhibited.
Bank of Japan	Data transfer with a financial institution	The monthly statement from a financial institution	February, 2006	<ul style="list-style-type: none"> – Use of the formula linkbase – XBRL data is nondisclosure.
National Tax Agency	e-Tax	Face of the Financial statements*	2004	<ul style="list-style-type: none"> – Implemented XBRL into the financial statements of a corporation tax report. – XBRL data is nondisclosure.

* Financial statement without the notes or schedules

Background of the research paper

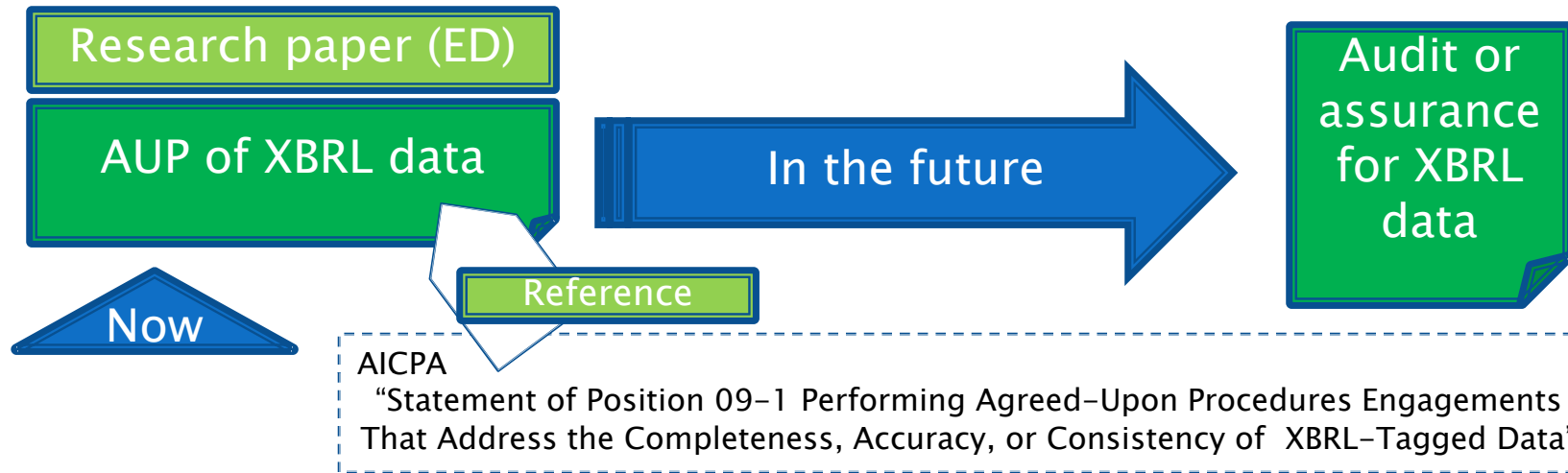
- ▶ **In Japan, XBRL data was stored in EDINET or TDnet, and grown in use.**
 - The XBRL data in EDINET is stored by three year.
 - Financial information analysis service using the XBRL data submitted to EDINET is growing.
- ▶ **However, in the disclosure system on Financial Instruments and Exchange Act, since the XBRL data itself is not a subject for audit, it is not reviewed by auditors and left to the independent validation of the company.**

As a result, it is reported that some XBRL data already released contain errors.
- ▶ **What is occurring in Japan now is,**
 - The financial data used are shifting from hardcopies or PC screen displays to XBRL data.
 - Even in Japan, the demand for audit or assurance for XBRL data will increase from now on.

JICPA IT committee drew up "The research paper on Agreed Upon Procedures engagements of XBRL data (Exposure draft)", and it expects to become the first step to the audit or assurance XBRL data in the future.

