

# XBRL, How It Implies The Audit Process?

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**Abstract:** This article aimed to know what is XBRL, how it works and it implies to audit process. XBRL as a new tool was expected to produce a timelines, reliable, and credible financial reporting. With its real-time and interactive data, XBRL will help the investor, and other stakeholder in receiving, storing, analyzing the information quickly. While in audit profession, XBRL will speed up the audit process, save the audit cost and increase the revenue. However, in fact, XBRL will make it happen if it was implemented and integrated to an information system owned by data/information provider.

**Index Terms:** XBRL, financial reporting, audit process, real-time, interactive data.

## 1 INTRODUCTION

Technology changes and implies the human life. Technology has an urgent role in transforming the business, including the exchange of business information (Wallace, 2001). Technology has demanded the corporate to publish the relevant and reliable report and information timely to the stakeholder (Lodhia, Allam, & Lymer, 2004). Global Internet Report 2014 reported that the internet users worldwide had reached 2.893.587.260 users. As reported by United Nation, the world population has reached 7,3 billion, it reflects 38% of population have consumed the internet (Internet society, 2015). While Cisco Connect reported that 75 million or 30.6% of Indonesian have been connected by the internet. Moreover, the sum of cellular phone in Indonesia has reached 255 million over the Indonesia population (Santosa, 2015). The penetration of technology changes the corporate communication style (Jones & Willis, 2003; Lymer, 1999; Fisher, Oyelere, & Laswad, 2004), including dissemination of the financial report (Lymer & Debreceeny, 2003; Marston, 2003). Based on survey conducted in 1996, 49 of 50 USA's largest corporation had published the information to stakeholder on their website. Survey founded later that 69% (34 from 49) those companies had published their annual report on website and 53% had published an audited financial report (Debreceeny & Gray, 1999). Other survey that conducted in various countries also founded that 30 largest corporation from 22 countries in mid-1999 had 100% in Germany, Switzerland, Canada and USA; 47% in Chili; 57% in Malaysia (Xiao, Jones, & Lymer, 2002), 69% in Japan (Marston, 2003), 73% in New Zealand (Fisher, Oyelere, & Laswad, 2004), and 95% in Australia (Lodhia, Allam, & Lymer, 2004) also had created *website* for disseminating the financial report. Change of those communication will implies the audit process (Fisher, Oyelere, & Laswad, 2004). Some scholar expressed that internet also makes the problem in audit process such as security risk challenges, hacker manipulation, and unreliable information published by the company (Xiao, Jones, & Lymer, 2002). The phenomena also occurs in Indonesia. Based on Bank Indonesia report, showed the delay submission of audited financial report by audit firms (Kontan, 2011). To response the problem, Firdaus Djaelani, Supervisory Executive Chief of IKNB OJK said that implementing an electronic information system will benefits the financial institution.

Because the system will be easy developed, more efficient in standardizing the report, until all of published report from financial institution will run well, easier, and quickly (Metrotvnews, 2016).

