XBRL ‹‹‹‹‹‹

By Kristine Brands, CMA

XBRL and the Audit Data Standards

As the end of 2013 approaches, calendar-year-end companies are getting ready for their year-end closes and annual audits. When I was a corporate controller, the first quarter of the new year was a blur as I balanced my day job with being at the beck and call of the auditors. Their requests for data and information seemed endless, which made me feel like I was answering the same requests over and over again. And these information requests seemed to drag on for weeks. For those of you who have had similar experiences, imagine gathering audit information requests in a few minutes instead of several weeks. The recently released Audit Data Standards (ADSs) from the American Institute of Certified Public Accountants (AICPA) can make that happen by leveraging technology like eXtensible Business Reporting Language (XBRL) to streamline the gathering of audit data. Here we'll examine how this voluntary audit standard can help revolutionize the financial audit process and significantly lessen a company's audit work burden.

What Are the Audit Data Standards?

The Emerging Assurance Technologies Task Force of the AICPA Assurance Services Executive Committee (ASEC) was formed to examine how to use technologies to improve the effectiveness, timeliness, and efficiency of the audit process. The Audit Data working group was created to develop the ADSs, voluntary standards that improve this process in the area of gathering and sharing information between the audit client and the auditors by leveraging technology. These aren't authoritative auditing standards, so companies aren't required to follow them. But their concept is simple: organize a company's financial data into a standardized electronic format that can be shared with the auditors. Instead of answering hundreds of information requests during the course of the audit, you can provide the data at the beginning of the audit by transmitting it to the auditors electronically. The features of the ADSs can also support financial information requirements for financial and internal auditors as well as management

accountants. Currently there are three parts to the first publication—the Base Standard, the General Ledger Standard, and the Accounts Receivable Standard—and there are plans to add more ADSs for other subledgers, such as inventory, accounts payable, fixed assets, and payroll, and for industry sectors and business processes.

The Base Standard provides a data specification model for setting up the information files. This includes file naming and file formats. Two file formats are recommended: XBRL, using the global ledger taxonomy (XBRL-GL), or a flat file (pipe delimited format) that follows UTF-8 text file format. XBRL-GL is a recognized international standard that many enterprise resource planning (ERP) vendors follow. It allows companies to embed XBRL tags in their general ledger and ERP systems and features data validation. The UTF-8 format is widely supported by software vendors, and files created in this format are specific to a company. Regardless of the format selected, a company maps the data into files and submits it to their auditors.

The General Ledger Standard

specifically addresses data that applies to general ledger accounts, and the Accounts Receivable Standard focuses on accounts receivable accounts. For example, the General Ledger Standard provides file formats for the GL detail, the trial balance, the chart of accounts, and the source listing. All three standards include a questionnaire to be completed by the IT and business side of the organization to evaluate the data that will populate the data files. Data validation guidance is provided for the General Ledger and Accounts Receivable standards, a key element of the ADSs.

ADS Adoption

Organizations considering adopting the ADSs need to create a project team composed of accounting and IT personnel and their auditors to define their data collection objectives. As part of the adoption process, the project team must select the data file format as well as the information that will be collected. Then the organization needs to map the audit information requirements to its data and extract the information from its current system to create the data files. Because many companies probably haven't implemented XBRL-GL, the XBRL standard that simplifies the process by embedding XBRL tags to GL data, they should evaluate adopting it for their general ledger ERP systems.

The Benefits

Companies adopting the ADSs can streamline and improve their audit process. Regardless of the file format, financial information can be accessed quickly and shared with auditors, who then can develop programs to audit and analyze the information. Hewlett-Packard piloted the standards and collected the data in 10 to 15 *minutes* instead of two weeks using its current process. Needless to say, the time and expense of the audit on the client's side and the auditor's side will drop, freeing up both to focus on "what's inside the numbers" rather than the tedious task of collecting data. And that should improve audit quality. **SF**

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