

COMMUNICATING ASSURANCE ON XBRL-TAGGED REPORTS TO THE SEC: CHALLENGES AND OPPORTUNITIES

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YOU'RE LOOKING FOR?

HARNESS THE POWER OF
JOINED UP BUSINESS REPORTING

HOSTED BY XBRL IRELAND

Research Paper Outline

- Background on XBRL and Assurance
 - Association problems – nothing new
 - Background on benefits of XBRL **for** Assurance
- Communicating Audit Reports on XBRL-tagged Information
 - Companies, auditors, market, regulators
- Securing Assurance Reports, association
- Human Interaction – knowing, trusting
- Inline XBRL – best of/worst of, new ideas

Association Pre-XBRL

- Internet Financial Statements predate XBRL
- Association problems pre-date XBRL
 - Is the audit opinion safe from change by the client or other party?
 - Should the Web-based version of the original auditor's report reside at the auditor's, client's or other Web site?
 - What is the meaning of an audit report in a hyperlinked web environment?
 - Should the auditor allow hypertext links to the auditor's report?
 - Should the auditor allow hypertext links from the auditor's report?

E-Reporting and the Auditor



In March 1997^[1], the AITF issued its interpretation of AU 550 in the *Journal of Accountancy*, stating 'that electronic sites (including Internet sites) are a means of distributing information and are not "documents" as that term is used in SAS No. 8. Thus, auditors do not have an obligation pursuant to SAS No. 8, to read information in electronic sites or to consider the consistency of other information included in electronic sites with the original documents.'

[1] http://www.aicpa.org/members/div/auditstd/opinion/apr97_3.htm

The interpretation is **TO THIS DAY** a PCAOB interim standard

<http://pcaobus.org/Standards/Auditing/Pages/AU9550.aspx>

1997, 2001

The chair of that committee, John L. Archambault, reported on its deliberations in *CPA Journal*, November 1999

Issue 1: What was the basis for the conclusion reached in Interpretation #4 to SAS No. 8, Other Information in Electronic Sites Containing Audited Financial Statements?

Discussion: On a given website, there may be **no clear boundaries** between the audited financial statements and other financial or nonfinancial information. Not only can a website include a substantial amount of information generated by the company (i.e., about products, employment, and nonfinancial data) but, through hyperlinks, it can also include information from outside sources. This information may also be continuously changing.

It is not only impractical, but almost impossible for an auditor to access all of the information that is on or linked to a client's website. This is analogous to the auditor attempting to access all of the client's internal information, reports, or documents and all external information about the client from other sources. Thus, under SAS No. 8, a website is not considered to be a "document" as that term is used in AU section 550, and an auditor is not required to read the information on a website or to consider whether it is consistent with information in original documents.

1999

Paper Assurance

DATA

PRESENTATION

DOCUMENT

Notes

Report of Independent Accountant

We have audited the accompanying balance sheet of the ABC Company as of December 31, 20X1, and the related statements of income, and cash flows for the year then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

...

The accompanying Notes to the Financial statements are an Integral part of these atatements

Background on XBRL and Association

- Auditor Association and XBRL ...
 - First theoretical thought – highlighting what is covered and explicitly what is not covered by auditor opinion
 - Coping with lack of “borders” on the Internet
 - Providing new cross-referencing not possible on paper

Fool-proof Agreed-Upon User Interface

The image shows a web browser window with the URL `http://assuredfinancials.iasc.org.uk`. The page content includes a search bar with the text "Search for: XYZ Corp. financials", a title "Financials for XYZ Corp", and several menu items: "Balance Sheet", "Income Statement", and "Performance metrics". At the bottom, there is a "Signature check" section with "Company" and "CPA" labels, each followed by a colored circle (green for Company, yellow for CPA). A key at the bottom reads "Key: Assurance provided No assurance provided".

Callout boxes provide additional information:

- Top right:** "Best practices" and "1. Searches".
- Middle right:** "Why Yello? e.g., firm checks ok; signer is not on file ...".
- Below middle right:** "or coding her tool to highlight whether assurance is provided."
- Bottom right:** "Digital signature check: green is clear, yellow is questionable, red is bad."

Background on XBRL and Association (Cont.)

- Association by “envelope theory” (SEC 2000) ...
 - BDO Spain
 - PwC on Voluntary filing program
- Management vs auditor annotation
- Use of digital signatures

US SEC and Electronic Disclosure

- 2000 – “Envelope Theory”
- 2007 – disclosure on Corporate Web Sites
- 2009 – Audit on XBRI – but no audit report
- 2013 – Twitter and social media suitable for disclosures

SEC Interpretation: Use of Electronic Media

4. Clarification of the "Envelope Theory"

The 1995 Release provided a number of examples designed to assist issuers and market intermediaries in meeting their delivery obligations through electronic media. One example provided that documents in close proximity on the same web site menu are considered delivered together.³⁵ Other examples confirmed the proposition that documents hyperlinked to each other are considered delivered together as if they were in the same paper envelope.³⁶ The premise underlying these examples has come to be called the "envelope theory."

