The Implications of XBRL for the Financial Statement Audit

Our study To provide input into the IAASB's process we have undertaken a multi-component study. The primary objectives of this study were twofold. First, we wanted to understand the implications of XBRL for the financial statement audit. Second, we sought to understand investor perceptions of alternative forms of XBRL assurance. To address these objectives, we undertake a range of enquiries. First, we complete a desk review of the current state of XBRL adoptions internationally and the implications of those adoptions for audit, assurance and Agreed-Upon Procedures engagements. This desk review includes an analysis of the elements of an assurance engagement from an XBRL perspective. In the first study, we undertook several focus groups with participants in the financial information supply chain. We sought to understand the demand for and implications of providing alternative forms of assurance and audit on XBRL-formatted statements. Then in the second and third studies we undertook experiments with investors from the US and the Netherlands, respectively. We sought to understand whether investors respond to alternative forms of audit and assurance on XBRL-formatted financial statements. We investigated a number of additional environmental and policy questions with these investors. In the fourth study, we analyzed the conduct of assurance on XBRL-formatted financial statements in two case studies ? providing assurance on the financial statements of a ?Big Four? professional services firm in the Netherlands and the conduct of Agreed-Upon Procedures in the US setting. We interviewed practicing auditors that have undertaken these AUP engagements on XBRL-formatted financial statements. Undertaking the desk review and these four studies allow us to come to some key conclusions and provide the foundation for the recommendations for the IAASB. It is apparent that the need for assurance or audit on XBRL will be driven, to some large extent, by the interaction of a number of implementation considerations. If regulators consider the implications of implementation choices when designing the XBRL reporting scheme on the need for XBRL assurance and their willingness to mandate XBRL assurance to support user needs. These implementation choices include the extent of coverage of the XBRL tagging (e.g., only the ?face? of the financial statements or including the notes and additional or other disclosures), the complexity of the foundation taxonomy and the ability by corporations to extend the taxonomy. The form of XBRL reporting is also important. For example, production of financial statements in an iXBRL format that integrates human-readable HTML and XBRL, or by a ?viewer? provided by an intermediary may be perceived as different by investors and corporations than in those cases where XBRL reports are distinct from other forms. Where the production of XBRL reports comes in the financial reporting process is also important. Perceptions may differ if the production of XBRL precedes other forms of financial reporting as compared to following other forms of reporting. Another factor is the degree to which the production of XBRL is integrated into the financial statement close process. Similarly, when XBRL becomes directly integrated into the decision making models of information consumers, perceptions of investors, corporations and auditors may change requiring regulators to continuously consider the costs and benefits of mandatory assurance.