



The Association of
Accountants and
Financial Professionals
in Business



via email

To: www.iaasb.org

April 11, 2023

International Audit and Assurance Standards Board
529 5th Avenue
New York, New York 10017

Re: IAASB's Proposed Strategy and Work Plan for 2024–2027
Proposed Item M

Dear International Auditing and Assurance Standards Board members:

XBRL International is the global standards development organisation that has developed, maintains and improves the XBRL[®] specifications. Our purpose is to enhance transparency and accountability in business performance globally by providing the open data exchange standard for business reporting. We are a not-for-profit that works in the public interest, supported by more than 600 organisational members worldwide. Our specifications are freely available and are an important part of the fabric of reporting in more than 70 countries around the world, in use by well over 100 regulators, and used by in excess of 10 million private and public companies globally.

IMA[®] (Institute of Management Accountants) is a global association representing more than 140,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries, and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities, and multinational corporations. Although we were founded 100 years ago in the United States, our members represent many countries from geographic regions around the globe, including Europe, North America, China, southeast Asia, India and the Middle East.

XBRL International and IMA jointly write to share our views on Item M of the IAASB's Proposed Strategy and Work Plan for 2024 – 2027 (Work Plan). Item M calls for including an item on the IAASB's work plan to “explore the need for an assurance standard on XBRL in response to the increased focus and use of digital reporting (for financial and non-financial information). This could be a potential subject-matter specific standard that builds on and supplements the application of ISAE 3000 (Revised) for these assurance engagements.”

In our view, the Board needs to make Item M a priority. Moreover, as expressed below, to develop a high-quality and eminently workable standard, we would be delighted to engage further and share our expertise with the Board and its staff.

Background – Transformation of the Accounting and Finance Function

Corporate reporting is evolving from the delivery of documents in PDF form, which some describe as “paper under glass,” to the delivery of smart documents that include structured data created by management to facilitate automated consumption into data provider, investor, and regulator analytic systems and models. The process of publishing a digital corporate report involves “tagging,” that is, marking up the disclosure by selecting appropriate XBRL elements to associate with each data point. Inline XBRL format allows for the embedding of XBRL tagging within a human-readable web page. While assignment of tags to data intended for dissemination and disclosure may appear to be a standardized process, in fact, it depends greatly on the approach by each company and, to a significant degree, the approach and sophistication of the software used by each company. More importantly, this effort requires the application of judgement by the professionals who carry out this aspect of corporate reporting. Based on their knowledge of a business and relevant disclosure standards, they must consider how to interpret and apply a relevant taxonomy – machine-readable definitions – to the points of disclosure.

Some companies have observed the efficiencies and power of additional analysis that come from the utilization of tagging technology, and in response they dedicate resources to the development of relatively strong controls over the process. Yet too many still view the use of this technology as a pure compliance activity despite the evidence that to a significant degree, the only materials consumed by investors and analysts are in structured form, either from XBRL directly, or far more commonly, indirectly via a data provider that itself consumes corporate Inline XBRL disclosures. Academic evidence supports this conclusion, and evidences indications that digital mandates lead to increased overall consumption of disclosures and greater consumption of small cap company reports (e.g.: Chen, Zhou, [*XBRL Adoption and Systematic Information Acquisition via EDGAR*](#)).

This paradigm shift, while imposing some upfront costs on organizations, eliminates excessive waste in the corporate information value chain. Moreover, Inline XBRL enables powerful analytics that transforms data into decision-useful information for both the issuer, auditor, and user. As observed in the IMA publication, [*A Digital Transformation Brief: Business Reporting in the Fourth Industrial Revolution*](#) (Transformation Brief), today’s highly fragmented information ecosystem is extremely wasteful, although the technology and tools to alleviate the costs are readily available. The Transformation Brief cites IFAC and other data on the staggering costs of these inefficiencies to businesses, markets, and the overall economy. For example, IFAC estimated that in 2018, fragmentation in one stand-alone sector -- financial services – costs \$780 billion annually. Simply, there are enormous potential gains along the entire information ecosystem, if authorities, standard-setters, and stakeholders either mandate or incentivize the use and further development of valuable technology.

