

## Digital Financial Statements – A Case for Audit

### Speakers

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## **My Perspective – Inside and Outside Financial Reporting**

- Former Big Four audit partner
- US-based global public company CFO
- US-based global public company director and audit committee chair
- Follower of XBRL since 2006
- Advisor to US audit regulator since 2006

## **My Concern – Relevancy of the Audit Profession**

- Annual audits are too little, too late
- XBRL provides opportunity for greater auditor relevancy
- Indeed, every number and word can be tied to audit assurance
- Customers of the audit profession want that assurance



## Investors Rightly Expect to Trust Digital Financials

- ❑ Stable financial markets rely on transparency and trust in a broad range of issuer disclosures.
- ❑ Audited financial statements have been the cornerstone of that trust.
- ❑ Financial statement information used for analysis has been and will continue to be sourced from digital filings.
- ❑ Investors are surprised when they learn financial statements delivered digitally are not audited.
- ❑ Indeed, 50% of CFA members believe that digital information should be incorporated into the standard financial statement audit.

***A New Expectation Gap is Developing***



## The World View on Assurance

- ❑ ***Inline XBRL*** will be the only financial statement language used in at least 32 countries within the next five years, including the US, Japan and the whole of the EU.
- ❑ The Netherlands is mandating audit of all XBRL filings for every private and public company.
- ❑ This question is not yet on the IAASB work program, but it is fair to assume that it will be considered soon.
- ❑ Audit firms in the UK and US are providing “agreed-upon” assurance as a private service for clients – and thus, should have a good idea of the cost.

***The World is Moving Towards Audited Digital Financial Statements***



## Organizations Endorsing Assurance

- ❑ *CFA Institute*
- ❑ *American Institute of CPAs*
- ❑ *Dutch SBR Programme*
- ❑ *Bloomberg*
- ❑ *Morningstar*
- ❑ *XBRL International*

***Users Want Independent Assurance Over Digital Financial Statements***



## Assurance Can Be Readily Linked with XBLR Tags

### Balance Sheet for the Period Ending December 31, 2017

| Assets                             | Notes | Dec. 31, 2017    | Dec. 31, 2016    |
|------------------------------------|-------|------------------|------------------|
|                                    |       | US\$             | US\$             |
| Receivables from LEI issuer feeds  | 4.1   | 4,889,942        | 1,409,636        |
| Current financial assets           | 4.2   | 5,217            | 5,203            |
| Other assets                       | 4.3   | 177,236          | 470,701          |
| Cash and cash equivalents          | 4.4   | 3,323,743        | 5,071,643        |
| <b>Current assets</b>              | 4.4   | <b>8,396,138</b> | <b>6,957,183</b> |
| Intangible fixed assets            | 4.5   | 397,337          | 146,079          |
| Tangible fixed assets              | 4.6   | 365,818          | 468,347          |
| Financial assets                   | 4.2   | 123,990          | 108,979          |
| <b>Non-current assets</b>          |       | <b>887,145</b>   | <b>723,405</b>   |
|                                    |       | <b>9,283,283</b> | <b>7,680,588</b> |
| <b>Liabilities and equity</b>      |       |                  |                  |
| Payables due to vendors            | 4.7   | 808,738          | 853,295          |
| Liabilities due to Board Directors | 6.1   | 29,678           | 74,868           |
| Deferred revenue                   | 4.8   | 3,958,284        | 2,885,533        |
| Other financial liabilities        | 4.9   | 146,650          | 218,892          |
| Other payables                     | 4.10  | 1,172,911        | 671,199          |
| <b>Current liabilities</b>         |       | <b>6,116,261</b> | <b>4,703,787</b> |
| Provision for pension costs        | 3.2   | 22,371           | 39,249           |
| Payables due to vendors            | 4.7   | 808,738          | 853,295          |

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### Fact Properties

#### Concept

- (ifrs) Cash and cash equivalents

*The amount of cash on hand and demand deposits, along with short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. [Refer: Cash; Cash equivalents]*

#### Dimensions

Date 31 Dec 2017 [W](#)

Fact Value US \$ 3,323,743

Accuracy 0 (ones)

Change 34.5% decrease on 31 Dec 2016

Entity [LEI] [506700GE1G29325QX363](#)

Concept ifrs:CashAndCashEquivalents

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## Digital Financial Statements Should be Audited

- ❑ Digital financial statements allow users to consume information directly and with consistency of definitions across issuers.
- ❑ Digital financial statements will be the only financial statements.
- ❑ Digital financial statements could contain errors in translation from the paper version.
- ❑ Investors expect both the human readable layer AND the machine readable layer to be audited.

*Regulators and Audit Firms Should be Responsive to Users*