Status of the research paper

▶ Time - line



▶ Specific procedures in XBRL data

Framework for AUP of XBRL data

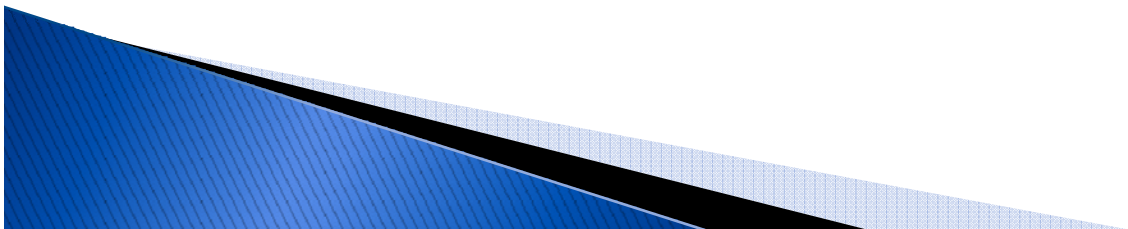
The research paper on Agreed Upon Procedures engagements of XBRL data (Exposure draft), JICPA IT committee

JICPA published, on September 1, 2009, IT Committee Report No.5
“Practical Guidelines on IT Assurance Engagements
(General Guidelines)” *

*This report includes general matters, such as outline, assumptions and risks that should be noted in performing assurance engagements in accordance with International Standards on Assurance Engagements (ISAE) No. 3000 and Audit and Assurance Practice Committee Research Report No. 20
“Research Report on CPA’s Assurance Engagements.”

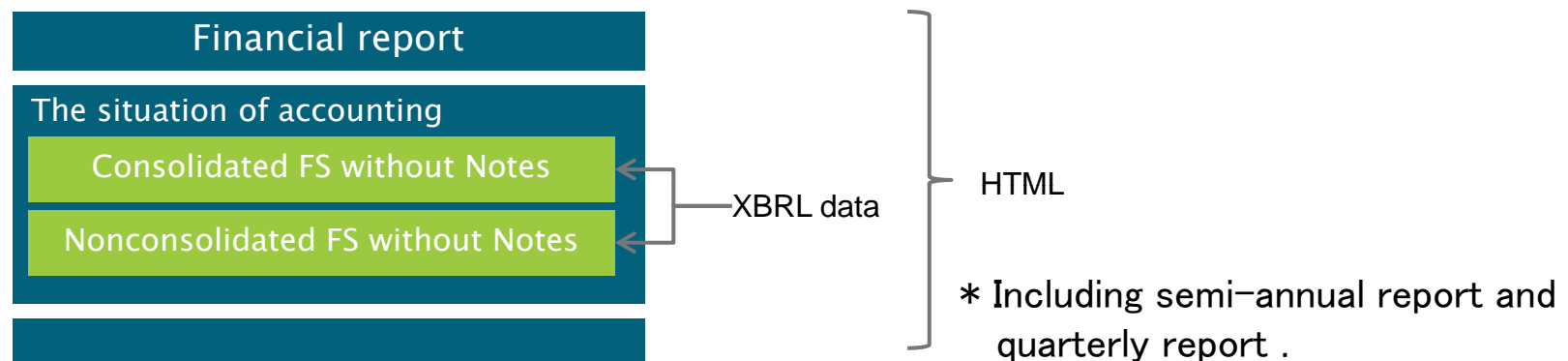
Precautions of the research paper

- ▶ The research paper is NOT CPA rule.
- ▶ The AUP of XBRL data is NOT mandated.
- ▶ It is an exposure draft and the final edition may be changed in part or sharply.



Status of the XBRL data submitted to EDINET

- The data format of a financial report (*)
 - ◆ Consolidated financial statement and nonconsolidated financial statements without the Notes or schedules are XBRL data, and notes information and others are HTML data.



- Status of XBRL data
 - ◆ Download of XBRL data from EDINET is possible for anyone.
 - ◆ XBRL data includes information other than the disclosure information defined on Financial Instruments and Exchange Act, and is positioned as reference data.

The XBRL data download site of EDINET

Any information contained in this XBRL data but not publicly disclosed at EDINET is not included within the information required by the Financial Instruments and Exchange Act.
Please note that such data may only be used at users' own risk.