## 2 WHAT IS XBRL?

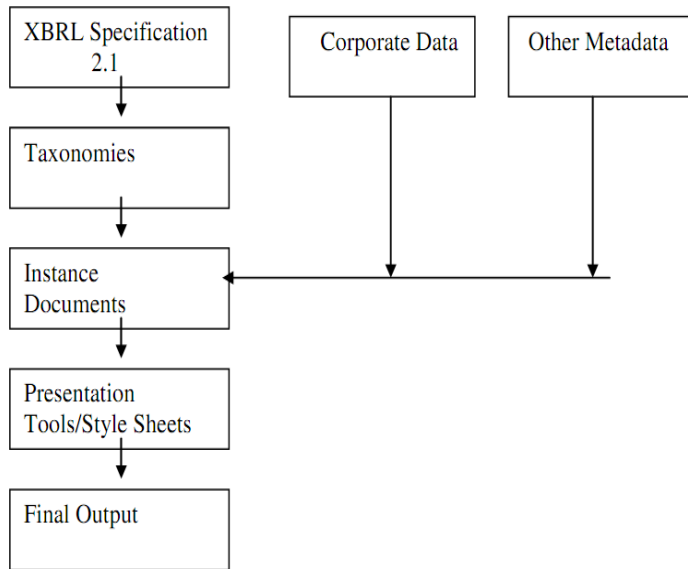
XBRL or Extensible Business Reporting Language is a fixed language for dissemination of (business) information or data with open standard technology that released by XBRL International (XII) at April 2000 (Doolin & Indrit, 2004; Pinsker, 2003). XII is non-profit consortium organization with its members more than 600 corporations. XBRL is evolution of XML language for dissemination of financial report and business. Now, XBRL also be able to disseminate financial and non financial data such as CSR report (Wallace, 2001; Jones & Willis, 2003; Gunn, 2007; Debreceeny & Farewell, 2010; Warsidi, 2014). XBRL was released to solve the exchange of information problem for traditional financial reporting and fixed format such as hard copy, PDF, web-based or other spreadsheet. Dissemination of traditional and manual financial report has consumed more time, resources, and likely false and error risks. Next, this manual also limits the financial report publication, decrease a reliable and relevant financial report to stakeholder (Troshani & Lymer, 2010). The internet based XBRL was able to show data and information well-published, quickly and low cost (Doolin & Indrit, 2004; Burnett, Friedman, & Murth, 2006; Bonson, Cortijo, & Escobar, 2008). As a new technology, XBRL has been implemented in many countries such as Securities and Exchange Commission (SEC) and the Federal Deposit Insurance Corporation (FDIC) in USA, in Japan, Korea, Deutch, Belgium, United Kingdom, Australia, Europe (Pasmooij & Swirsky, 2006), Denmark, Argentina, French, Hongkong, India, Ireland, Italy, New Zealand, Spanyol (Gunn, 2007), even in Indonesia by Bank Indonesia and Otoritas Jasa Keuangan (OJK) (Buchori, 2014). For financial reporting, XBRL is used for many corporation such as public company, private company, non-profit organization, regulator, even individual (Hoffman, Watson, & et.al, 2010).

## 3 How XBRL WORKS?

As XML programming language (Hoffman, Watson, & et.al, 2010), XBRL also use tag to identify data item. Until, XBRL needs a dictionary or called by taxonomy (Wallace, 2001). The taxonomy also used for GL level (Jones & Willis, 2003). XBRL distinguishes its former, XML for the extensible and customized taxonomy or may be adjusted for data required by user. To process the tag, XBRL needs 4 (four) main components utama i.e standard taxonomy, extension/specification taxonomy, company data and instance document (Hoffman, Watson, & et.al, 2010; Debreceeny & Farewell, 2010). XBRL converts the language of a traditional financial report by using the settled

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taxonomy to produce the XBRL output by instance document form. Relationship among XBRL components as figured in figure 1.



**Source:** (Pasmooij & Swirsky, 2006)

For dissemination of financial report, an available taxonomy has been adopted GAAP (Generally Accepted Accounting Principles) and IFRS (International Financial Reporting Standard). Choice of taxonomy also available and could be downloaded from <http://www.xbrl.org>, while IFRS taxonomy was available in <http://www.iasb.org/xbrl/index.html> (Pasmooij & Swirsky, 2006). Information proceed in XBRL could be recognized accurately, selected, analyzed, stored, changed and presented automatically in various information required by user (Gunn, 2007). Implementation of XBRL in business may be adopted in 5 (five) approaches, i.e (1) web-based tool, by outsourcing to XBRL service provider; (2) bolt-on by separately or integrated; (3) XBRL-supporting software; (4) integrated XBRL to information system owned; and (5) creating your own system of XBRL (Hoffman, Watson, & et.al, 2010). According to (Debreceeny, Farewell, & Verkruisje, 2012) converting the financial report by XBRL may be executed by 5 (five) perspectives, i.e web-based tool, bolt-on separate distribution, bolt-on integrated distribution, integrated XBRL statement generation-separate distribution and integrated XBRL statement generation-integrated distribution.

