

Gaining from data standards Eight ways for regulators to improve business reporting



Introduction

Effective oversight needs good information

Over the last decades, governments have experienced difficulties overseeing the markets they wish to regulate. The current crisis has shown without a doubt that market forces disturb and affect important elements of the economic system. Although it is easy to call for more and better business information, this will not necessarily improve oversight. For the markets to provide higher quality and more timely information, governments and regulators should be more specific about why they wish to receive certain information, and what exactly they need. Better definition and publication of information requirements, both financial and non-financial, will allow the markets to gather this information faster and easier, leading to better oversight decisions.

Information comes at a price

The strong urge for more transparency and integrated information in both the public and the private sector has led to increased information demands from businesses. But 'more' does not necessarily mean 'better'. Also, information comes at a price. Many governments are well aware of that. During the last decade, many governments therefore launched efforts for administrative simplification¹ and efforts to improve the information to and service by the government through ICT. Although regulation has improved, many businesses still experience too much 'red tape' and claim that quality of information services often lags behind. This is due to the lack of uniformity and clarity in information obligations, the way it is presented, queried and technically processed by regulators, the very limited reuse of already known or available information, and the lack of transparency of the intended use of information. Resulting in increased complexity and misunderstandings. This makes it difficult for politicians, regulators, institutions and businesses to develop clever and balanced solutions to improve reporting quality while preserving or even improving a competitive business environment.

The effective use of data standards

One of the instruments that could help in this quest for more and better business information in an effective and efficient manner is the introduction of uniform data standards such as XBRL. XBRL stands for eXtensible Business Reporting Language and is used in many countries around the world, both at national and supranational (e.g. European) level. It has been adopted by many regulators as the preferred standard to improve the quality of supervisory financial reporting and reduce the administrative burden.

However, implementing data standards such as XBRL is far from easy. This paper outlines eight ways to introduce data standards for regulatory reporting and reflect the best practices identified from Deloitte's experience in working with businesses and governments to implement these standards in reporting processes and systems.

This paper is aimed at government officials, standard setters and regulators involved in improving regulatory and compliance reporting, eGovernment solutions and regulatory reform. To improve the readability of this document, this audience is referred to as regulators throughout the document.

¹ Why Is Administrative Simplification So Complicated?
Looking Beyond 2010 © OECD 2010.

1. Put XBRL on the political agenda

Our point of view

Creating transparency and efficiency in regulatory reporting from both a regulator's and a business perspective is inherently difficult. Public-private and cross-agency cooperation is essential for more meaningful and efficient reporting for information suppliers (businesses and their intermediaries) and information users (government, analysts, the public). The essential process to introduce interoperable data standards is a political process with both regulatory and organizational questions requiring time and political leadership to resolve. Political issues and resistance to change can only be resolved with political and organizational measures. Implementing data standards requires a strong commitment from all stakeholders in the reporting supply chain.

Visionary leadership

To successfully address these circumstances, strong visionary leadership is needed on both a political and an operational level. This means that both political and operational change agents must be mobilized to help put XBRL on the agenda. They should be supported by a strong vision and business case that:





- connects XBRL to actual political and managerial themes

- places the initiative above involved parties (cross-agency, public-private)
- appeals to both public and private interests
- appeals to political as well as operational interests (with support from one or more important government agencies)
- combines realistic short term goals with a clear vision on the long term goals and benefits
- leverages the wealthy source of experiences in the world.

This vision has to be anchored operationally and politically: it must be embedded in policy programs of the government and supported by parliament and private stakeholders.

XBRL in practice

Literally dozens of XBRL projects have been executed around the world². These projects – from small to considerably large – are a wealthy source of experience for those who want to initiate an XBRL program. Most larger projects like those from the Netherlands, United Kingdom, Australia, Singapore and United States are well documented and evaluated^{3,4}. They prove that the following aspects are important for implementing XBRL successfully.