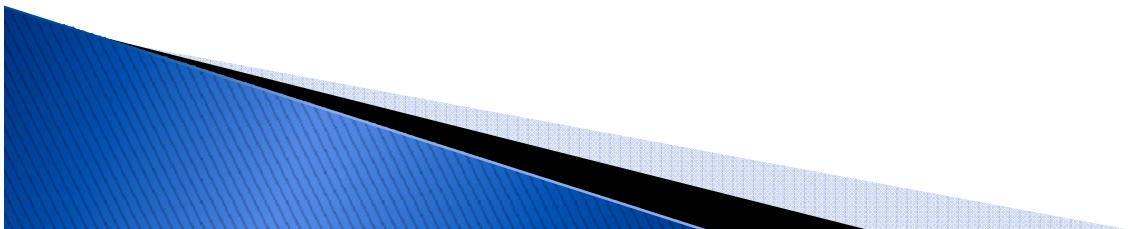
Correspondence of JICPA

- "The changes to financial statements preparation process accompanying the XBRL introduction to EDINET and auditor's consideration points" was released in May, 2008.
- In the margin of the digitized audit report on EDINET, it is indicated that the XBRL data itself is not contained in the scope of financial statements.

[Written example of an audit report margin]

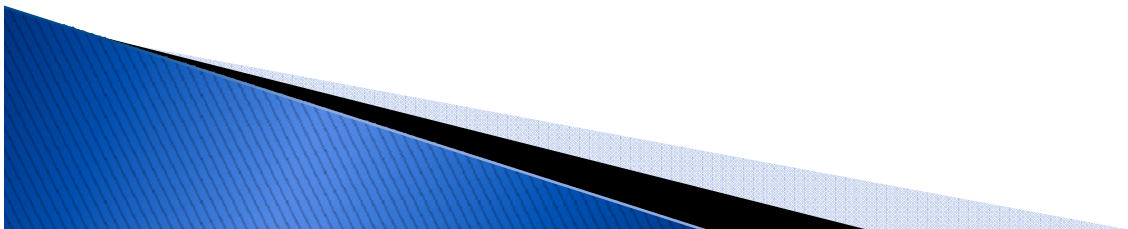
1 The above is a digitized version of the audit report, and the original is kept separately as an appendix to a consolidated financial statement and a internal control report .

2 The XBRL data itself is not contained in the scope of a consolidated financial statement.



Obstacle to spread of XBRL data use

- ▶ Why introduce XBRL into the disclosure system ?
- ▶ **Because** one of the goals is improving the secondary availability of financial data.
- ▶ **However**, the measures for ensuring reliability of XBRL data are not being taken now.
- ▶ In order to validate the quality of XBRL data, accounting and XBRL technology skills are required, making it difficult task for the user of XBRL data, and social expense also increases.
- ▶ The spread of XBRL data use can not progress without establishing a structure in which XBRL data can be used safely.



Expectation for CPA

The reason why CPA takes the necessary procedures

As for the judgment on accounting, such as selection of accounts, it is most effective that the CPA who is well versed in accounting standards and disclosure rules handles it.

Classification	Illustration of errors	Practitioner
Accounting errors	The error in selection of industrial classification taxonomy	Certified public accountant
	The error in judgment regarding the identity of the tag of standard taxonomy and the accounts which the company uses, i.e., whether or not standard taxonomy should be extended, and an tag should be added	
	The error in the appropriateness of rewriting of an account label (it prohibits in EDINET taxonomy)	
	The error in the appropriateness of an English title of account	
Technical errors	The error of the basic specification (XBRL 2.1 Specification) of XBRL	XBRL tool XBRL specialist
	The error of the recommendation rule about creation of XBRL data	

Reliability of the XBRL data submitted to EDINET

- In the disclosure system based on Financial Instruments and Exchange Act, the XBRL data itself is not a subject for audit.
- Although some investors use XBRL data for investment rating, the fact is that XBRL data reliability is not checked by any specialists, and validity checks are entrusted to the submitting company.
- It is reported that some XBRL data already released contain errors.