#### 4 XBRL AND AUDIT PROCESS

XBRL interactive has implies financial reporting trends. Adoption of XBRL will increase the credibility and transparency of financial report for stakeholder (Gunn, 2007, p. A38). The American Institute of Certified Public Accountants' (AICPA's) conference at 2005 entitled A Movement from Complexity in Financial Reporting to Transparency expressed XBRL as an audit profession issues. Adoption of XBRL benefits audit process. XBRL helps test of internal control by risk based approach. At a whole, XBRL speeds up audit process more effective and more efficient cost (Rouse & Weirich, 2006, p. 26; Willis, n.y). Even, based in survey conducted by Yoon, Zo, & Ciganek (2011, p. 27) in Korean stock market founded that XBRL minimizes an asymmetric information among stakeholder in market. More detail, Pinsker (2003, p. 732) asserted that a

real-time XBRL in disseminating financial report will make a real time audit (real-time reporting to real-time auditing). XBRL speeds up audit process, increase an accountability of financial report. Even, XBRL mitigates earning management practices. Pricewaterhouse Cooper, a Big 4 also admits that adoption of XBRL in financial reporting and auditing will reduce the audit cost, increase potential revenue as increase potential new clients. (Willis, n.y)

#### 5 PRO AND CONS

As explained before, adoption of XBRL implies positively for audit process like supporting test of internal control with risk based approach, speeds up audit, reduce audit field work cost, enlarge revenue opportunity for a new client (Rouse & Weirich, 2006; Gunn, 2007; Yoon, Zo, & Ciganek, 2011; Pinsker, 2003; Willis, n.y). Yet, as a system, XBRL is not fit for all. Gunn (2007, p. A39) explained that XBRL is only a tool, does not solve all problem. XBRL does not replace a fundamental responsibility, a man who operate XBRL and does not produce all information required by stakeholder. Financial report is still arranged by management. Other, user who operate XBRL has to understand the risk and control for potential error and changing data in master file by unauthorized party. Moreover, technically Gray (2007) explained that adoption XBRL demands the existence of control (Hoffman, Watson, & et.al, 2010) for ensuring that used taxonomy, data tagging process, data integrity have been being appropriate and reliable. In addition, based on alternative adoption XBRL mentioned by (Debreceeny, Farewell, & Verkruisje, 2012) may be expressed that interactive data and real time claimed will only occur if adoption of XBRL by integration with information system owned by data provider. It caused by other adoption of XBRL model such as web-based, bolt-on and outsourcing to XBRL provider was only to convert data from financial report produced by management previously. It means, XBRL inputs are static data, un-interactive data. Data users are able to read and analyze only, does not trace from initial source of data proceed. On the contrary, integration model has also the weakness i.e high set-up cost, failed integration risk among system. As stated by Gunn (2007; Hoffman, Watson, & et.al, 2010) that XBRL was determined by a person who operates it. Un-traced source of data will not mitigate the earning management practices and quality of financial report was still unreliable and incredible things. Whereas, if we look at factual adoption of XBRL was not integrated directly to an information system. XBRL adopted by SEC was also not fully show an interactive data. User of data from XBRL used by SEC, read and analyze only for their interest.

#### 6 CONCLUSION

Conceptually, adoption XBRL for dissemination of financial report and audit process was recognized it will benefits positively for its real time and interactive data. But, factually, adoption of XBRL was not fully proven because adoption model was more likely to covert data received from an information system owned by data provider. It was not escaped from earning management practices. Whereas, the integration model was only used by a few company for high set-up cost and risk of integration fail.

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