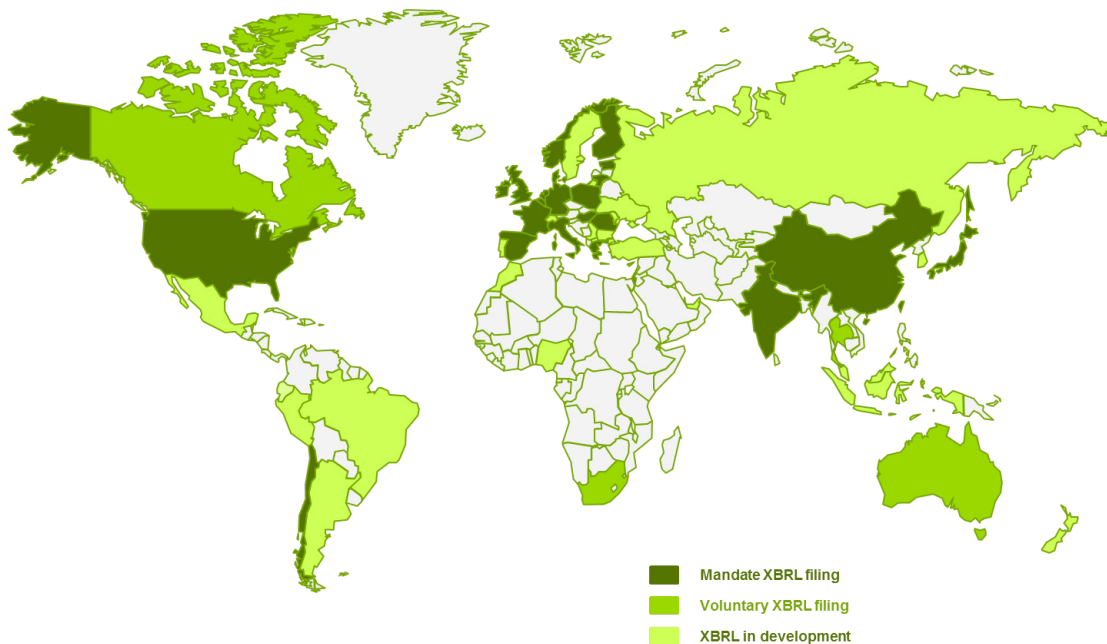
			
<p>One common language</p>	<p>One version of the truth</p>	<p>One common way of exchanging information</p>	<p>First time right</p>
<ul style="list-style-type: none"> • Easier and better communication • More transparency • Foundation for harmonization and simplification 	<ul style="list-style-type: none"> • Greater alignment between reports • Controls in one place • Less time and effort on reconciliation • Easier-to-reuse data 	<ul style="list-style-type: none"> • Reuse of infrastructure • Learn once, use many • Standard interfaces • Content independent exchange • Vendor independent • Level playing field software vendors 	<ul style="list-style-type: none"> • Testing before delivering • Less iterations • Less manual interfaces • Shorter processing times • Less exception flows • Less correction/rework

² For overview of XBRL projects see http://www.xbrl.org/knowledge_centre/projects/map

⁴ OECD Forum on Tax Administration: Taxpayer Services Sub-group Guidance note Standard Business Reporting July 2009

³ Impacts of COAG Reforms: Business Regulation and VET; Discussion Draft Part A — Business Regulation, Productivity Commission Australian Government, December 2011.

Global XBRL adoption



Typical stakeholders of an XBRL program

- Government (ministries and their separate agencies and regulators (e.g. policy-makers, legal advisors and CIOs))
- Parliament (to back up politicians and to represent specific non-governmental stakeholders such as businesses)
- Businesses
- Other stakeholders involved in the reporting process (software vendors, intermediaries, interest groups)
- The public and analysts (who benefit from more transparency and efficient reporting).