Without appropriate professional audit and assurance literature that supports jurisdictional utilization of digital disclosure mechanisms, an ever-increasing proportion of the disclosures relied upon by diversified users will lack independent assessment and oversight. This creates risks that the digital disclosures may be materially different from the human readable version, but the disparity remains undetected.

Evolution: Digitization of Sustainable Business Information

Our views expressed herein make the proposed assurance standard valuable not only for traditional, mainstream financial reporting but also the accelerating arena of sustainable business information.

We observe the release of multiple authoritative proposals for sustainability reporting, including exposure drafts from the International Sustainability Standards Board, the European Financial Reporting Advisory Group, and the U.S. Securities and Exchange Commission. In considering the practical challenges around these standards, it is important to consider not only how professional humans will interpret the language but also how it will be translated into machine language and applied to actual filings and materials released to investors, government regulators, policymakers, and other users.

The expenditure of significant resources to operationalize these voluminous proposals, when adopted, make the need for effective systems of oversight and control critical ([see Achieving Effective Internal Control over Sustainability Reporting \(ICSR\): Building Trust and Confidence in Sustainable Business Information Through the COSO Internal Control-Integrated Framework](#)). The complexity and sophistication of new reporting mandates assume the availability and use of sophisticated digital standards, such as XBRL, to transmit information up and down information supply chains. Therefore, attention is needed to address how organizations comply with these new standards not only in human language but equally in machine consumable format. Yet the Work Plan seems to make the use of digital technology an afterthought or low priority.

IMA's support of prioritizing the use of technology follows from its [Statement of Position on Sustainable Business Information and Management](#). This statement contains nine fundamental principles that IMA believes must be considered in any new standards that address corporate reporting, particularly sustainable business information. Our support for prioritizing Item M herein well aligns with several of our stated principles, including

- Instilling trust, transparency, and accountability (Principle 1)
- Producing reliable information that flows from systems with strong governance, oversight, and internal controls (Principle 3)
- Utilizing technology for efficiency in the data ecosystem (Principle 5)
- Addressing the burdens of preparers, particularly around fragmentation (Principle 7).

Along these lines, we bring particular attention to Principle 1. Trust, accountability and transparency are the cornerstones of professional accountancy. Our work must build the public's trust. Expectations are for businesses to deliver on sustainability reporting with the same rigor, thoughtfulness, and energy used to deliver on mainstream financial reporting. Sustainability information must be high-quality and reliable; it must be produced through standards and processes that instill this trust. Therefore, the corporate reporting ecosystem must include high quality assurance standards over sustainability disclosures themselves, and concurrently, these standards must enable independent review of digital disclosures of all kinds. While this means a learning curve for audit and accounting professionals, experience in the US and Europe confirms that the actual process of completing assurance over a company's digital disclosures is not onerous. What's required are the standards to govern this work.

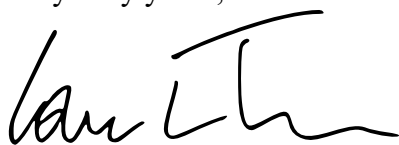
Recommendations

Through this letter, we emphasize and encourage the development of a global standard for the independent review of Inline XBRL as important and urgent. Moreover, it appears that this development may benefit from supporting assessments of the following:

- The status of regulation, listing requirements, or similar mandates regarding the use of XBRL or similar tagging technology and the extent to which they create an environment suitable for the adoption of assurance standards
- The costs of the current fragmented data transmission systems and how the use of digital reporting technology saves the costs of corporate reporting compliance throughout the information value chain
- The benefits and challenges of instituting separate assurance engagements on issued data (reports), such as a specialist add-on to ISAE3000
- The frequency and timing for which such assurance should be provided over externally issued data.
- The resources and timeline for developing such an international solution regarding the assurance of digital corporate reporting, including a phased-in approach that responds to accelerating legal requirements (such as, for example, the reliance on independent assurance for existing [European Single Electronic Format \(ESEF\)](#) digital disclosures).

We would be pleased to discuss our comments with the Board or its staff at your convenience. Further, we would be pleased to assist you further in the suggested assessments and movement toward the development and delivery of a high quality standard. The research and analysis to support this, in our view, can be based on existing, well-developed resources and capabilities. That is, it would not be a heavy lift under current circumstances and could be delivered through an agile, timely process.

Very truly yours,



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