

XBRL: What's in it for Auditors?

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Agenda

- What is XBRL?
- SEC Filings: What Auditors Should Know
- XBRL and the Auditor

What is XBRL?

- XML for accounting data – a new application of a proven technology
- Allows separation of data from logic of applications (so it can be reused for multiple purposes)
- Common data model – public taxonomies
- User-driven business/validation rules
- Functions as a middleware tool
- Contextualized data – information that exists with related descriptors of that piece of data

XBRL is a New Language

- Instance document: XBRL document that is machine readable (ready to electronically file with the SEC)
- Taxonomies/Extension Taxonomies: Dictionaries of standard XBRL data tags and their meanings
- Render: The process of converting an instance document into a readable format
- Map or tag: Connecting instance document facts to taxonomy elements

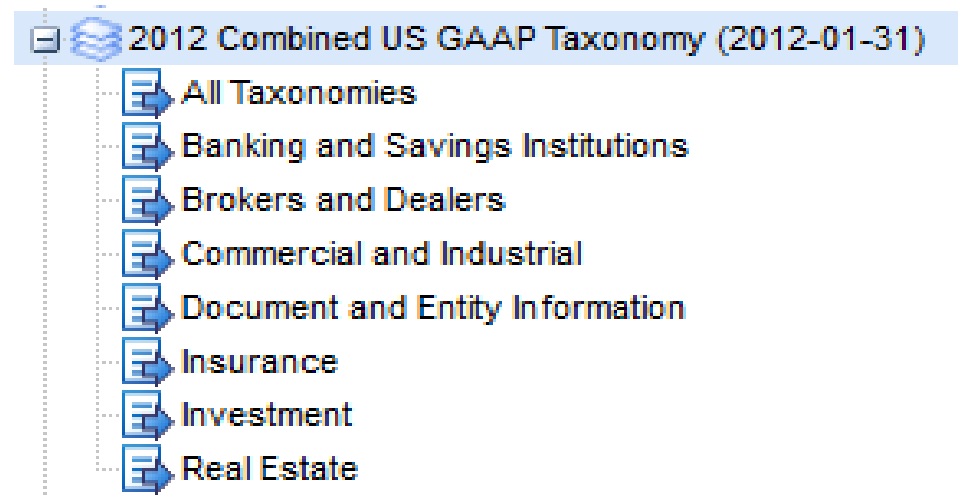
Instance Documents – Just the Facts

- The instance document is a collection of business information (numbers or text) “tagged” with concepts that are described in the taxonomy
 - Business data reported in an instance document are referred to as facts
- The facts are not in the same order as the taxonomy
 - There are no clues in the instance document that indicate the relationship between the facts, e.g., Current Assets and Non-Current Assets are related to Assets
 - What we see in the instance document is simply a “bag of facts” – they are all jumbled together



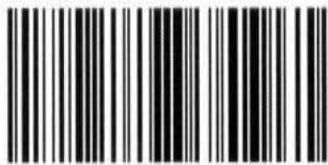
Taxonomies Provide Context

- Unlike instance documents, taxonomies have structure
 - Industry views are available
 - The US GAAP taxonomy is arranged by financial statement and disclosure type
 - Taxonomy elements that relate to each other are together (e.g., raw materials, work in process and finished goods inventory)
 - Elements are arranged in a hierarchy
- Any element from the “All Taxonomies” can be used if appropriate for company disclosure, no matter the industry



Taxonomies Provide Context

- XBRL tags are linked to business information – with the proper “reader” they can tell you...
 - Concept is gross profit
 - Its definition: “Aggregate revenue less cost of...”
 - Type is monetary
 - Currency is U.S. \$
 - Time period is 2012
 - Label is gross profit
 - Balance is a credit
 - Standard is U.S. GAAP
 - Scale in millions
 - Period is duration




**XBRL has been likened to a
bar code for business concepts**

Taxonomies are Extensible

- Ex·ten·si·ble (ik'sten·sə'bil)
 - Function: adjective
 - 1. Drawn out in length
 - 2. Fully stretch out
- Taxonomies are expandable
 - Custom data tags can be created when standard data tags do not match the nature of your business data
 - Use custom tags sparingly or risk being extended into isolation

View of US GAAP Taxonomy

Taxonomy ▾ CoreFiling  About

Network Browser << Details Relationships Tree Locations

Network: Presentation ▾ Lang: en-US ▾

104000 - Statement - Statement of Financial Position, Classified

- [-] Statement of Financial Position [Abstract]
 - [-] Statement [Table]
 - [-] Scenario [Axis]
 - [-] Scenario, Unspecified [Domain]
 - [-] Class of Stock [Axis]
 - [-] Class of Stock [Domain]
 - [-] Statement [Line Items]
 - [-] Assets [Abstract]
 - [-] Assets, Current [Abstract]
 - [-] Cash, Cash Equivalents, and Short-term Investments [Abstract]
 - [-] Receivables, Net, Current [Abstract]
 - [-] Inventory, Net [Abstract]
 - [-] Inventory, Finished Goods, Gross
 - [-] Inventory for Long-term Contracts or Programs, Gross
 - [-] Inventory, Work in Process, Gross
 - [-] Inventory, Raw Materials, Gross
 - [-] Other Inventory, Supplies, Gross
 - [-] Other Inventory, Gross
 - [-] Inventory Valuation Reserves
 - [-] Inventory, LIFO Reserve
 - [-] Inventory, Net, Total
 - [-] Prepaid Expense and Other Assets, Current [Abstract]
 - [-] Deferred Costs, Current [Abstract]
 - [-] Derivative Instruments and Hedges, Assets [Abstract]
 - [-] Assets Held for Sale, Current [Abstract]

Inventory, Finished Goods, Gross

Labels

Type	Lang	Label
Standard Label	en-US	Inventory, Finished Goods, Gross
Documentation	en-US	Amount before last-in first-out (LIFO) and valuation reserves of merchandise or goods held by the entity that are readily available for sale.
Total Label	en-US	Inventory, Finished Goods, Gross, Total
Change Label	en-US	[2011-07] (Modified Standard, Period Start, Period End, or Total Labels) {Modified Documentation Label. Originally read as follows: Carrying amount as of the balance sheet date of merchandise or goods held by the company that are readily available for sale.}