Financial Services Agency .:

“Regarding the submitted results of the XBRL data of the 1st quarter report, refer to <http://www.fsa.go.jp/search/20081021.html>”

JICPA:

“Point of consideration for the auditor regarding preparation of the quarterly consolidated financial statement by XBRL form after the 2nd quarter. –Based on analysis of the 1st quarter consolidated financial statement – “
Refer to http://www.hp.jicpa.or.jp/specialized_field/post_1060.html.

The error of XBRL data reported

➤The example of errors in XBRL data

Addition of extended tags, when the tag of EDINET taxonomy (standard taxonomy) should be used.

The tag of EDINET taxonomy	The tag added by the company	Issue
Inventories	Inventories	Added despite the fact that they are the same account.
Lease and guarantee deposits	Lease and guarantee deposits paid	Added despite the fact that they are the same concept.
Operating income (loss)	Operating loss	Classification profit and loss are indicating profits and a loss by the switching of a label on one tag.

The selection error of the tag of EDINET taxonomy.

The tag of EDINET taxonomy	The tag which the company chose	Issue
Building and structure (Gross)	Buildings and structures , net	The tag of “Net” is chosen as the part of “Gross”.

Framework of the practice which a CPA performs

- The purpose of checking to XBRL data
 - When a Practitioner like CPA performs the practice from a third party viewpoint, the reliability of XBRL data is improved.
- Practice expected from the CPA regarding the various IT services.
 - Assurance

A CPA provides assurance of a fixed level to the appropriateness of XBRL data, and gives reliability directly to XBRL data.

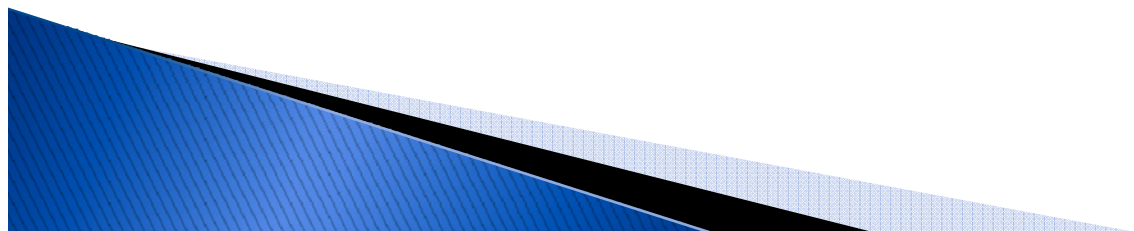
In this research paper

- Agreed Upon Procedures

When the independent third party performs procedures which has been agreed with the company, they do not offer any assurance about the appropriateness of XBRL data, either.

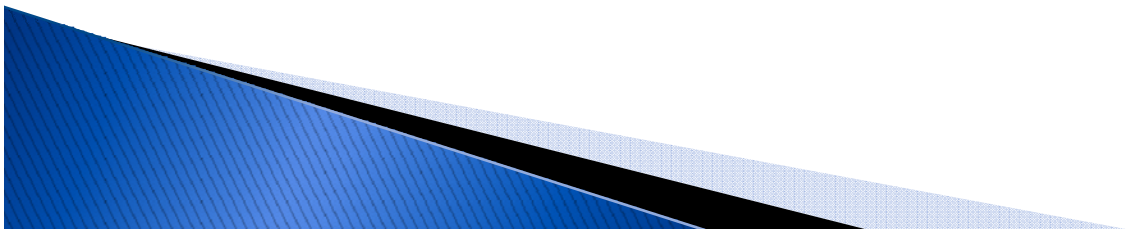
Influence on future financial statement audit

- Regarding the XBRL data submitted by EDINET, although the level of the appropriateness is left to judgment of the company, it is possible that in the future, auditors will provide assurance to XBRL data.
- ◆ The XBRL data user cannot judge whether the tag attached to the value of XBRL data is suitable simply by looking at the financial statements displayed on the web browser.
- ◆ If the financial statements submitted by EDINET are defined as originals by the Financial Instruments and Exchange Act in the future, they become financial statements subject for audit.
- ◆ The process in which XBRL data is prepared from the financial statements in the company is an information preparation process, and the presentation and disclosure is an assertion.
- ◆ The checking of the validity of accounting judgment as to "whether the tags in taxonomy which the company chose are suitable" is required as an important procedures on XBRL data, and a technical software validation (validity check) of the XBRL tool is insufficient.