Balancing the business case is quite important. Practice shows that business cases are often overly positive, especially about the benefits for businesses (i.e. reduced administrative burden). Although the long term financial benefits are huge, they depend heavily on the economies of scale at government level. Benefits for businesses will often be indirect and less visible. The business case should therefore also address the qualitative benefits for both governments and private parties. High expectations on short term financial benefits should be tempered.

Serious investments that are needed to realize initial landmarks (e.g. infrastructure, XBRL-taxonomy, suitable private software, public and private expertise) make it important to clearly communicate the initial impact for all stakeholders. To limit preliminary criticism and scepticism it is important to illustrate ways to reduce these initial adoption costs. This involves particular focus on the impact on businesses, intermediaries and software vendors. Costs can be reduced through collaboration and collective organization of expertise, development of ready to use (open source) solutions, and provision of public and private implementation support (e.g. guides, services, and helpdesk).

Public-private support and trust in the program have turned out to be other major factors for a successful XBRL implementation. Cost-effective and meaningful reporting is the result of a combined effort of government and private stakeholders. It takes two to tango. Private support can be strengthened by involvement of private stakeholders in the process of developing the business case and formulating the overall vision and strategy for the future XBRL program. In the Netherlands, this support was organized by involving major business-representing organizations on board level. Also, a declaration of intentions (covenant) was signed by both government and private parties (intermediaries, software vendors) to adopt and embed the XBRL data standard in their software and services.

Public support asks for a strategy to work As One in government⁵ where leadership, shared identity and goals are important factors to manage. Furthermore, it is important to clarify the strategy and vision on organizing long term responsibilities and ownership on a political, operational, and financial level. If this is not addressed from the start, this might cause unnecessary obstacles when executing the XBRL program, such as piecemeal funding, unclear responsibilities and lack of commitment of government agencies.

Key takeaways

- XBRL implementation is more than a technical IT implementation. In order to succeed, both public-private and cross-agency cooperation are essential.
- A viable vision and strategy are necessary on how to achieve sustainable long term support (political, financial, ownership).
- The initiative has to be supported by a joint vision and balanced business case that is widely supported by public and private stakeholders and is appealing to politicians. Both quick tangible results and a long term view on the future of structural reporting must be envisioned to gain support.
- Strong visionary political and organizational leadership is needed to put XBRL on the agenda.

⁵ Getting Unstuck; Working As One in Government, Deloitte, 2011.

2. Design an effective program

Our point of view

Improving regulatory reporting deserves a sound foundation, which can be daunting to obtain. Simply because it involves the efforts of many stakeholders. Successful application of XBRL involves cross-agency and public-private cooperation. This means that many important success factors have to be covered⁶. Based on our observations of regulatory XBRL projects the following aspects are especially important to consider at the start of an XBRL program:

- a sound governance model (aimed at cross-agency and public-private cooperation), meaning organizing (strong) political and managerial support and attention
- creating Ministerial/departmental/operational ownership of XBRL
- public-private governance of the program (steering committee representing all stakeholders: government, businesses, intermediaries, software vendors)
- anchoring the program as a structural part in the government planning and budget cycle of involved agencies and departments
- explicit consideration whether to follow a mandatory or more voluntary filing approach
- strategies to achieve sufficient volume and economies of scale: substantial impact (multiple reporting flows) and an efficient use of knowledge, skills, tools and infrastructure help to realize the business case
- strategies to make the potential of XBRL concrete and noticeable early on in the program
- find ways to boost stakeholder support and adoption, for instance by organizing public-private experiments and prototypes that demonstrate the potential and help communication with and mobilization of stakeholders
- ways to limit program complexity.

XBRL in practice

A major aspect of the XBRL implementation strategy is the time needed to have the XBRL standard implemented by both businesses and government. Two considerations are key to take into account when answering this. The first consideration is whether or not businesses and government agencies should be obliged to use XBRL.

The second one concerns the complexity of the program.