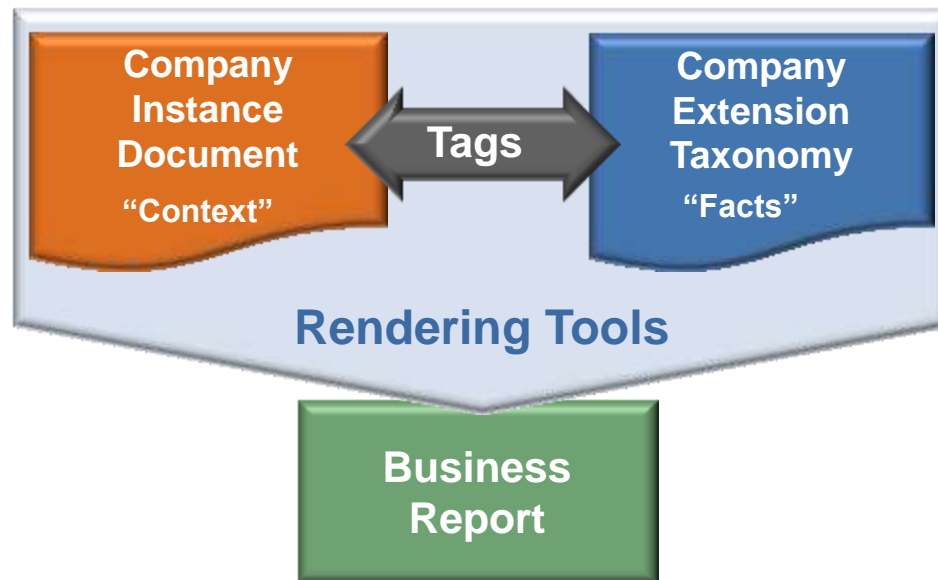
References

Properties

Property	Value
Name	InventoryFinishedGoods
Namespace	http://fasb.org/us-gaap/2012-01-31
Data Type	xbri:monetaryItemType
XBRL Type	monetaryItemType
Substitution Group	xbri:item
Period Type	instant
Abstract	false
Niltable	true
Balance	debit

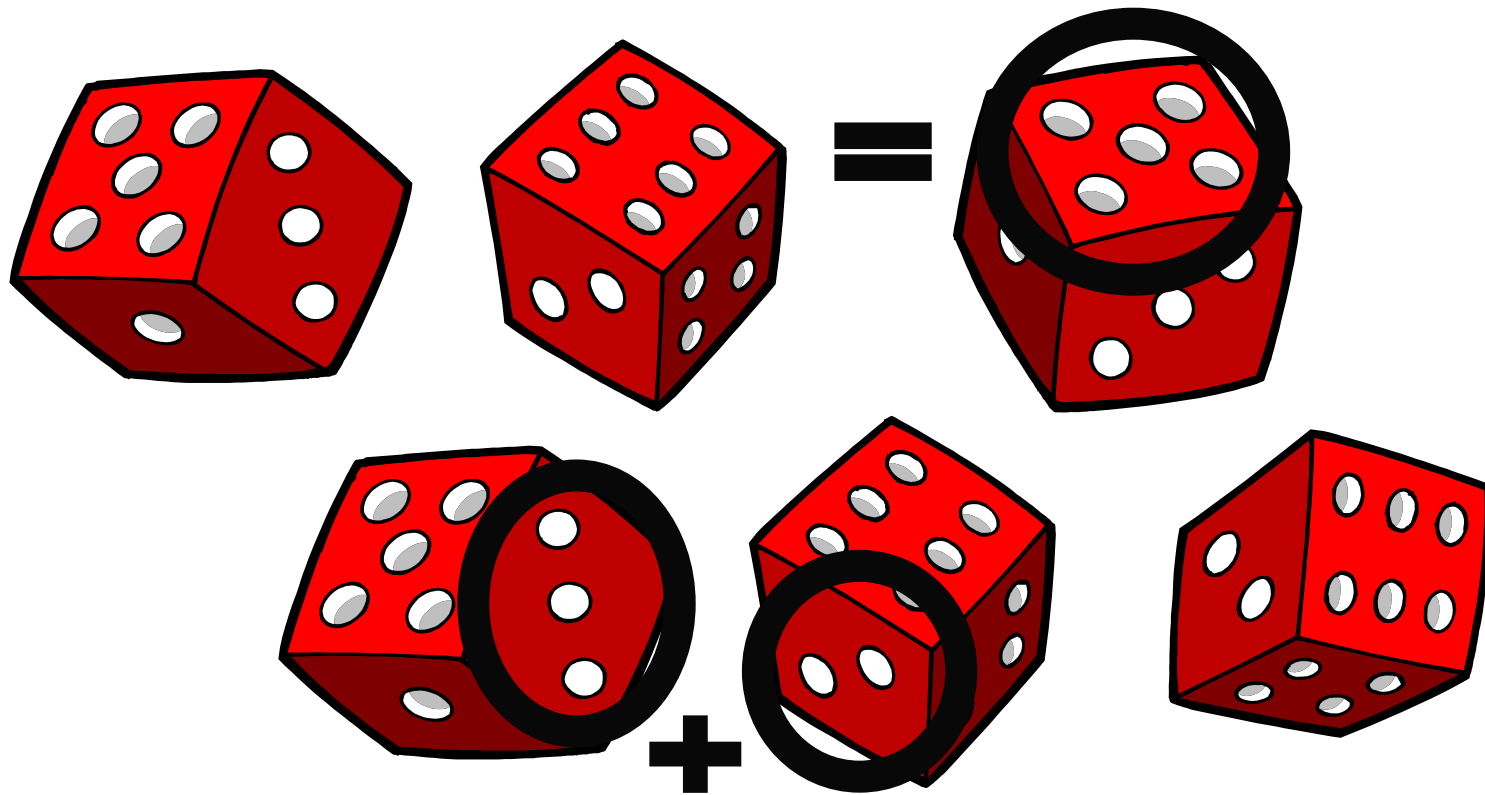
How does XBRL Work?

- To achieve business reports, the XBRL specification describes two kinds of documents
 - Taxonomy documents
 - Instance documents



- **XBRL is machine readable**
- **To make XBRL reader friendly, it must be rendered with a rendering tool**

XBRL Creates Relationships



Calculation Relationships, Presentation Relationships, Dimension Relationships and Label Relationships are part of the SEC Mandate.

BUT the FORMULA relationships, available under XBRL Standards are more Powerful.