Outline of the AUP of the research paper

- A person involved with the AUP
 - ◆ The CPA as a practitioner
 - ◆ XBRL data preparation company
- The object of the AUP
 - ◆ In this research paper, the XBRL data prepared for the financial statements based on the Financial Instruments and Exchange Act is assumed as an object of the AUP.
- The standards which should be taken into consideration in order to determine the AUP (XBRL standards)
 - ◆ XBRL 2.1 Specification
 - ◆ Financial Reporting Taxonomies Architecture (FRTA)
 - ◆ The XBRL related guideline which Financial Services Agency releases
 - ◆ Others



Standards which should be considered in order to determine the AUP

Classification	Explanation	Example
XBRL specification which XBRL International releases	Basic specification of XBRL. Conformity is required when creating XBRL data.	XBRL 2.1 Specification
Extended specification of XBRL which XBRL International releases	Specification about the extended technology of XBRL. Conformity is required when using the technology concerned.	XBRL Dimensions 1.0
Guidance of the best practice which XBRL International releases	The rule of the recommendation about creation of XBRL data. Conformity is required when a regulatory agency ask.	<ul style="list-style-type: none"> - Financial Reporting Taxonomies Architecture (FRTA) - Financial Reporting Instance Standards (FRIS)
The XBRL preparation guideline which a regulatory agency and others release	The rule of the additional XBRL data preparation which a regulatory agency and others define uniquely	<ul style="list-style-type: none"> - The XBRL related guideline which <u>Financial Services Agency releases</u> - IFRS Taxonomy Guide - Global Filing Manual (GFM)
The guidelines which were released by authoritative organizations.	The guidelines released by organizations setting accounting standards, Institute of Certified Public Accountants, XBRL related organization, etc.	-

Sample procedures

- ▶ The assertions, procedures, and an result that accompany the errors in the previous slide.

The error of XBRL data

The tag of EDINET taxonomy	The tag added by the company	Issue
Inventories	Inventories	Added despite the fact that they are the same account
Lease and guarantee deposits	Lease and guarantee deposits paid	Added despite the fact that they are the same concept.

The guideline of Financial Services Agency

Q5.Although there are accounts to use for EDINET taxonomy and similar account, the label is not exactly the same.
How should it be processed?

A. In each company, the tags of EDINET taxonomy should be chosen in the range which can appropriately explain the situation of financial position, results of operation, and cash flow.