The purpose of these examples was to provide assurance to issuers and intermediaries that they are delivering multiple documents simultaneously to investors when so required by the federal securities laws. For example, in a registered offering, sales literature cannot be delivered to an investor unless the registration statement has been declared effective and a final prospectus accompanies or precedes the sales literature.³⁷ It is easy to establish concurrent delivery when multiple documents are included in one paper envelope that is delivered by U.S. postal mail or a private delivery service. When electronic delivery is used, however, it is somewhat more difficult to establish whether multiple documents may be considered delivered together. The guidance provided in the 1995 Release about the use of "virtual" envelopes was intended to alleviate this difficulty.

<http://www.sec.gov/rules/interp/34-42728.htm> May 1, 2000

History of Association

- BDO Spain and Software AG Spain
- PwC and UTC, WR Grace under SEC VFP
- Deloitte NL and EY NL auditor report with hash
- Deloitte NL/EY NL and EY NL/BDO NL with digital signature


Software AG España: Información Financiera - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Home Search Favorites Refresh Stop

Address <http://xbrl.software> Go Google Search Web 524 blocked AutoFill

Links ea sm eg my UT gty PwC ahp am av Customize Links Dictionary EIDX elgooG ex



SOFTWARE AG
THE XML COMPANY

Financial Statements

Información Financiera

Annual Report Spain 2003

- XBRL Online version
- [XBRL download \(zip file\)](#)
- Independent Audit Certificate ([English](#)) ([Spanish](#))

Done Internet



BDO Audiberia
Auditoria y Consultoría

AUDIT CERTIFICATE

I, Peter Houdelet Partner of BDO Audiberia Auditores, S.L. with
hereby certify that:

According to the application of the International Accounting S
have reviewed the financial data of Software AG, España S
December 31, 2003, expressed in Thousand Euros and showing
and net income from January 1, 2003 to December 31, 2003 of 8.5

The preparation of the financial data was the responsibility
Company.

BDO Audiberia

Peter Houdelet
Partner

Madrid, February 23, 2004

AUDIT CER

I, Peter Houdelet Partner of BDO Audiberia
hereby certify that:

According to the application of the Interna
have reviewed the financial data of Softw
December 31, 2003, expressed in Thousand
and net income from January 1, 2003 to Dece

The preparation of the financial data wa
Company.

Communicating Audit Reports: Research Issues

- How do I know if the XBRL documents have been opined upon?
- How do we differentiate between an XBRL expression of an auditor's report on a non-XBRL formatted document, the XBRL expression of the auditor's report on the XBRL formatted document, and a report on the correctness of the expression of the auditor's report on the XBRL expressed in XBRL?
- Can the auditors develop metadata to indicate the coverage and manner of assurance without creating – or at least envisioning/suggesting – a visual interface? Would the market/regulators develop appropriate standardized user interfaces based on that metadata?
- Can different levels of assurance be expressed without causing too much confusion?
- Can we, and should we, differentiate between indicators from the filer that the instance document has been opinion opined upon and indicators from the auditor?
- Can we keep the auditor's opinion completely separate from management's assertions and yet have them appropriately intertwined?
- Can an application overlay the impact/coverage of the auditor's report over the financial statement, so the separation of responsibilities is maintained while making it clear what is, and what is not, covered?
- Would such ability open the door to new services, multiple levels of assurance within the same document or other changes?

Display on EY NL Web Site

XBRL financial statements and sustainability information

Ernst & Young Nederland LLP publishes its annual financial statements and GRI sustainability information that is included in its integrated annual review in eXtensible Business Reporting Language (XBRL). XBRL is an open technology standard for reporting and analyzing business and financial information. XBRL provides an identifying tag for each individual item of data which is computer readable and allows the information to be used interactively. Tags link data to generally agreed taxonomies (reporting language).

The following principles have been applied to prepare the XBRL instance documents:

1. The XBRL instance documents solely include legally required information, for which elements are available in the taxonomy.
2. Additional information in the financial statements and the sustainability part of the integrated annual review exceeding minimal (legal) requirements for which no standard taxonomy item is available is not included in the instance documents.

The EY XBRL Annual Financial Statements 2011/2012:

- [EY NL Annual Report 2012 - Consolidated](#)
- [EY NL Annual Report 2012 - Company](#)

The EY XBRL Sustainability information 2011/2012:

- [EY XBRL Sustainability information 2011/2012](#)

The Assurance Reports:

- [XBRL Annual Financial Statements](#)  (pdf, 658kb)
- [XBRL Sustainability information](#)  (pdf, 554kb)

Assurance on the XBRL reports

Our auditors have provided assurance reports for both the annual financial statements in XBRL and the GRI sustainability information in XBRL. The assurance reports are based on the four principles that are outlined in the AICPA's "Principles and criteria for XBRL-formatted information", that has been published in August 2012: completeness of the XBRL files, mapping of the source information, consistency of the XBRL files with the source information and the structure of the XBRL files.

Our auditors have used digital signing software to sign the instance documents. With [XML Signer Viewer](#) the integrity of the instance documents can be verified and (optionally) the instance documents can be saved in their original state (without auditors signature) on which our auditors have provided assurance.

<http://www.ey.com/NL/nl/About-us/XBRL-financial-statements-and-sustainability-information>

BDO Assurance Report



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K.P. van der Mandelelaan 40,
3062 MB Rotterdam
Nederland

Assurance Report

Scope

We have been engaged to report on the completeness, accuracy, mapping, and structure of the XBRL-formatted information of Ernst & Young Nederland LLP over the period July 2, 2011 to June 29, 2012 contained in the accompanying instance documents: [EY_NL_annualreport_2012_Consolidated.xbml](#) and [EY_NL_annualreport_2012_Company.xbml](#) (hereafter in combination referred to as: the instance document EY Annual Report 2012). This instance document EY Annual Report 2012 is electronically signed by us for identification purposes. The instance document EY Annual Report 2012 is based on the financial statements for the year ended June 29, 2012 of Ernst & Young Nederland LLP.