XBRL is an International Standard



SEC Filings: What Auditors Should Know

Phase in of XBRL Mandate Beginning in 2009

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- Face of financials are required to be detail tagged
- Footnote tagging levels
 - Level 1: Each complete footnote tagged as a text block
 - Level 2: Each significant accounting policy within the significant accounting policy footnote tagged as a text block
 - Level 3: Each table within each footnote tagged as a text block
 - Level 4: Within each footnote, each amount (i.e., monetary value, percentage and number) is required to be separately tagged

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By the End of October 2013 All XBRL Filings Will Be Subject to All the Liabilities of SEC Securities Regulations

Transition to XBRL Mandated

	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Large Accelerated Filers ~500 Companies - >\$5B Public Float	Detail Tagging of Financials	→			
	Block Tagging of Footnotes	Detail Tagging of Notes & Schedules	→		
	Liability "As Furnished"	Liability "As Furnished"	Liability "As Filed"	→	
Remaining Large Accelerated Filers ~1,200 Companies - >\$700M Public Float		Detail Tagging of Financials	→		
		Block Tagging of Footnotes	Detail Tagging of Notes & Schedules	→	
		Liability "As Furnished"	Liability "As Furnished"	Liability "As Filed"	→
All Other SEC Filers ~7,200 Companies Including Form 20-F Filers Using IFRS			Detail Tagging of Financials	→	
			Block Tagging of Footnotes	Detail Tagging of Notes & Schedules	→
			Liability "As Furnished"	Liability "As Furnished"	Liability "As Filed"

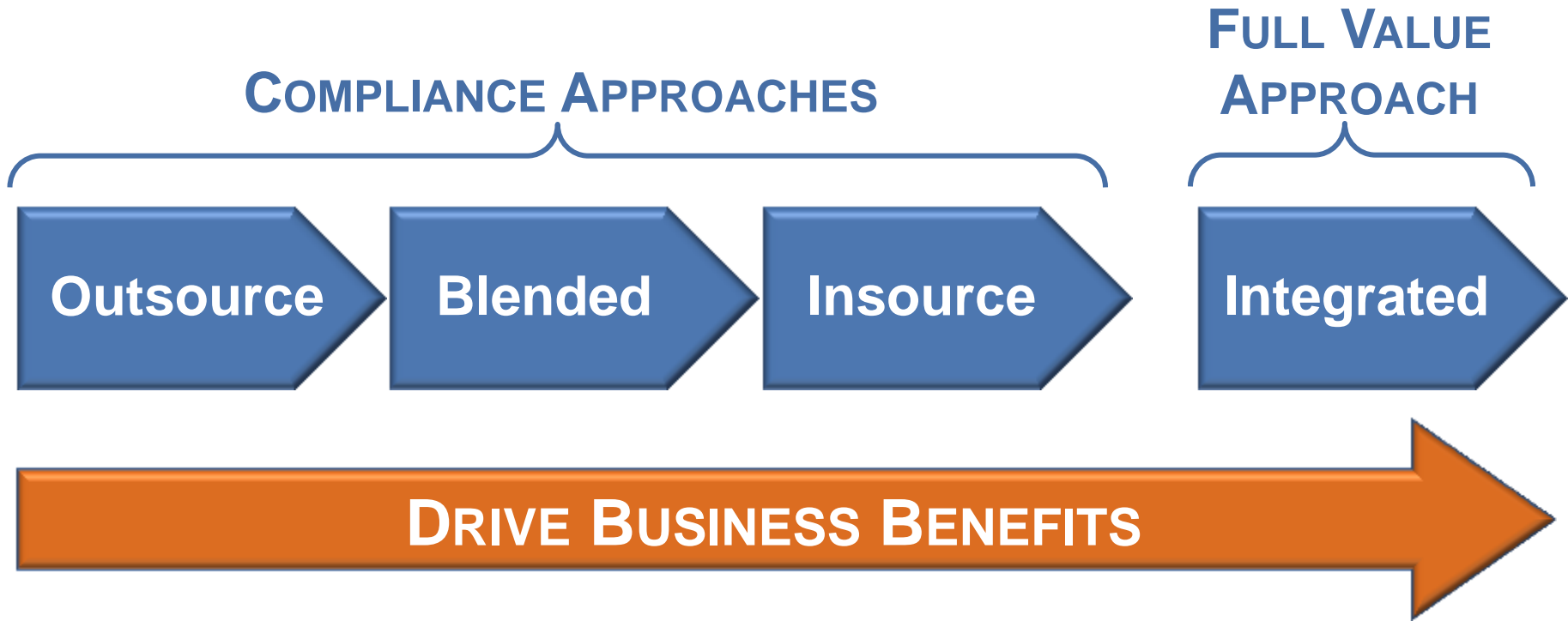
What is Involved in XBRL Creation

- Mapping – the process of selecting appropriate US GAAP taxonomy elements to relate to amounts disclosed in company filings
 - Or company extensions where no appropriate UGT element exists
- Structuring – Correctly modeling the statements and footnotes
- Attributes – Period Type, Element Type, Definition, etc. (characteristics of an amount that would use the element)
- Units – Acres, Tons, Stores, Week, Rate, etc.
- Decimals (or Precision) – number of decimals that an amount should be reported to (INF for amounts reported at the actual accuracy)
- Contexts – the specific date or period of time that an amount relates to
- Tagging – Linking the data with the structured taxonomy elements and all of the related attributes

Why is XBRL Complex?

- XBRL is an evolving standard
- Software that deals with XBRL is maturing and becoming more functional
- Knowledge is increasing
- Resources and timing are tight
- Experts are few for the number of entities involved

XBRL Creation Choices



**Who is responsible for
XBRL formatted reports?**

Areas Needing Management's Attention

- Understanding managements' responsibilities with respect to XBRL
- Understanding the risks associated with XBRL
- Developing in-house skills for creating, reviewing and understanding XBRL
- Deciding which XBRL creation choice is best in their situation
- Developing in efficient and effective process for quarterly preparation and review of the instance document and the companies extension taxonomy
- Making sure quality XBRL is produced

Management's XBRL Assertions

- Appropriate taxonomies have been selected and are SEC approved
- Taxonomy elements are tagged correctly and consistently
- Extensions have been created only when no element exists in the specified base taxonomies
- All of the data in the source document is completely and correctly included in the instance document

Management's XBRL Assertions

- Footnote disclosures are tagged at all four levels as required
- Labels in the Label Linkbase are the same as or accurately reflect respective captions in the source document
- Calculations in the XBRL instance document and in the calculation linkbase are complete and accurate
- Presentation of line items in the presentation linkbase is consistent with the respective presentation of those items in the source document