Mandate reporting in XBRL

The Australian and the Dutch XBRL programs started with XBRL reporting on a voluntary basis. In both cases it was concluded after several years that mandatory use was needed to optimize the business case and reduce uncertainty for businesses and government⁷. Because XBRL was positioned as a voluntary filing format, besides already existing formats, adoption rates by businesses and government agencies were low. By not prioritizing XBRL it only serviced a very small volume of reports (low risk). A lot of businesses on their turn were slow to adopt in order to be sure about their investment. For them, only a limited number of reports could be filed through the new channel and only a limited number of software vendors and intermediaries provided adequate services, while well serviced other reporting channels remained available. Based on these experiences and assured with lots of evidence of XBRL working in practice, there are few reasons to choose a solely voluntary approach nowadays. Therefore the question to address is when to make XBRL mandatory.

Voluntary or mandatory?

- Advantages of a mandatory filing approach:
 - forces a swift adoption
 - forces government to adopt as well
 - reduces implementation and maintenance costs for government and businesses: shorter period of keeping different systems alive
 - reduces uncertainty.
- Disadvantage:
 - higher costs when implemented too fast (scarcity of good software and implementation support).

⁶ Whole-of-Government Collaboration; Bridging the capability gap, Deloitte, April 2011.

⁷ Productivity Commission. Australian Government. Impacts of COAG Reforms: Business Regulation and VET; Discussion Draft Part A — Business Regulation, December 2011.

Reducing program complexity

The Netherlands, Australia and Singapore have followed a government wide approach to introducing XBRL involving multiple agencies. Other countries initially limited the application of XBRL to one agency, such as HM Revenue & Customs in the United Kingdom. At a later stage, these single agency initiatives have been extended towards other agencies such as the Companies House in the UK. Additionally, independent initiatives can be supported that run in parallel and create awareness and (political) support for the broader use of XBRL in different domains. For instance in the Netherlands, where parallel to the government project also commercial banks work together to introduce XBRL in support of their business lending processes. Although inefficiencies – due to ‘reinventing the wheel’ and duplication in program management – could increase overall cost, a parallel approach can lead to a more focused and quicker introduction of a single data standard.

Key takeaways

- Organize strong political, managerial and operational ownership and high-level public-private governance.
- Consider how to mandate the use of XBRL in a predictable timeline to gain trust, commitment and optimize implementation costs.
- Consider strategies to achieve sufficient volume and economies of scale without losing momentum (multi-agency versus single agency approach).
- Deliver initial implementation (taxonomy, infrastructure) quickly to mobilize the market.
- Employ and promote public-private experiments as learning experiments for wider adoption and roll-out of the program.
- Facilitate parallel initiatives that support broader adoption of a single data standard.



3. Create a well-designed XBRL taxonomy

Our point of view

XBRL contributes to more transparency and interoperability in the reporting process by providing an open, uniform data standard to describe and process information. This is a great advantage compared to government agencies inventing their own proprietary XML schemes for information exchange. XBRL contributes to a level playing field for software vendors to provide tools that can show, interpret and edit XBRL data and XBRL taxonomies uniformly. This decreases businesses' dependency of software vendors (no lock-in) and has a positive impact on interoperability. Changing the regulatory reporting requirements will be less expensive, as very few changes are needed for the technical components that process the XBRL data. When regulators embed conformity and integrity checks in the taxonomy, this can further reduce costs and the risk of non-compliance for businesses. Checking integrity and conformity before filing can significantly improve the quality of reports received by government and assure businesses that their report will be processed. To keep software in line with (ever changing) regulatory reporting requirements, XBRL has embedded characteristics for business rule validation and has distributed standardized versioning information.

The first step to transparency and interoperability is to clarify what needs to be reported and why. Key topics to be addressed for this to happen are:

1. Digital exchange of data to allow faster processing and higher quality of the information.
2. The right level of granularity to allow a full digital processing and validation of the data and to eliminate the manual effort to interpret or even re-key the information.
3. Both quantitative and non-financial (textual) information should be uniquely identifiable.
4. Data definitions underlying the information should be understood by all parties involved.