An important characteristic of XBRL is the fact that multiple presentations of the XBRL Instance documents are possible, without a single one presentation being the 'normative' or 'default' presentation. The SBR "Handleiding voor het opstellen van jaarrekeningrapportages op basis van versie 6.0 van de Nederlandse Taxonomie (NT 2012)", as published by the SBR Program on December 1, 2011, contains basic guidelines for creating a presentation of an XBRL instance document in accordance with the requirements of Dutch law and accounting principles generally accepted in The Netherlands. Our examination and our opinion are limited to this way of presenting the instance document EY Annual Report 2012. We note explicitly that we do not provide data level assurance.

Signature Approach

- No association of assurance report with signature
- Instance document itself is digitally signed using **XML Signature**
- EY (the Reporter, not the auditor) links to a tool consumers may use to check the signature

Securing Assurance Reports: Research Issues

- What is information consumers' demand for security over assurance reports?
- What are the attitudes of senior management in public accounting firms and the accounting profession to the provision of security on assurance reports?
- What are the technical implications of undertaking XLink tagging on individual facts within the instance document that encompasses the financial statements? How will XLink tagging impact instance document file size?
- How would the provision of a digital signature on the XLink tagging be implemented in practice? Would national or international adoption of security standards for digital signatures be necessary within the XBRL community?

Display on Deloitte NL Web Site

Deloitte Netherlands 2011/2012

Keywords	Contents	XBRL
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Report	<p>The eXtensible Business Reporting Language (XBRL) is no longer a niche topic. Many governments and regulators around the world now embrace the digital reporting standard, while many organizations are looking into the possibilities to comply with XBRL mandates and benefit from the possibilities an XBRL implementation can offer.</p> <p>Deloitte Netherlands published its first XBRL annual report in 2009. This year, Deloitte Netherlands publishes both its Financial and GRI sustainability report in XBRL.</p> <p>http://2011-2012.deloitteannualreport.nl/xbrl/</p>
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Performance	<ul style="list-style-type: none">Download the Deloitte XBRL Annual Report 2011/2012Download the Deloitte XBRL Sustainability report 2011/2012Download our auditor's digital signatureDownload the Assurance Report for the XBRL Financial StatementExplanatory notes to the XBRL Sustainability Report
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Sustainability report	<p>Assurance on the financial report in XBRL</p> <p>Building on previous experience, the assurance report is based on the four criteria that have been outlined in the AICPA's "Proposed principles and criteria for XBRL-formatted information".</p> <ul style="list-style-type: none">• Completeness• Mapping• Accuracy• Structure <p>Our auditors have provided a digital signature to identify the instance document on our website, ensuring that the instance document on our website is the same as the document they have reviewed. Tools such as digiSeal reader can be used to check the validity of the signature file and the XBRL file.</p>
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EY Report on Deloitte NL's Financials



Assurance report

To: the Shareholders, the Supervisory Board and the Executive Board of Deloitte Holding B.V.

Scope

We have been engaged to report on the completeness, accuracy, mapping, and structure of the XBRL-formatted information of Deloitte Holding B.V. over the period June 1, 2011 to May 31, 2012 contained in the accompanying instance document `Deloitte_NL_annual_report_2012.xbri` (hereafter: the instance document *Deloitte Annual Report 2012*). This instance document is electronically signed by us for identification purposes. The instance document "Deloitte Annual Report 2012" is based on the financial statements for the year ended May 31, 2012 of Deloitte Holding B.V.

An important characteristic of XBRL is the fact that multiple presentations of the XBRL-instance documents are possible, without a single one presentation being the "normative" or "default" presentation. The SBR *Handleiding voor het opstellen van jaarrekeningrapportages op basis van versie 6.0 van de Nederlandse Taxonomie (NT 2012)*, as published by the SBR Program on December 1, 2011, contains basic guidelines for creating a presentation of an XBRL-instance document in accordance with the requirements of Dutch law and accounting principles generally accepted in the Netherlands. Our examination and our opinion are limited to this way of presenting the instance document "Deloitte Annual Report 2012". We note explicitly that we do not provide data level

Signature approach

- No association of assurance report with signature
- EY digitally signs a copy of the instance, provides the signed copy as S/MIME file
 - [http://2011-2012.deloitteannualreport.nl/fbcontent.ashx/downloads/2011-2012/Deloitte NL annual report 2012.xbri.p7m](http://2011-2012.deloitteannualreport.nl/fbcontent.ashx/downloads/2011-2012/Deloitte%20NL%20annual%20report%202012.xbri.p7m)
- DELOITTE (the Reporter, not the auditor) links to a tool consumers may use to check the signature