Build Efficient and Effective Processes

- Conduct a risk assessment to identify risk factors
- Prioritize efforts to address any gaps
- Manage the company's extension taxonomy by documenting key decisions in tag selections and the rationale for the creation of extensions
- Involve appropriate stakeholders and communicate timelines and expectations
- Implement internal controls over risk areas
- Periodically test internal controls to ensure reliability of the review process
- Periodically reassess your process as software, vendors and SEC Requirements mature
- Document your review procedures and create an audit trail

Focus on Quality

- XBRL Formatted filings may communicate misleading or erroneous information when the traditionally formatted filings communicate the correct information
- Use automated validation and manual review techniques to improve quality
- Validate and review both the Extension Taxonomy and the Instance Document
- Review common error types more heavily
 - Invalid Axis/Member Combination
 - Amounts tagged backwards
 - Incorrect Calculation Weights
 - Unit and decimal usage

Focus on Quality

- Types of XBRL Validation
 - XBRL Specification 2.1
 - SEC Edgar Filer Manual
 - Financial Reporting Taxonomy Architecture
 - Financial Reporting Instance Standard
 - Units Validation
 - Manual Review

Internal Controls

- Establish procedures and controls to verify that the filing meets SEC filer rules
- Verify that automated validation is conducted on the filing independent of the preparer
- Determine that manual procedures are used to make that the XBRL formatted financial statements are communicating the same information as the HTML financial statements
- Verify that the financial reporting staff have adequate training and/or qualified resource to prepare XBRL filings

XBRL and the Auditor

Why Should Auditors Care about XBRL?

- XBRL is a universal language for data that can be understood by any software application and hardware device.
- With XBRL it is possible to:
 - enable entity wide use of data for consolidation, reconciliation, analysis and reporting...no matter what software applications are used
 - eliminate the need to integrate disparate applications and disparate system platforms
 - enable sharing of data with vendors, customers and investors
 - Increase the power of financial analysis and reporting tools like Excel (XBRL enables better, more comprehensive integration of data from disparate applications)

**Many software tools can already utilize XBRL tagged data,
but work remains for software developers**

Why Should Auditors Care about XBRL?

- XBRL is not limited to defining what data consists of but also defines the relationship of data to other data thereby
 - enabling user defined constraints
 - establishing data validations (i.e. assets + liabilities = equity)
 - allowing for the generation of exception reports when data is outside of established norms
 - Enabling consistency of the data from its origin to its destination

Establishing user defined constraints and data validations in relationships between business values at the source provides data that is validated before it is utilized

XBRL Based Opportunities for Audit

- Move from statistical testing to testing 100% of the relevant data
- Create opportunities to move from a transaction review orientation to continuous review, monitoring and exception reporting
- Reduce or eliminate manual intervention in a process
- Enforce a standardized set of user defined rules and constraints
- Utilize a reliable and standardized model to deploy corporate internal controls and procedures quickly (like in a business combination)

Where are the large retailers, bankers and others who are willing to invest in XBRL technologies like they did with bar codes?

XBRL Based Opportunities for Audit

- Improve report review and assembly process
- Reduce spreadsheet proliferation
- Reduce or eliminate manual controls
- Eliminate manual data access across disparate sources
- Rationalize disparate and redundant internal controls
- Facilitate spreadsheet use for access to and analysis of corporate data

Utilizing XBRL to automate procedures, validate business values and eliminate useless manual intervention can help Auditors move from business analyst to business partner

Questions or Comments?

Supplemental Information

Where to Go for More Information

- SEC: <http://xbrl.sec.gov/>
- XBRL International: <http://xbrl.org/>
- XBRL US: <http://xbrl.us/Pages/default.aspx>
- FASB: <http://www.fasb.org/home>
- Wikipedia: <http://en.wikipedia.org/wiki/XBRL>
- XBRL Projects: http://xbrl.org/knowledge_centre/projects/map
- Digital Fin Rptg Wiki: <http://secxbrlglossary.wikispaces.com/>
- Digital Fin Rptg: <http://xbrl.squarespace.com/>
- Global Taxonomies <http://bigfoot.corefiling.com/yeti/resources/yeti-gwt/Yeti.jsp>

For More Information...

- SEC Rule 33-9002 – Interactive Data to Improve Financial Reporting
- US GAAP Taxonomy Preparer's Guide (XBRL US)
- Edgar Filer Manual (Volume 2, Chapter 6 is on XBRL). Use the current version from the SEC website as it is updated often
- SEC Compliance and Disclosure Interpretations (C&DI)
- Staff Interpretations and FAQs Related to Interactive Data Disclosure
- Staff Observations From Review of Interactive Data Financial Statements

For More Information...

- AICPA SOP 09-1, “Performing Agreed-Upon Procedures Engagements That Address the Completeness, Accuracy, or Consistency of XBRL-Tagged Data”
- AICPA exposure draft, “Proposed Principles and Criteria for XBRL-Formatted Information”
- Webinars and Best Practice Resolutions
 - XBRL US website
 - XBRL International website
 - SEC website

XBRL at a Glance

About XBRL

XBRL is a technology language for the electronic communication of business and financial data and is being implemented worldwide. XBRL-formatted documents enable greater efficiency, improved accuracy and reliability as well as cost savings to those involved in supplying and using financial and business information data.

Primary benefits of XBRL Solutions

- Reduces Costs
- Increases Productivity
- Improves Data Quality
- Extends Data Interoperability

How XBRL works

XBRL is based on XML, a widely accepted standard, and has the ability to “tag” or code each element on a financial or business report with information such as description, units, currency, etc., so that it is easy to identify and understand for users of the information. All the elements are grouped together into a collection of financial and business reporting terms called a “taxonomy”. XBRL is extensible, meaning that the terms available for use can be customized so that companies using XBRL can create their own elements – called “extensions” – to describe a unique reporting situation .

XBRL is not an accounting standard and will not change what is reported, only how it's reported. The XML tagging means that the information in a business report is computer readable and can be more easily extracted, searched and analyzed by users of that information.

