

XBRL International's Point of View

*Proposal to ISO for New work item proposal - Audit data collection*¹

The purpose of this document is to present the point of view of XBRL International (“XII”) and provide additional guidance to stakeholders interested in a current proposal to the International Organization for Standardisation (ISO) entitled *New work item proposal – Audit data collection* (“*the Proposal*”). The Proposal seeks to start a new effort (“*the Work*”) under the ISO to create an international standard for audit evidentiary data for commercial and government usage, both for internal and external audit.

Process

Between now and 4 February 2015, ISO member organizations² are preparing to submit their vote to the ISO on the Proposal, and most will seek feedback from their regional shareholders over the next month or so to help them determine whether they should vote for or against the Proposal. Those voting in favor of the proposal should indicate an interest in actively participating, observing, or having no direct role if the Work begins. A minimum of five countries must indicate an interest in active participation; a prior related proposal did not receive the necessary five countries, leading to the current Proposal.

In addition to the vote and expression of interest, the ISO member organizations can provide comments along with their vote. These comments are considered especially when a proposal is not approved, in order to refine the proposal, should the submitter wish to resubmit. Comments on the prior proposal were considered in the current Proposal.

The submission to the ISO included multiple sections:

- An Introduction, focusing on differences between this proposal and the prior (ISO/TS/P 237) version
- The Proposal
- A Draft (Audit Data Collection International Standard)
- Explanatory materials for a “PPT” that is not included

Purpose for this point of view

In order to help XBRL members and stakeholders consider how they can help their local ISO member organization make its determination how to vote and determine the appropriate level

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<http://publicaa.ansi.org/sites/apdl/Documents/News%20and%20Publications/Links%20Within%20Stories/ISO%20NWIP%20-%20Audit%20Data%20Collection.pdf>

² http://www.iso.org/iso/home/about/iso_members.htm

of participation in this Proposal, and to consider our member’s potential role in the Work should it be approved and commenced, XII convened an Audit Data Collection Evaluation Proposal Task Force (ADCTF) under the auspices of the Best Practices Board.

The ADCTF considered the Proposal to determine whether the task force felt it should encourage members to ask their ISO national member body to support or oppose the Proposal; in addition, the document offers comments and concerns about the Proposal, as written.

Recommendations

In brief, the ADCTF

- Encourages members and related stakeholders to indicate **support** for the Proposal through comment letters or equivalent responses to their regional ISO member body.
- Encourages members and related stakeholders with an interest in the audit information supply chain to indicate an interest in **active participation** in their comment letters or equivalent responses.
- Encourages members and related stakeholders to indicate in their comment letters or equivalent response that support for the Proposal is *not* to be perceived as support for the Draft (“Audit Data Collection International Standard (Draft)”) or other materials that were provided with the Proposal, neither for the data fields provided nor for the recommended file export syntaxes. It is important to note that there are many other specifications, such as the AICPA *Audit Data Standards* referenced in the proposal, that should also be considered and which would be valuable to the broader effort.
- Encourages members and related stakeholders to share with their ISO member body the importance of **considering the role of XBRL GL**, as well as other specifications already created in this space and not mentioned in the current Proposal.
- Encourages that the community of **stakeholders be more broadly considered** than those laid out in the Proposal; beyond the very important International Organization of Supreme Audit Institutions (INTOSAI, the global organization of government audit), the group of liaisons should consider organizations involved in external, internal and system audit, as well as management itself. More details on these recommendations follow.

XBRL’s long-standing interest in the audit information supply chain

XII has a long history of interest in the audit information supply chain. At the very first meeting of the organization, back when the organization was known as “XFRML”, the steering committee decided that, “[XFRML] should have its roots in the ‘Audit Supply Chain.’ XFRML [should be a] technical standard for seamless process of exchange across all audit processes.” The highlights of that first meeting continue, “Our opportunity is to address things internationally at the level below the financial reporting level since there is more commonality at that level.”

XBRL’s Global Ledger Taxonomy Framework³ (XBRL GL) was developed to represent the information at levels below the reporting level to fulfill this goal. XBRL GL serves as a standardized representation of audit evidentiary data for the AICPA’s Audit Data Standards⁴. The Organisation for Economic Cooperation and Development (OECD) recommends⁵ that tax regulators “should consider data formats that permit audit automation today while minimising potential costs to all stakeholders when moving to new global open standards for business and financial data such as XBRL, and XBRL GL in particular.” XBRL GL has also been embraced as the tax audit format for archival audit trails in Turkey by the National Tax Agency⁶.

Founded by the audit profession and made up of constituents with a strong interest in improving compliance reporting and related assurance processes, and with the long standing *Recommendation* of XBRL GL, XII has a strong interest in the proposal and ensuring that such an effort, should it commence, is able to benefit from the knowledge, resources and technical deliverables of XBRL, including especially leveraging XBRL GL in whole or part.

The ADCTF considered whether it would be better to encourage its members to oppose the proposal and to propose instead that the development of a formal audit data collection specification be done with XII as the host. XII already has most of the primary stakeholder communities as members. XII has already been developing and maturing XBRL GL. XII’s community is increasingly interested in standardizing the representation of transactions and organizational audit trails to support the widespread use of XBRL for reporting

Practically, however, there has been ongoing fragmented development – regionally, organizationally, across areas of regulation – of audit evidentiary specifications outside of the XBRL community. If a Work under the auspices of the ISO is able to help bring together these disparate communities and engage stakeholders in ways XII has not, then our mutual goal of standardizing information in the audit information supply chain can move forward more rapidly; XBRL GL can be used to represent the specifications as developed.