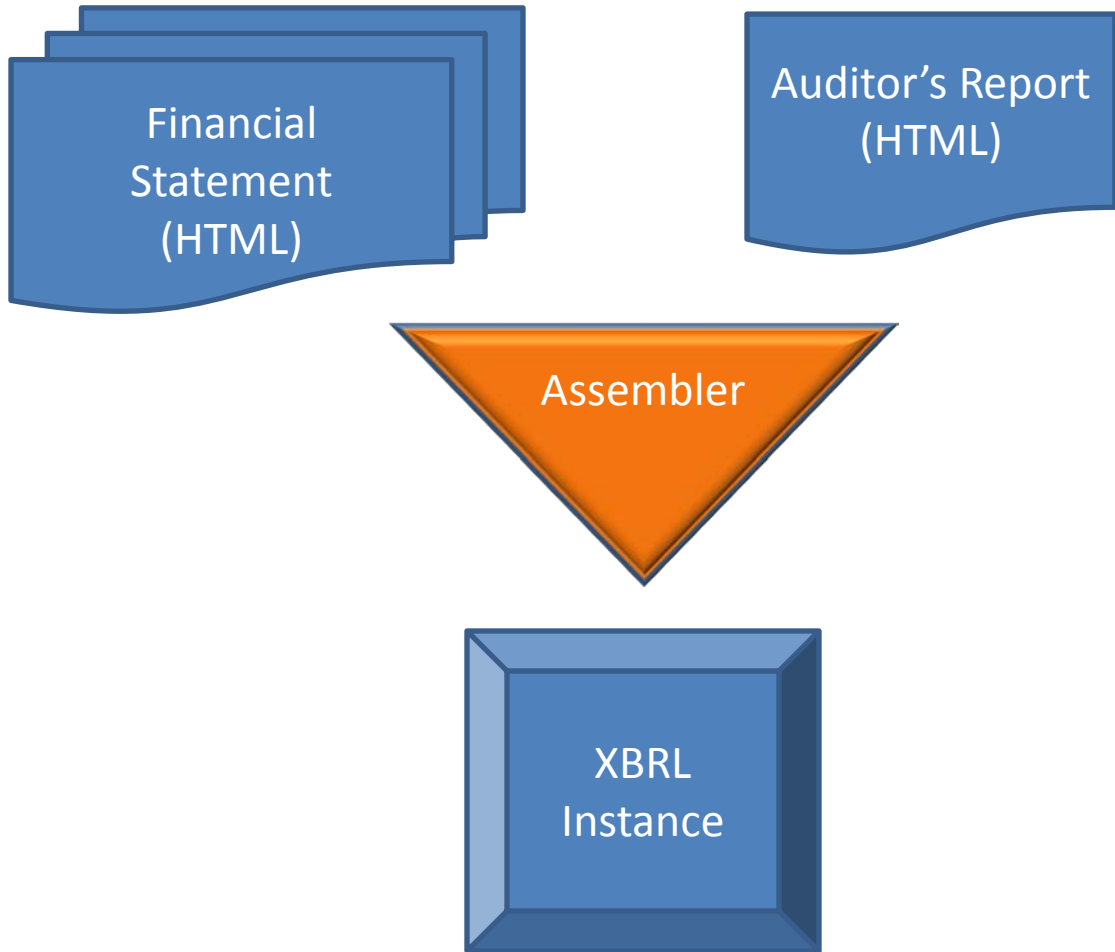
Human Interaction with XBRL Assurance

- Integrating the assurance report into other forms of disclosure
- Research Issues
 - Is it important to have a common visual interface for assurance across regulators and regions? If so, can this be facilitated without the audit profession assuming the risk it has been advised not to assume?

Inline XBRL (iXBRL)

- Background
- Why it changes the demand for XBRL assurance
- Connections between the audit report and iXBRL
- iXBRL limitations

Microformat **Audit** Reports and Association



Inline XBRL Research Issues

- How does a business report expressed in Inline XBRL differ from one expressed in XBRL, HTML or XBRL and HTML?
- How does an auditor's report expressed in Inline XBRL differ from one expressed in XBRL (only), a textual format or both?
- How is the connection between the two impacted?
- Will principles of XBRL/Inline XBRL be added to the standard Notes disclosures?
- Does Inline XBRL provide more hangers and pointers than XBRL alone? Which make sense to leverage and encourage/mandate specifically?
- Would there be separate or combined auditor's reports on the Inline, differentiating between content and tagging assurance?
- Does the market need tools to differentiate between the "original" auditor report, the XBRL auditor report (on a resultant instance) and the INLINE auditor report (on the hybrid)? What are the benefits and concerns of separate reports for each layer of assurance and stacked/hierarchical assurance (like a Russian stacking doll)?
- Will short-term compromises made possible by Inline XBRL (such as removing the need for a presentation linkbase or retaining pointers to the document by presentation rather than content and context) delay possible gains in a move from document to data-focused?

Conclusions

- Need for formal evaluation
- Need for market discussion and collaboration
- Need for prototypes
- Need for technical, legal and professional guidance and change
- Evolutionary process ... (WhatsApp exceeds Twitter)
 - Need agile solution

Questions?