What it can do

- **XBRL allows for the creation of interactive, intelligent data.**
Each piece of business information has detailed descriptive and contextual information wrapped around it, so that the data becomes machine-readable and can be automatically processed and analyzed.
- **XBRL allows business reporting information to be reused and repurposed.**
A financial or business report created once can be used to create many documents in different formats--HTML, ASCII text, Microsoft Word or Excel—with no loss of accuracy or integrity.
- **XBRL adds value to every step of an organization's business information reporting.**
The entire reporting chain of business information -- from data collection through internal reporting and external reporting -- will be made more efficient and accurate and will contain more useful data.
- **XBRL enhances the ability to compare information from one organization or entity to another,** because XBRL lays out a common set of definitions by which all organizations tag their data.
- **XBRL allows for unique reporting situations,** because it can be extended by a single reporting entity by adding special elements that may be needed to best represent that company.

Finance Transformation: Leveraging What You Have

XBRL Compliance Fatigue

- Early XBRL drafting deadlines
- Long XBRL cycle times
- Short XBRL turnaround times
- Inadequate resources for the amount of demand
- Limited availability of XBRL experts
- Cost of last minute changes
- “Pencils down” dates

**Are you managing your XBRL provider,
or are the managing you?**

From Close to Report – the Situation

- Companies generate many business reports by importing data into a series of Excel spreadsheets
- Data is extracted from a variety of systems
- Each cycle that a report is needed requires the extraction and reformatting of the data
- Effort will increase to handle additional reporting requirements imposed from within or by external requirements
- Outsourced XBRL creation creates rigid timelines
- Internal XBRL creation is “bolted-on” at the end of the process
- For SEC filers: XBRL compliance required...why not benefit from it?

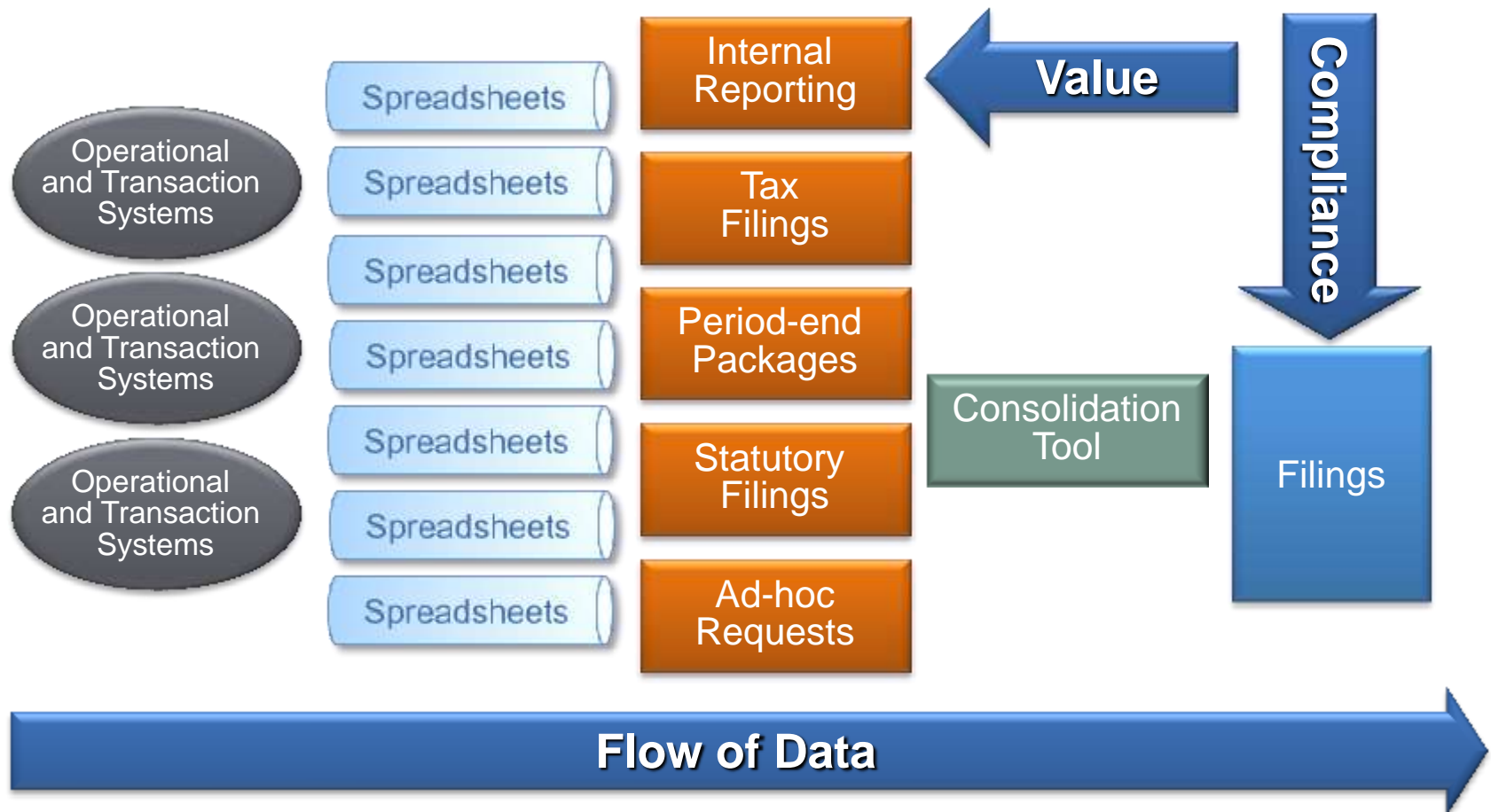
Why the Last Mile of Finance Needs Attention

- Ongoing SOX compliance and little tolerance for control failures
- Shortened filing requirements for routine and non-routine filings
- Business transformation – globalization, cost reduction, integration of acquisitions, etc.
- Rapidly changing accounting standards – FASB convergence, IFRS, etc.
- XBRL implementation and ongoing compliance
- Increased regulatory requirements – regulated and legislated
- Limited resources – never enough time, money or people