A publicly available data dictionary would be of great value to address these topics. In XBRL terms such a dictionary is at the heart of any XBRL program and is called an XBRL taxonomy. It is the core component that documents the financial and non-financial information to be reported. As such many different XBRL taxonomies exist addressing

History of XBRL

XBRL is a collaborative effort initiated in 1998 by the AICPA⁸. XBRL was aimed to solve the existing problems with comparing and processing digitalized paper based reports (for instance in PDF). XBRL is built on proven internet standards (such as XML) and has an intelligent design and many built-in features to improve data integrity and reporting efficiency (e.g. missing elements, conformity to the taxonomy, and logical relations between elements).

XBRL is a meta language. In itself it does not describe any report. It is like an empty customizable encyclopedia. Therefore it is not bound to financial reporting only. It is suitable in any financial and non-financial reporting or even transaction based environment.

specific reporting domains. However, it is also possible to define multiple reports in one XBRL taxonomy and reuse data definitions for different reports. The term 'eXtensible' comes from the fact that taxonomies can be extended to accommodate additional reporting data not included in the taxonomy published by the regulator. An XBRL taxonomy that contributes to more meaningfulness and transparency allows for:

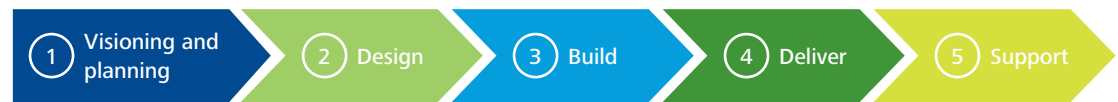
- unique definitions of both quantitative and qualitative information in a report
- naming and (multi-language) labelling of data elements
- extensive ways to add descriptive information (legal basis, purpose, application) to every data element
- the definition of the presentation hierarchies and relationships between data elements
- validation rules to check the conformity and integrity of the information reported
- time stamps (actual, start and end dates)
- extending reports with business-specific information
- the reuse of data elements from other taxonomies
- a clear and distinct definition of how the report is technically to be formatted.

⁸ AICPA. American Institute of CPA's. http://www.aicpa.org/INTERESTAREAS/FRC/ACCOUNTING_FINANCIALREPORTING/XBRL/Pages/XBRL.aspx.

Successfully creating an XBRL taxonomy requires several specific considerations:

Take a well-planned step by step approach towards taxonomy creation. Learn from other projects around the world. Make sure the first version of the taxonomy is sufficient in volume, but small enough to keep momentum. It is important to choose a set of reports that matters but is not overly complicated. If possible, prevent simultaneous harmonization of definitions and taxonomy creation. This could hinder a swift implementation due to increased (political) complexity.

Another design choice relates to the applied level of standardization and extensibility in the taxonomy. In the US, US-SEC filings are largely extensible by individual businesses. Although this might improve meaningfulness for businesses, it will have a negative impact on compatibility, maintenance costs, comprehensibility, consistency in timelines and data quality⁹.



Ensure interoperability and quality through a common architecture for XBRL reporting. Clear and well documented architecture guidelines will limit the maintenance of existing taxonomies and enable quick addition of new reports to the taxonomy. Preferably the development of such architecture guidance can be extended to an interoperability framework covering all aspects of (regulatory) reporting and information exchange (political, legal, organizational, semantic and technical). Although not all levels of interoperability are addressed by XBRL, it provides considerable support for standardization on a semantical and technical level of financial and non-financial reporting requirements.

Organize stakeholder feedback in the design process. Feedback by stakeholders in the design process is of great value to improve the usability of the XBRL taxonomy and its reporting processes. So organize a public comment period. It also improves support for XBRL reporting, as it allows businesses to have a say in the regulatory-design process. Once created, maintain and digitally publish XBRL taxonomies in a transparent, organized, and standardized way. If possible, create a public repository of all current and archived XBRL reports. To support accessibility, transparency and the right use, functionalities such as a taxonomy browser, search engine, report viewer and examples should be added.