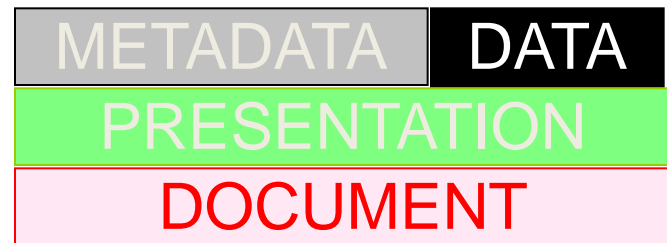
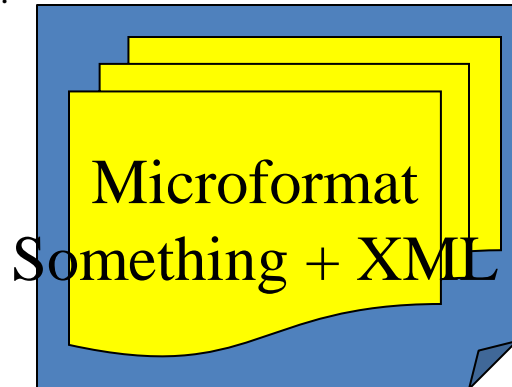
Contact author:
roger@debreceny.com

File Assurance

Dumb Document



“Smarter” Document?



Risks

- Individual facts
 - Omission – “It’s not there at all.”
 - Obscured – “It’s there, but not where I expected it.”
 - Misstatement – “It’s there, but wrong in some way.”
- Facts in context of each other
- Information as a whole

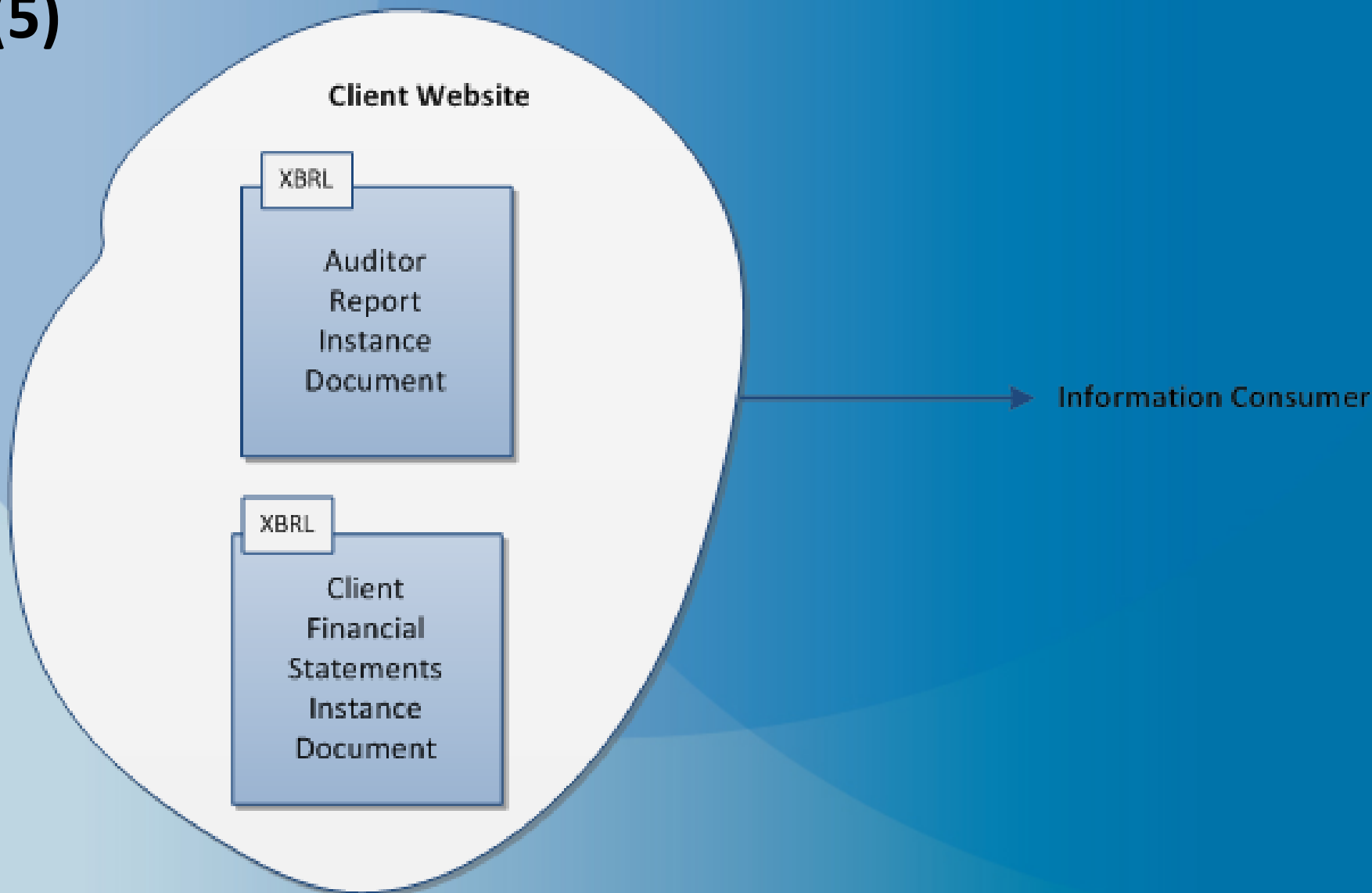
Challenges

- Professional standards
 - Management Reports
 - AICPA standard and PCAOB interim standard
 - Documents on the Internet aren't documents
 - PCAOB Staff Q&A
 - XBRL files on the Internet ARE “stand-alone documents”
 - Auditor Reports
 - Australia, NZ, UK
- Regulator standards
 - SEC doesn't permit auditor report on XBRL
 - Permits management to disclosure in Notes