AUP

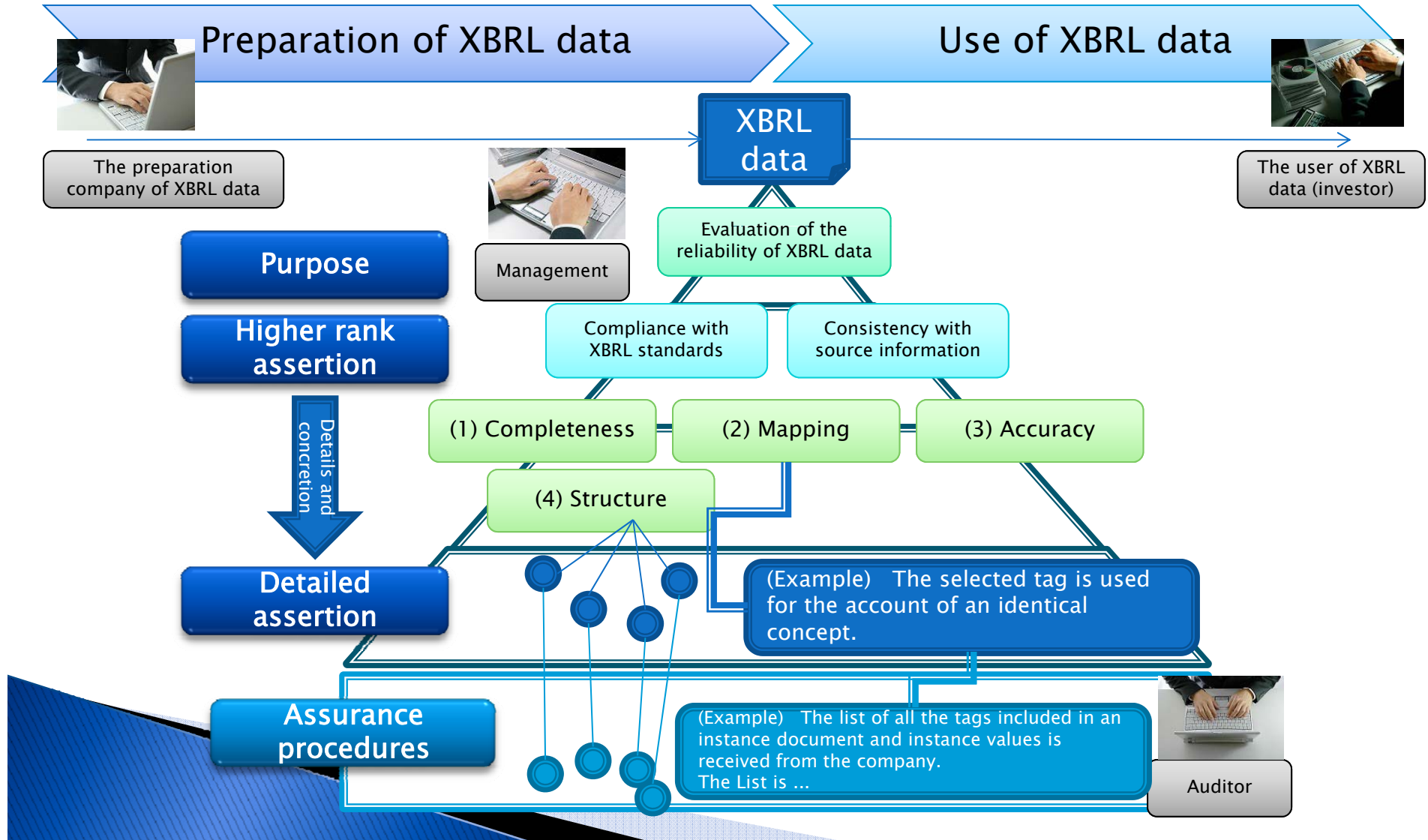
Assertion	Procedures
The extended tag added is suitable.	It checks that judge the concept of an tag from an attribute, a Label link, a Reference link, a Definition link, etc., and expansive propriety is judged in accordance with XBRL standards.

Report

Findings
The following duplications were discovered when the extended tag and standard tag of XBRL data were compared (The rest is omitted).

Assertion about XBRL data

Assertion pyramid: Relation between the classification of an assertion, and the assurance procedures



Enforcement method of AUP

- ▶ Since visual inspection of tag information is unrealistic, the use of the XBRL tool is a prerequisite for the enforcement of AUP.
- ▶ For example, the output of the setting information on each component of XBRL data is checked with the XBRL tool.

```
[Instance document] <jpfr-t-cte:NetAssets  
unitRef="JPY"  
contextRef="Prior2YearConsolidatedInstant"  
decimals="-3" >1234567000</jpfr-t-  
cte:NetAssets>
```

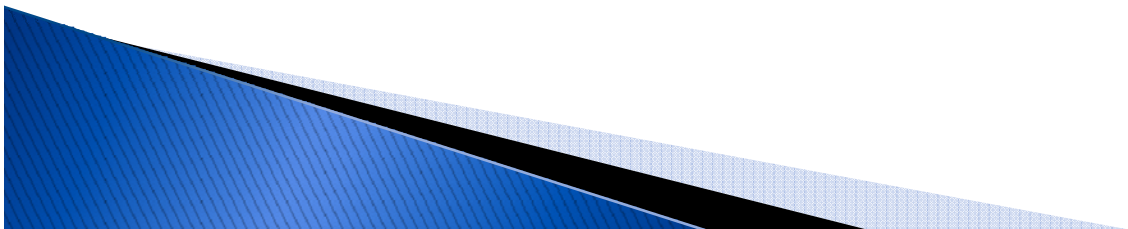
[taxonomy]