Last Mile of Finance – A Hidden Problem

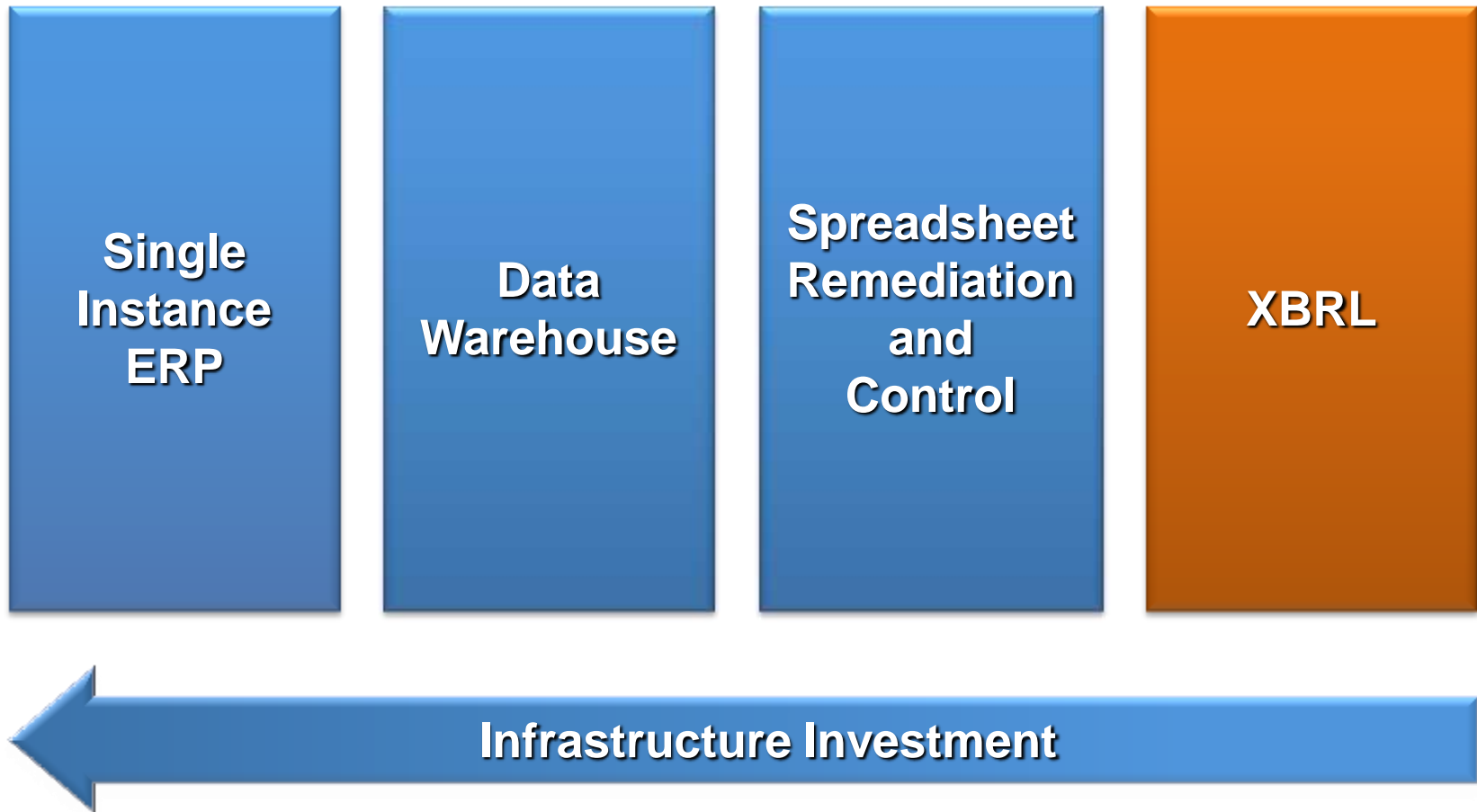
- **CFO:**
I ultimately get the data I ask for, and our filings are submitted each quarter
- **CAE:**
I am in compliance with SOX and have compensating controls over spreadsheets
- **CIO:**
We have ERPs and a data warehouse
- **Controller:**
We “get it done” each month – what’s a little overtime?
- **Staff:**
We’ve built these processes and data flows over several years – please don’t break them

Who owns the last mile of finance?