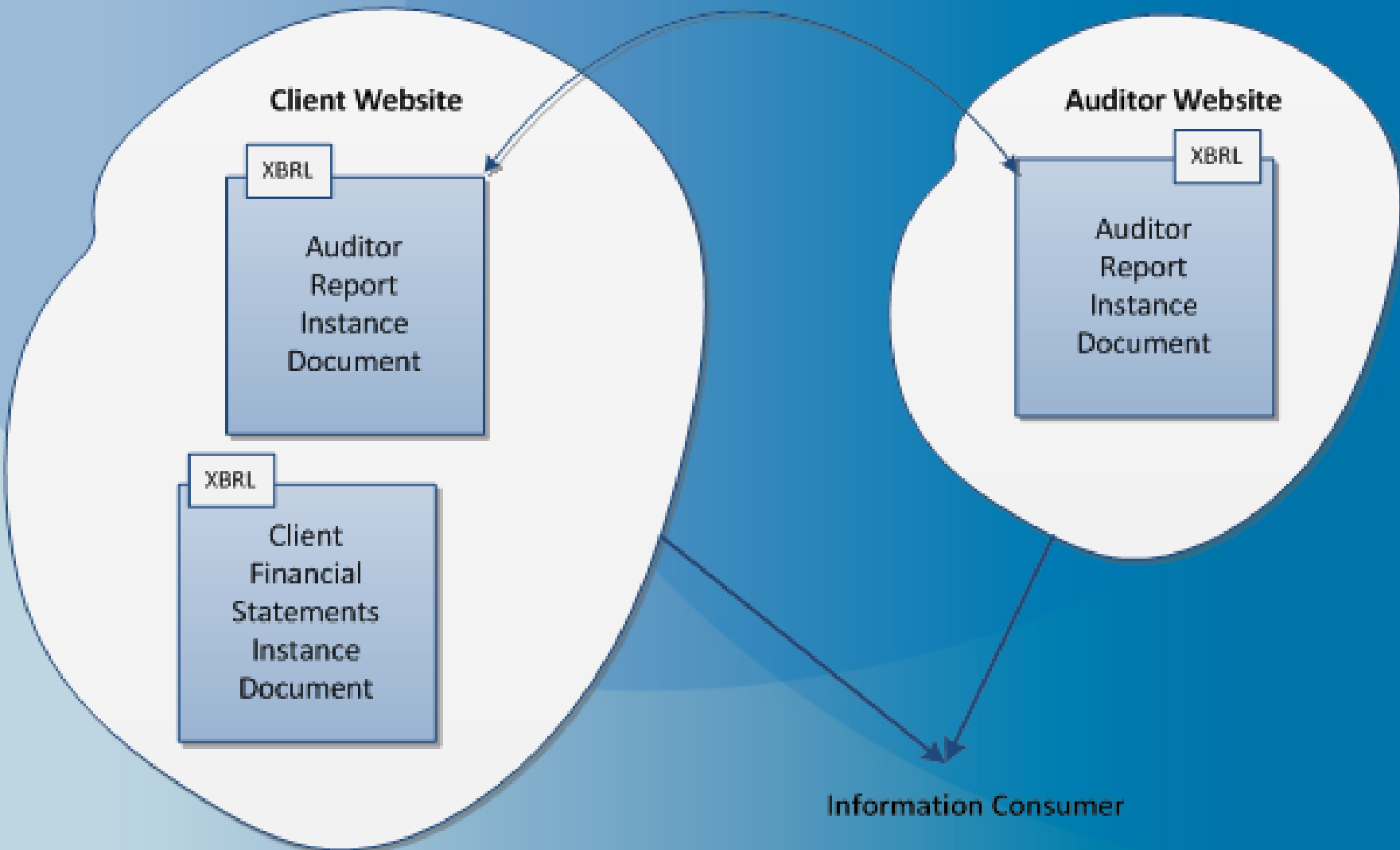
Securing Assurance Reports

- Maintaining control over the assurance report
- Digital signatures (8)
- Temporal control over assurance reports (9/10)