Important design choices: centralization and extensibility. Two major design choices have to be made when creating an XBRL taxonomy. The first consideration is whether a base taxonomy should be created, covering all underlying XBRL reports. This base taxonomy combines all common reporting elements in one place. This greatly contributes to reporting quality and efficiency and the foundation for future standardization and harmonization efforts. On the downside, it will put more stress on the maintenance process, since it creates cross-report and agency interdependencies.

⁹ Comparability of SEC data; Analysis and recommendation for improvement, Deloitte presentation at the 22nd XBRL International Conference, Brussels, 19 May 2011.

An Evaluation of the Current State and Future of XBRL and Interactive Data for Investors and Analysts, CEASA; Center for Excellence in Accounting and Security Analysis, Columbia Business School, December 2012.

XBRL in practice

The Global Reporting Initiative (GRI) is the leading, worldwide operating organization that develops standards in the domain of sustainability reporting. Part of the GRI framework is an XBRL taxonomy. XBRL will enable companies to tag their sustainability data in reports, which will help investors, auditors and other users to access and compare sustainability data more easily and quickly. The taxonomy also helps organizations to improve the quality and integrity of their sustainability performance data. The realization of the GRI taxonomy is a joint effort of GRI and its stakeholders guided by Deloitte, following its proven Taxonomy Design process. Likewise, standard setters such as FASB¹⁰ and IASB¹¹ have adopted clear governance models to develop and maintain their taxonomies.

Key takeaways

- Select substantial existing reports and capture them in XBRL.
- Ensure interoperability and a baseline of quality by using a well-structured taxonomy design process and architecture.
- Organize stakeholder feedback in the taxonomy development process, especially to gain goodwill and enhance quality and usability of the XBRL taxonomy.
- Maintain and publish XBRL taxonomies in a transparent, organized, and standardized way (public repository) to ensure a uniform and interoperable application of XBRL.



¹⁰ FASB = Financial Accounting Standards Board, see www.fasb.org

¹¹ IASB = International Accounting Standards Board, see www.ifrs.org

4. Build an integrated reporting infrastructure

Our point of view

The successful adoption of a data standard such as XBRL requires that all parties in the reporting chain use the same standard and adapt their processes and systems accordingly. To achieve this, a solid underlying XBRL reporting infrastructure has to be in place. This infrastructure should be founded on a sound architectural model aimed at full interoperability. While XBRL as a standard already contributes to semantic and technical interoperability, additional standards are needed for smooth (multi-channel, end-to-end) XBRL reporting. This includes for example standardized identification, authentication and authorization processes.

There is no standard approach to start an XBRL program, but like any eGovernment program, interoperability must be addressed on all levels: technical, semantical, organizational, legal and political¹². It depends on the specific context of involved regulatory bodies, the scope of the reports to include, the legacy baseline infrastructure and available sources that fit best on the short term. For the long term however, a clear path should be set out to fully optimize the process of regulatory reporting. Therefore, to realize a smooth XBRL infrastructure, careful consideration is needed regarding the scale of the project, ensure broad adoption, reusability of components and the support needed.

Scaling the project: centralization, standardization and integration. Making a program big and complex might endanger initial success. Therefore, key questions to address before starting an XBRL implementation are:

- What is the preferred strategy: central or decentral filing of XBRL reports?
- What is the right level of standardization to serve both short term practicality and alignment with legacy systems and long term maintainability and scalability? Should an XBRL infrastructure be built from scratch or should an existing infrastructure be adapted?

Central or decentral approach to filing XBRL data

Many XBRL implementations use a (single) government entry point to file all kinds of XBRL reports. Incoming XBRL data are then distributed to the back offices of government agencies. This approach offers various advantages:

- Single point for digital reporting to government for businesses, their intermediaries and software vendors.
- Best guarantee that government chooses a standard approach to digital reporting.
- Economies of scale by reusing infrastructure for receiving and validating reports by government.
- Save cost by preventing government agencies to reinvent the XBRL wheel.
- More control over the data standardization program, which is needed to serve cross-agency interests on interoperability and standardization.

