

Observations and practical insights from iXBRL adoption in the UK

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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" \neq 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

How?		
Bolt-on tagging: outsourced	Bolt-on tagging: in-house	Built-in tagging

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

In-house tagging

- ▶ Full control
- ▶ Upfront investment (software and time)
- ▶ Steep learning curve
- ▶ Integrated into internal processes
- ▶ Statutory accounts process ripe for change

Approach criteria

- ▶ Level of control?
- ▶ Cost?
- ▶ Time/skills available to select and implement new software?
- ▶ UK GAAP or IFRS?
- ▶ Maturity of software?
- ▶ Word/Excel or accounts production software?
- ▶ Interest of finance team in XBRL expertise
- ▶ Execution risk

Outsource tagging

- ▶ Saves time/cost selecting software
- ▶ Removes new compliance burden from finance team
- ▶ Finance team focus on business reporting
- ▶ No changes to existing statutory accounts process.

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

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