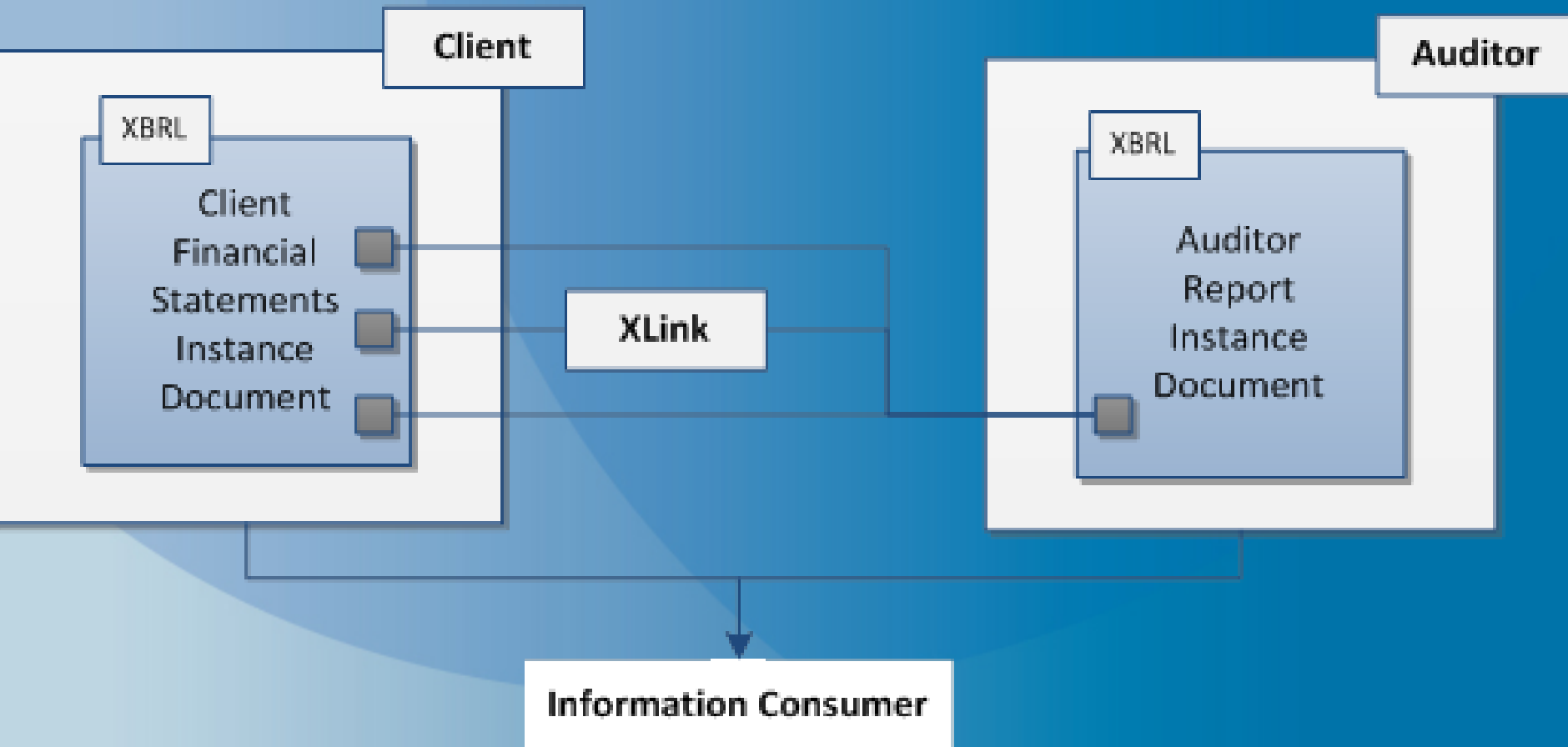
Document Level Assurance Report on Client Website (5)



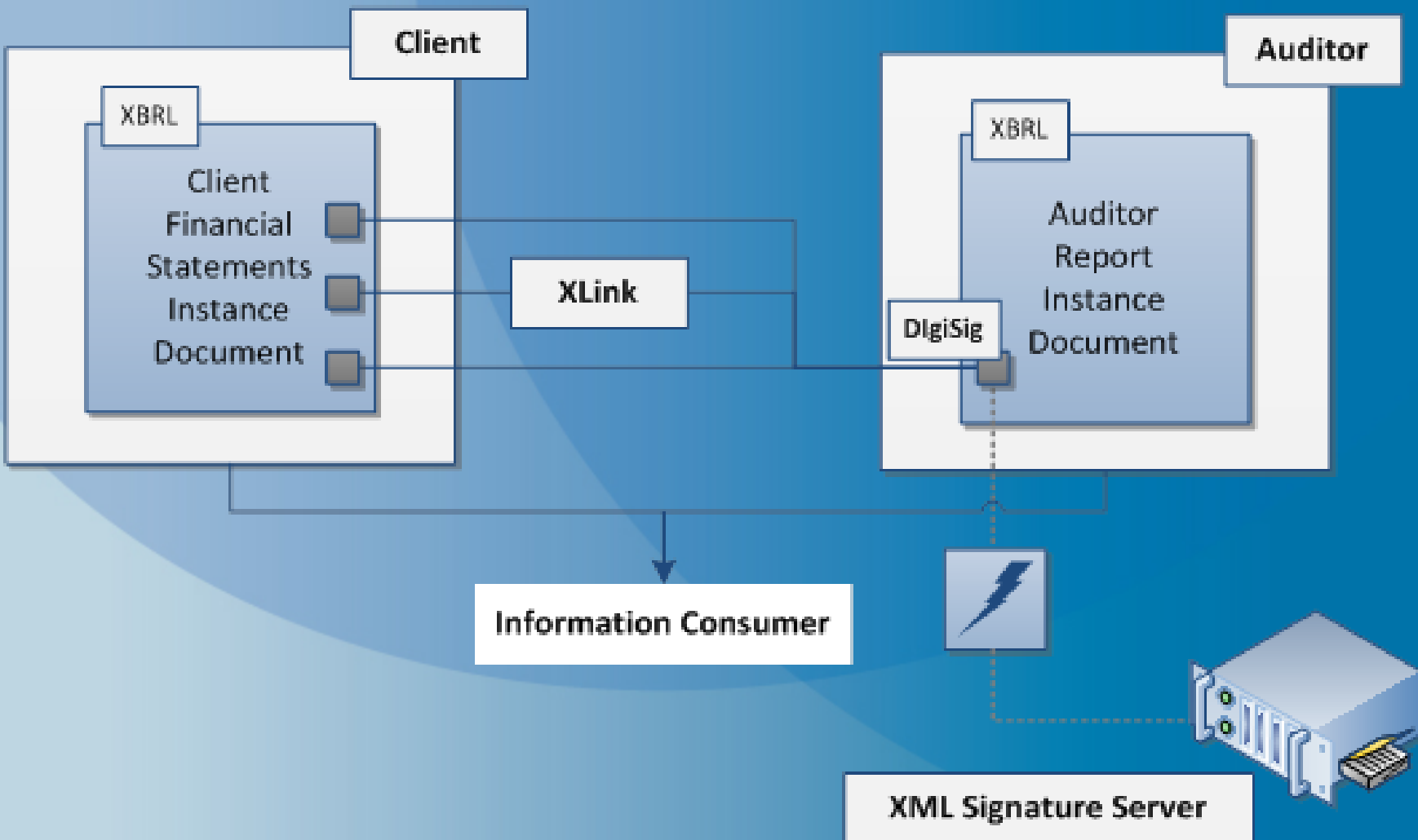
Document Level Assurance Report: Document Level Assurance Report on Client and Auditor Website (6)