The XBRL tool

Prefix	Element	Label-J	Value	Unit	...
jpfr-t-cte	NetAssets	純資産	1234567000	iso4217:JPY	...
jpfr-t-cte

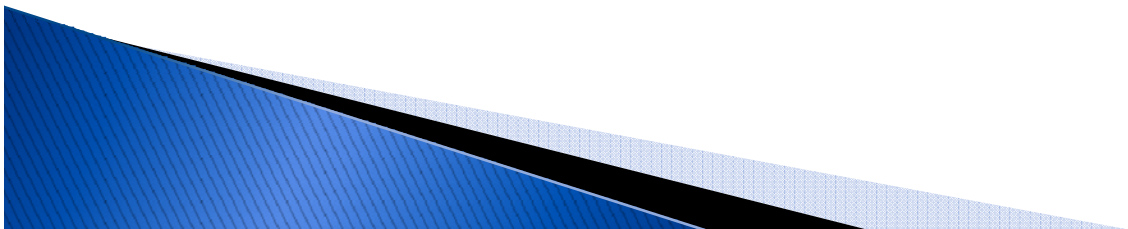
Other consideration for AUP

- The prerequisites of the implementation of AUP
 - ◆ Practitioner, such as a CPA, are based on IT committee report No. 5 “Practical Guidelines on IT Assurance Engagements (General Guidelines)”, JICPA published, on September 1, 2009.
- Responsibility for AUP
 - ◆ Management ... Responsibility of preparing XBRL data and ensuring appropriateness
 - ◆ Practitioner ... Responsibility of taking the necessary procedures and reporting findings
 - =>It is necessary to have knowledge about XBRL.
- Agreement of contract terms, formulation of an enforcement plan, documentation, etc.



“Appendix” on the research paper

- Appendix A Specific procedure examples
 - ◆ (1) Completeness, (2) Mapping, (3) Accuracy, (4) Structure were set up as an assertion for XBRL data, and results are illustrated for every procedures.
- Appendix B The example of a contract for AUP
- Appendix C The example of finding report
- Appendix D The example of representations from management
- Appendix E Structure of XBRL
- Appendix F Glossary

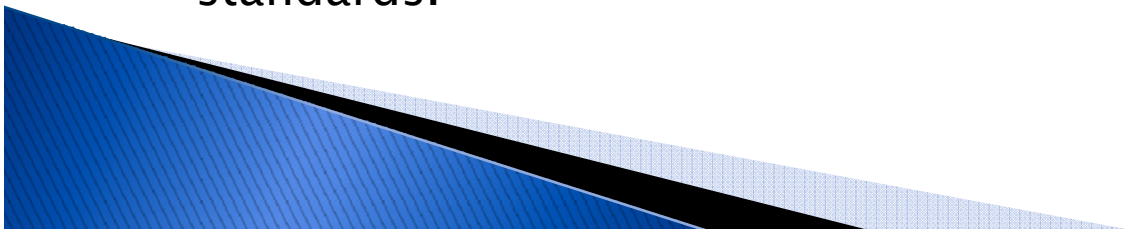


Conclusion

- ▶ With financial statements being prepared as XBRL data, it is shifting from “viewing stage” to “usage stage”.
- ▶ In order for XBRL data to spread in disclosure, a structure which gives reliability to XBRL data needs to be built.
- ▶ It is expected that the AUP of XBRL data will become the step to the audit or assurance for XBRL data.

Conclusion of AUP

- ▶ When a CPA performs AUP, it is necessary to have knowledge about XBRL.
- ▶ As for AUP, although it will draw up based on XBRL standards, it is designed to avoid the duplication of procedures or procedures which has the partial assertion for creation of procedures.
- ▶ The XBRL data preparing company (management) can utilize the results of the AUP to confirm compliance of the data with the XBRL standards.



Thank you !

Daisuke Ikadai, CPA

KPMG AZSA LLC as a senior manager in IFRS Department
Director of XBRL Japan Inc
Member of the IT Committee of the Japanese Institute of
Certified Public Accountants.