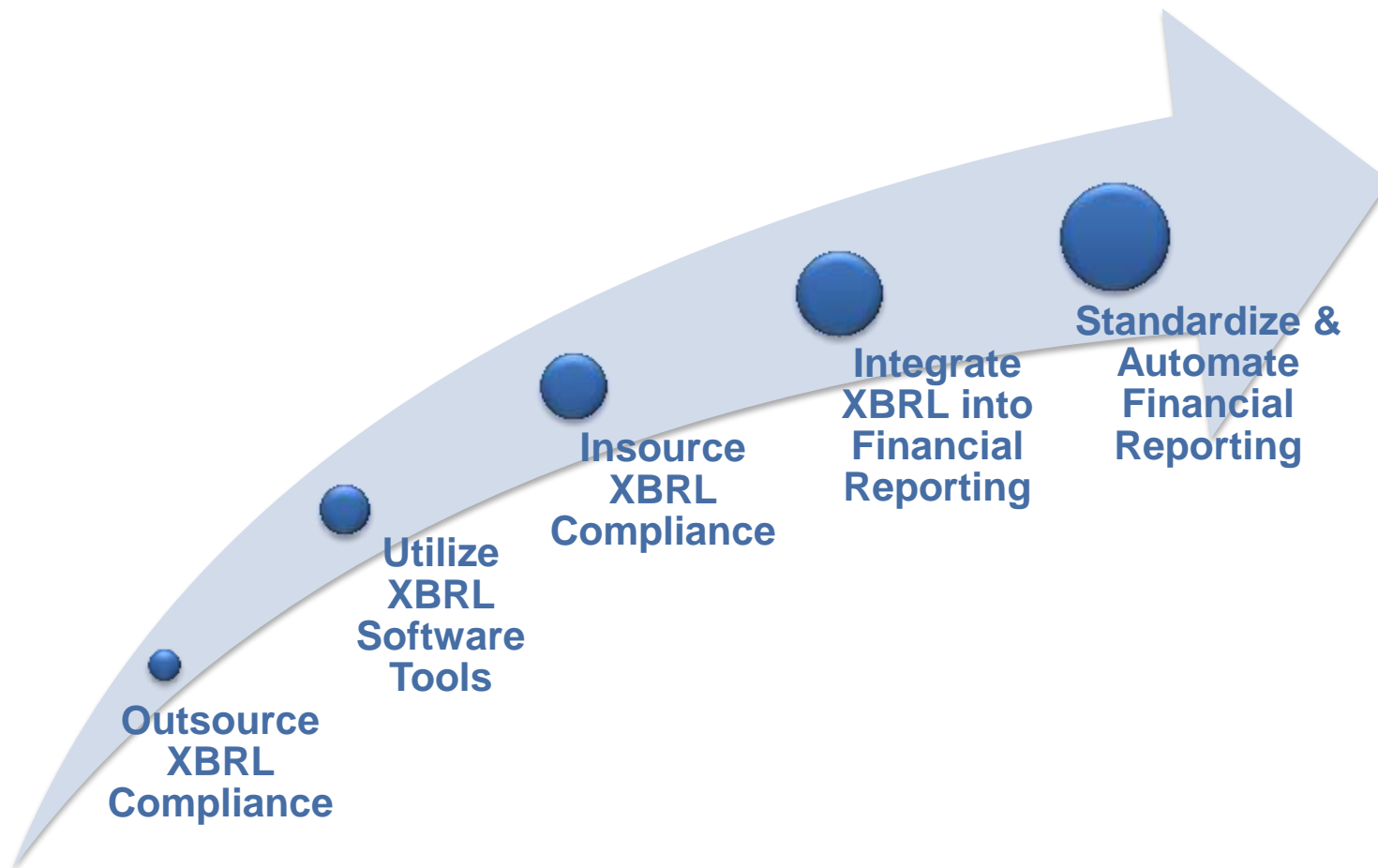


Is the last mile of finance getting the attention it deserves?