Document Level Assurance Report: XLink Identification of Covered Facts (7)

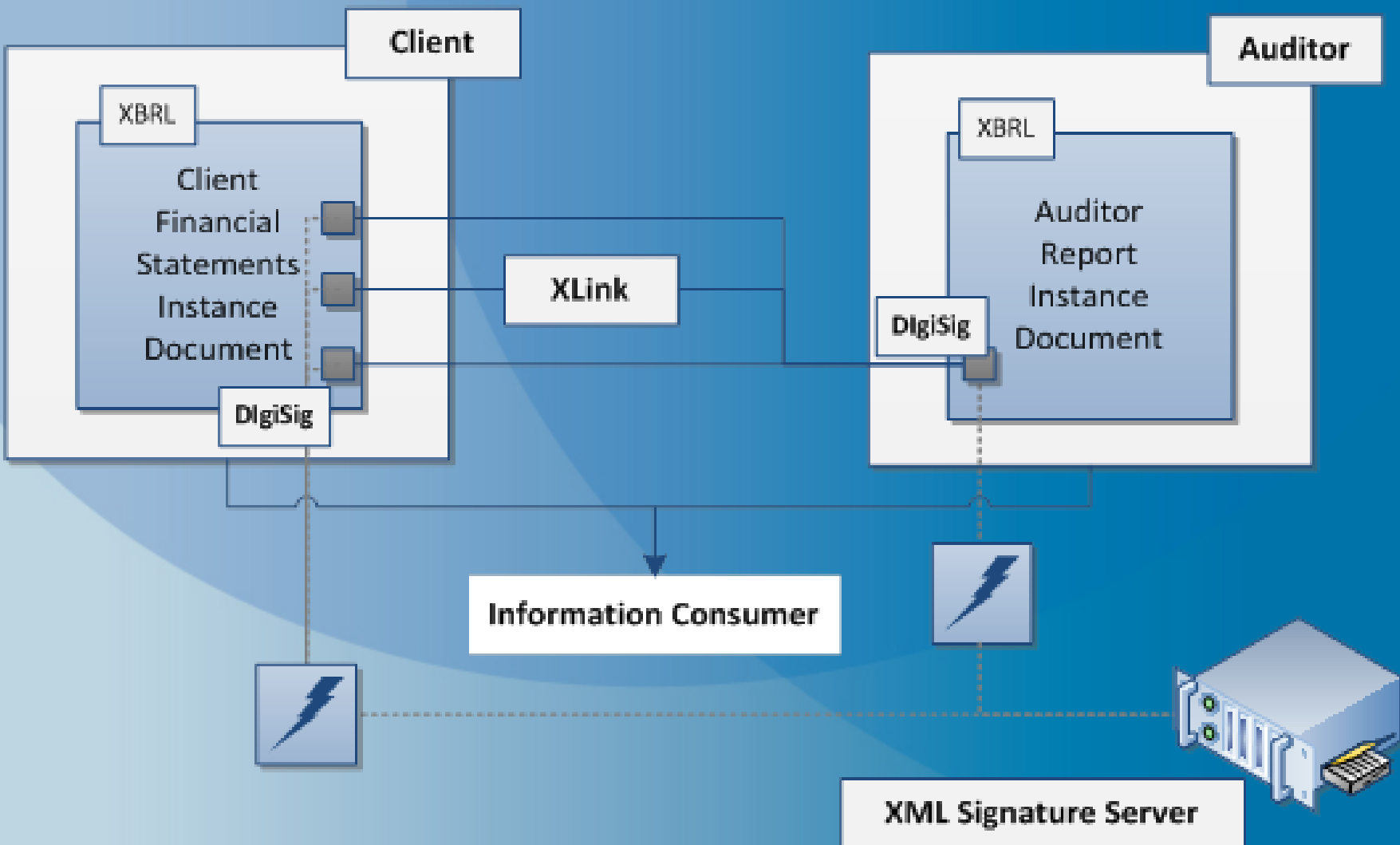


Document Level Assurance Report: XLink Identification of Covered Facts (8)



Document Level Assurance Report

XLink Identification of Covered Facts (9)



Item Level Assurance Report

XLink Identification of Covered Facts

Quasi- or Real-time Management Context (10)