To make this a reality, we also encourage XBRL members and stakeholders to indicate an interest in active participation in the work should the Proposal be accepted. Those with an interest in XBRL GL in particular should have a voice in the local mirror organizations and in the primary ISO committee.

Issues with the proposal

This stated expression of support for the Proposal should *not* be taken as an indication that we agree with all of the statements in the Proposal, especially related to *completeness*, and especially should *not* be perceived as support for the draft materials provided with the proposal. However, indicating that the Proposal should be opposed would mean that, if the

³ <https://www.xbrl.org/the-standard/what/global-ledger/>

⁴ <http://www.aicpa.org/interestareas/frc/assuranceadvisoryservices/pages/auditdatastandardworkinggroup.aspx>

⁵ <http://www.oecd.org/tax/administration/45045602.pdf>

⁶ <http://www.edefter.gov.tr>

opposition is successful, there would be no project without another proposal being made. The Standards Administration of China (SAC), which submitted both the prior ISO/TS/P 237 and this Proposal, waited for a year before resubmitting; there is no promise that they would consider comments and resubmit on a timely basis should the Proposal not receive sufficient support again.

That being said, we believe the proposal is **missing a wide variety of existing specifications** in its listing of relevant existing documents and has **missed important liaison communities** in the listing of relevant external international organizations or internal parties that should be engaged.

A number of smaller issues, such as unclear and undefined terms, scoping issues, and other topics that would need to be considered once the Work begins will not be covered in detail in this document.

Existing standards

The Proposal lists what the submitter felt were “relevant existing documents at the international, regional and national levels”. The Proposal listed four documents: three specifications that are part of the existing Chinese “Global Audit” of the Chinese National Audit Office (NAO), and the AICPA Audit Data Standards. However, numerous regional and national specifications were omitted, including the aforementioned OECD Standard Audit File – Tax, a number of standards from the United Nations in accounting and audit⁷, the Swedish SIE⁸, the Dutch Auditfile Financieel⁹, the Object Management Group’s GL Facility, the Open Application Group’s OAGIS and other international and national formats.

Although XBRL GL is one of the formats with which the AICPA Audit Data Standards can be represented, XBRL GL is also not explicitly mentioned in the proposal and should be. We believe it should be an important part of the discussion. XBRL GL is unique in a number of important ways; one of the most important is that it is meant to be holistic and is designed to not just meet the need of auditors but to integrate the reporting supply chain, reconcile between different purposes of reporting, and create the seamless audit trail to and from business reporting.

The Proposal goes on to state that “ISO has not initiated any effort of the international standardization regarding audit and auditing data for the time being, and there is no duplication or conflict with existing ISO and IEC deliverables.” We believe that the existing ISO/IEC 15944-4:2007, which formalizes the nature of ERP systems and the related resources, events and agents, may be relevant to this discussion.

⁷ <http://www1.unece.org/cefact/platform/display/TBG/TBG12>

⁸ <http://www.sie.se/>

⁹ http://www.softwarepakket.nl/swpakketten/auditfiles/auditfile_financieel.php?bronw=1

Liaison communities

Although the proposal mentions “INTOSAI, IFAC, IIA and relevant international organizations” in the narrative, it lists only INTOSAI in the formal entry to “[a] listing of relevant external international organizations or internal parties (other ISO and/or IEC committees) to be engaged as liaisons in the development of the deliverable(s).” As noted above, the accounting, audit and systems internal and external audit profession (IFAC¹⁰, AICPA¹¹ and similar national audit representatives, IIA¹², ISACA¹³, IMA¹⁴, etc.) are important potential liaisons, as are related standards efforts such as UN-CEFACT¹⁵’s accounting and audit group, XII¹⁶ and the OECD, audit regulators, such as the PCAOB¹⁷, and related organizations, such as IFIAR¹⁸, groups representing management, such as the FEI¹⁹, and other related stakeholders.

CLOSING STATEMENT

The XBRL community was developed on the foundation of the audit information supply chain. XII developed XBRL GL to generically and holistically support efforts to standardize information in the audit space, and XBRL GL representatives have worked with communities developing audit data standards for specific regions, purposes and technologies. To that end, we support efforts that will mobilize more communities to collaborate on standardization in the audit information supply chain, especially where XBRL GL can be an instantiation of specialized specifications. While XII does not support the current draft provided with the ISO proposal, we encourage the XBRL stakeholder community to leverage the knowledge and experience in it as well as other sources when developing a globally supported specification for audit data collection and exchange. As such, we encourage our stakeholders to work with their local ISO member body, to indicate support for the Proposal, to seek participation through their regional ISO member body in the local mirror committee and the primary technical committee that would be established to develop the standard under the Proposal, and to indicate a willingness to actively support the effort to ensure the learnings of our XBRL community and support for XBRL and XBRL GL are shared and incorporated.

¹⁰ <http://www.ifac.org>

¹¹ <http://www.aicpa.org>

¹² <http://www.theiia.org>

¹³ <http://www.isaca.org>

¹⁴ <http://www.imanet.org>

¹⁵ <http://www.unece.org/>

¹⁶ <http://www.xbrl.org>

¹⁷ <http://www.pcaobus.org>

¹⁸ <https://www.ifiar.org/>

¹⁹ <http://www.financialexecutives.org>