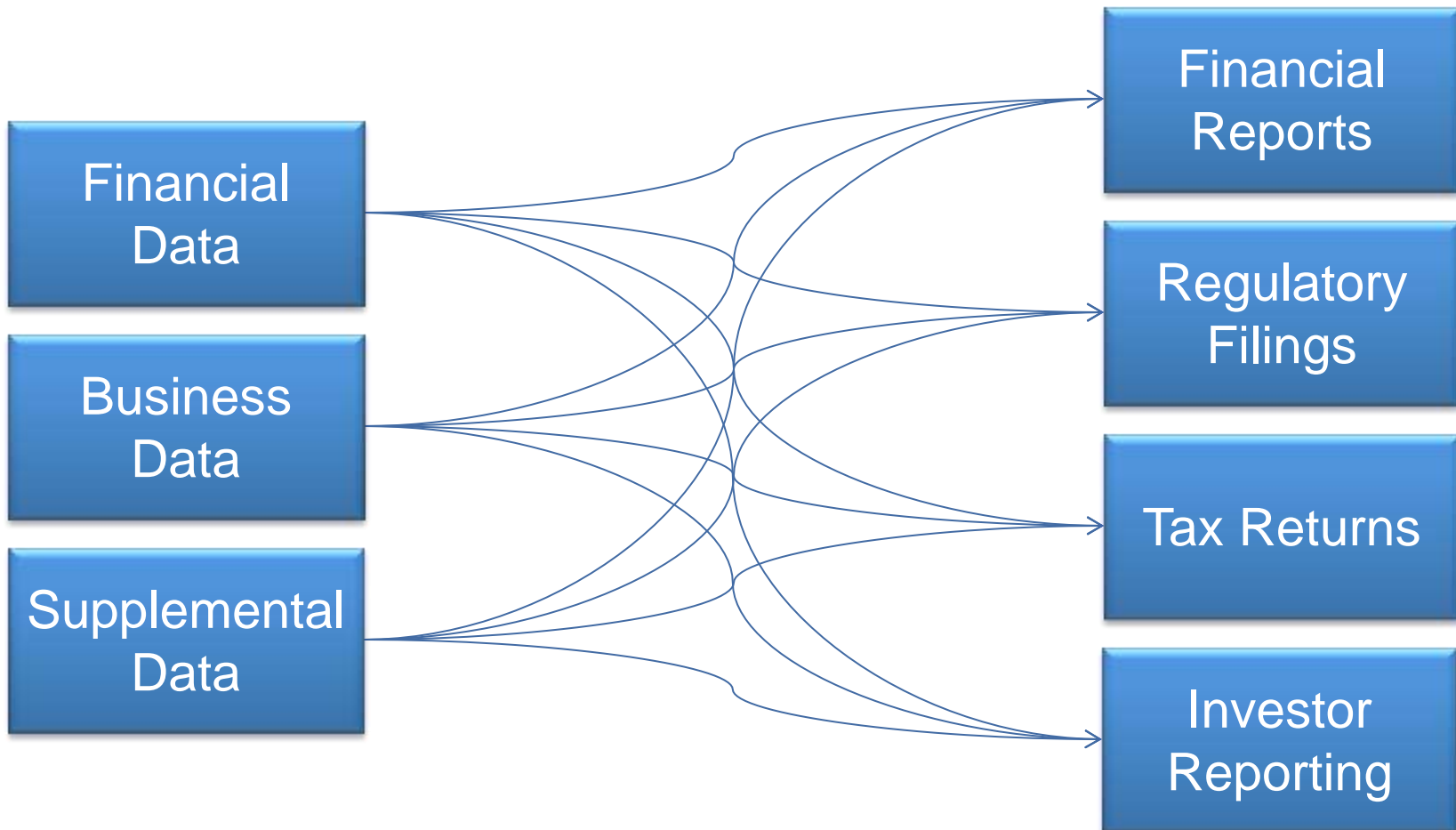
Data Management Solutions Continuum



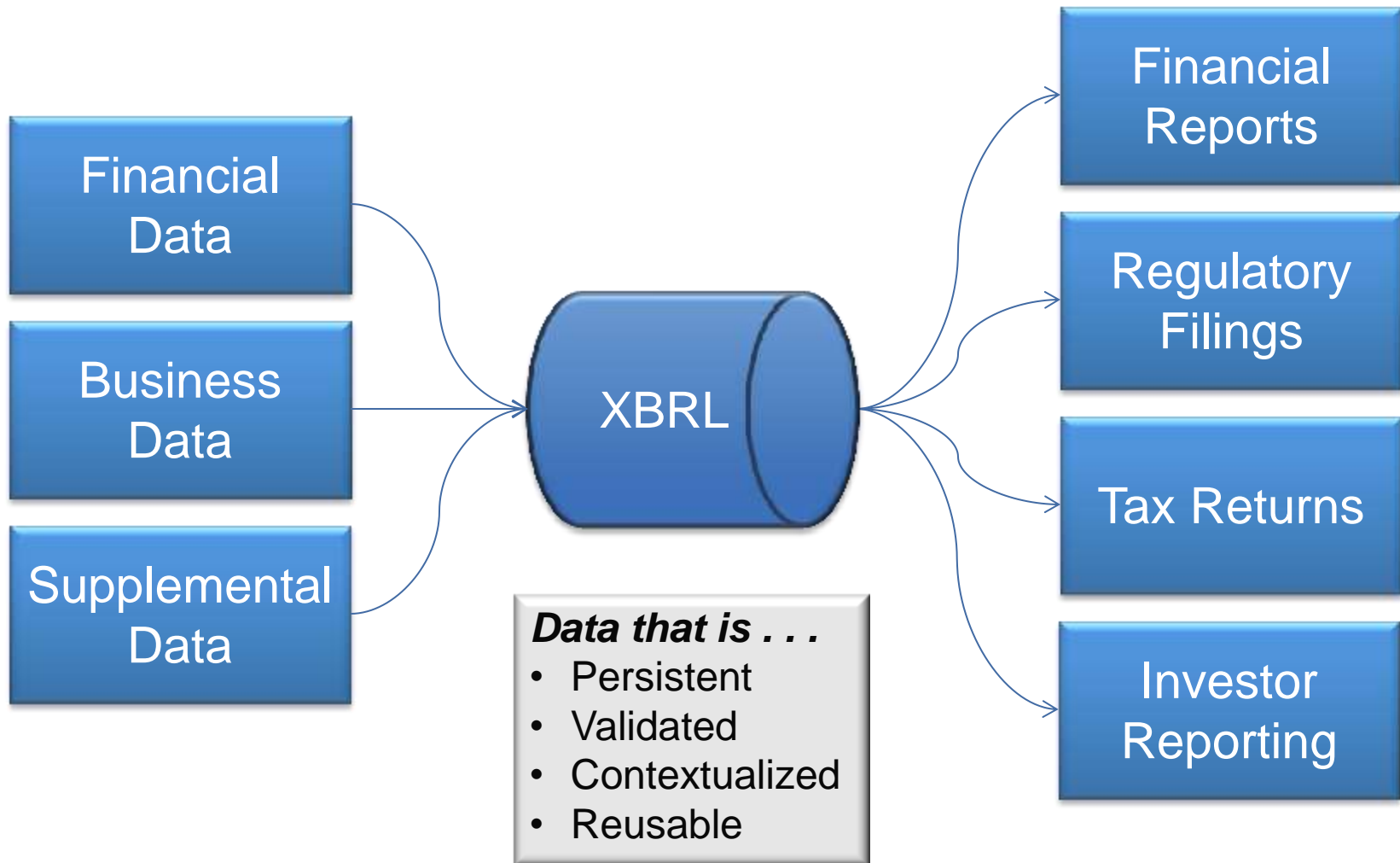
Follow an XBRL Progression Plan



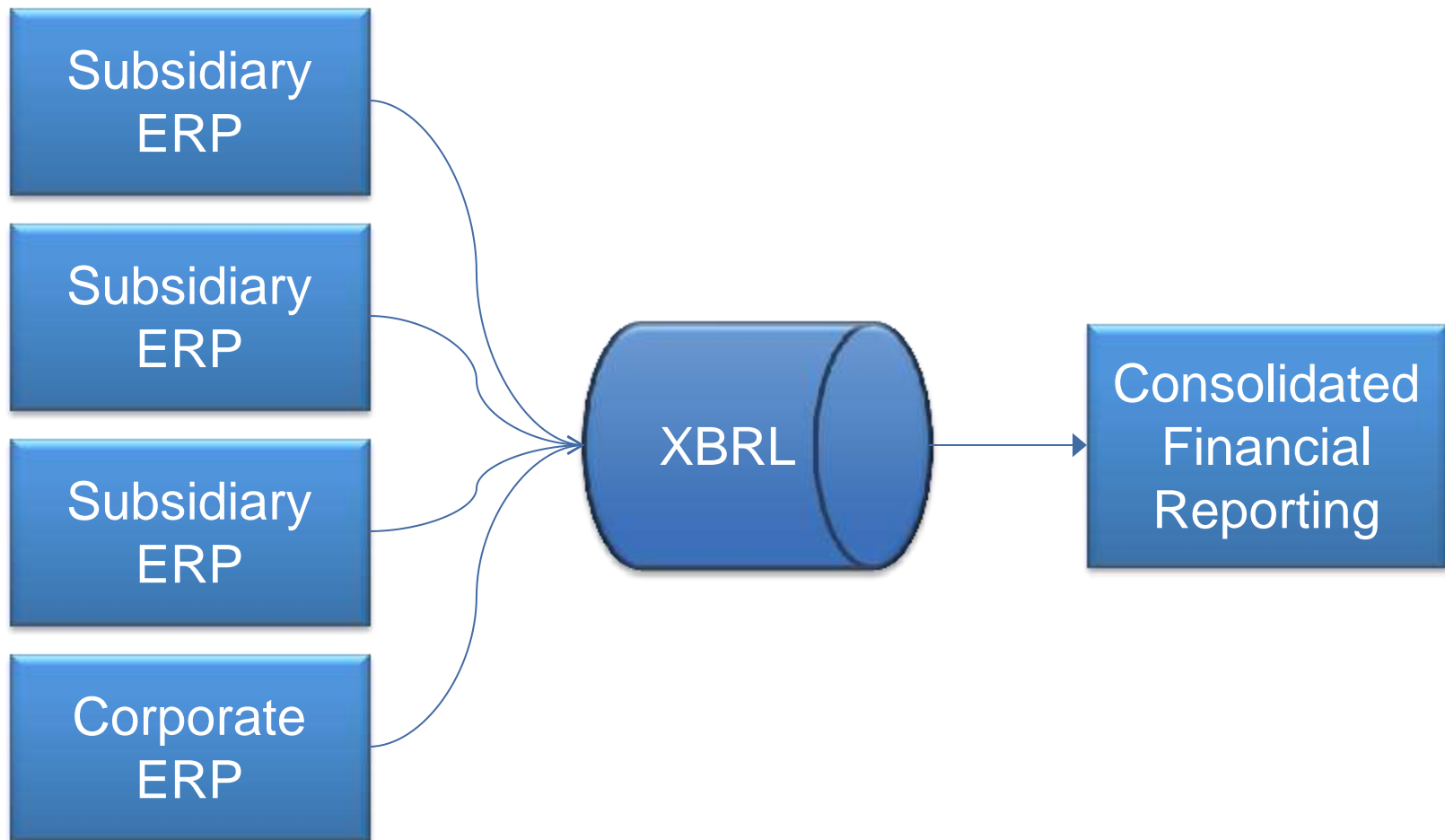
Financial Reporting Today



Financial Reporting as it Could Be



Consolidations as They Could Be



Third Party Reporting as it Could Be

