Observations and practical insights from iXBRL adoption in the UK
SEAN CALLAGHAN
Partner, Ernst & Young
iXBRL adoption in the UK

• UK XBRL requirement
• Challenges faced by preparers
• Observations from UK adoption
• Practical insights learned
• Useful tips for Irish preparers
• Approaches to tagging
• In-house vs Outsource
• Recap and key messages
UK XBRL requirement - overview

• HMRC mandated iXBRL filings in UK
• Requirement applies to all UK returns filed after 31 March 2011
• Financial statements form part of tax filings, so must also be tagged
• Each set of accounts needs to be tagged to UK GAAP or IFRS XBRL taxonomies – a complex process
Challenges faced by preparers

- Complexity of XBRL – it’s not easy!
- Steep learning curve in familiarity with tagging and taxonomies
- Over 5,000 possible tags to choose from
- Even minimum tagging list has >1,200 items
- Repetitive and boring exercise
- Market (preparers and software vendors) was largely unprepared
Challenges (continued)

• Common errors
• Consistency of tags
• Inefficiencies in existing statutory accounts process
• Pressures on resources of finance team
• Difficult to evidence/review what’s been done
Observations from UK adoption

- Process requires accounting knowledge and taxonomy familiarity
- Passing the regulator’s validation tests
- “Validation” ≠ Quality
- Quality expectations of regulator rise in subsequent years
- Desired level of tagging quality has impact on:
  - Cost
  - Approach to mapping/tagging
  - Choice of in-house and outsource options
Practical insights learned

- Controls and review procedures
- Dry run exercise
- IFRS switch
- Define who is responsible
  - Finance or Tax?
Useful tips for Irish preparers

• Some preparers filed early to miss the first year reporting requirement
  - Check your dates
• Consider whether you need to purchase and implement new software
  - IT budget and resource
  - Take a wait and see approach?
• Legal entity rationalisation
## Approaches to tagging

<table>
<thead>
<tr>
<th>How?</th>
<th>Bolt-on tagging:</th>
<th>Bolt-on tagging:</th>
<th>Built-in tagging</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>outsourced</td>
<td>in-house</td>
<td></td>
</tr>
</tbody>
</table>
Factors to consider whether to outsource

- Appetite for selection and implementation of new software
- Immaturity of software market
- Switch to IFRS from 2015
- Delaying in-house implementation may reap benefits
- Outsource provider with both accounting and XBRL taxonomy expertise provides peace of mind
- Popular where companies don’t use accounts production software
# In-house vs. outsource tagging

<table>
<thead>
<tr>
<th>In-house tagging</th>
<th>Approach criteria</th>
<th>Outsource tagging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full control</td>
<td>Level of control?</td>
<td>Saves time/cost selecting software</td>
</tr>
<tr>
<td>Upfront investment (software and time)</td>
<td>Cost?</td>
<td>Removes new compliance burden from finance team</td>
</tr>
<tr>
<td>Steep learning curve</td>
<td>Time/skills available to select and implement new software?</td>
<td>Finance team focus on business reporting</td>
</tr>
<tr>
<td>Integrated into internal processes</td>
<td>UK GAAP or IFRS?</td>
<td>No changes to existing statutory accounts process.</td>
</tr>
<tr>
<td>Statutory accounts process ripe for change</td>
<td>Maturity of software?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Word/Excel or accounts production software?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest of finance team in XBRL expertise</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Execution risk</td>
<td></td>
</tr>
</tbody>
</table>
How an outsource service works

Company prepares statutory accounts in Word/Excel (as normal) and sends to outsource provider

Outsource provider tags the accounts and performs detailed review and HMRC validation checks

Outsource provider sends company the tagged document, a review report and the iXBRL file

Company submits iXBRL document with tax return to HMRC
Recap and key messages

• XBRL tagging is more complex than many were led to believe
• Evaluate options available
• Many considering outsourcing until:
  − XBRL software matures
  − IFRS conversion
  − Ready to transform accounts production process
• Key to in-house vs. outsource decision are:
  − Planning
  − Resources (tools, time and taxonomy knowledge)
  − Timeline
• Outsource provider with both local accounting and XBRL taxonomy expertise can take away the hassle
Contact details

Sean Callaghan
Scallaghan@uk.ey.com
+44 207 951 5320

Tara Lillywhite
Tara.lillywhite@ie.ey.com
+353 1221 2444

Tom O’Keeffe
Tom.okeeffe@ie.ey.com
+353 51 872 094