A disadvantage can be the growing chain of information that has to be managed. Flexibility and quick response may require more coordination due to more complexity and interdependencies. Also, ownership and financing the program can become issues if not addressed well.

To ensure broad adoption by government agencies it should be considered to mandate cross-agency adoption of the same data standard. This results in economies of scale for government as a whole and ensures optimal benefits for businesses and other private stakeholders such as software vendors (level playing field, harmonization, standard reporting solutions). An effective instrument to ensure systematic and structural use of XBRL is to establish a comply-or-explain policy by which the use of XBRL must be evaluated as the preferred solution for any new or revised regulatory reporting requirement.

¹²European Commission European Interoperability Framework (EIF) for European public services Annex 2 COM (2010) 744 final Brussels, 16.12.2010.

Also, learning and innovation by experiments could help to extend the use. Well-designed experiments covering end-to-end XBRL reporting (business – intermediary – software vendor – government portal – government agency) can be a rich source for (systematic) improvement of the infrastructure and its governance. Also, it helps visualize the reporting processes that will build stakeholders' confidence, support and enthusiasm.

Reusability of components should be a key goal of the project. XBRL supports the development of generic, reusable infrastructure elements that connect core information systems of businesses (through intermediaries) to the systems of governments. Instead of creating specific viewers and validation modules for every separate report, the use of more generic XBRL solutions should be considered. For instance, generic software components for viewing, editing and validating XBRL taxonomies and XBRL reports that can be reused for processing any XBRL report. This will make the infrastructure less dependent on changes in the contents of reports and simplify the process of adapting information systems to process XBRL data.

Support by providing basic XBRL solutions and training to help development and testing software solutions could lower the threshold for software vendors and intermediaries to connect to the new XBRL infrastructure.

XBRL in practice

In three major cross-agency XBRL implementations around the world (Netherlands, Australia and Singapore), the infrastructure for filing XBRL reports was an important aspect. In all projects, considerable attention was paid to standardization of not only data, but of accompanying processes and infrastructure as well. In the Netherlands a comply-or-explain regime was introduced to trigger government agencies to explicitly consider XBRL as a standard for digital reporting¹³.

Key takeaways

- Create a common (government wide) design for exchanging reporting data in an effective and efficient interoperable way, including important aspects such as ownership and finance.
- The implementation strategy should balance the impact to both government agencies and businesses against the speed of the program.
- Stimulate the initial use of the XBRL infrastructure by promoting innovation in existing reporting processes and developing proof-of-concepts with public and private stakeholders.
- Support the adoption process by providing basic XBRL reporting tools to enable initial reports to be produced and to encourage and support software vendors and intermediaries to adapt and test their software and systems.
- Once the infrastructure is established and functions with the desired quality, it should be promoted as the preferred way of reporting (comply or explain) across the government. This will drive economies of scale for government and efficiencies for businesses, their intermediaries and software vendors.

¹³Dutch Standardisation Board and Forum,
<http://www.forumstandaardisatie.nl/english/>.

5. Improve the value of reporting

Our point of view

The value of XBRL goes way beyond the introduction of a technical standard. Bringing government agencies and businesses together to achieve a meaningful, cost effective exchange of information is a key goal of many XBRL projects: taking away obstacles like misinterpretations, low transparency and waste of money and human power of both businesses and government in processing information. Reporting elements should be self-explanatory: it should be clear what they mean, what their legal foundation is, how they have to be (technically) reported in practice and how the information is used by government. Secondly, when reporting elements are designed with a business context in mind, adopting definitions already in use by businesses for private or other public purposes greatly enhances the usability of the information and eases the process for businesses to deliver the required information.

Legal and operational experts

Because every regulatory report is rooted in legislation, improving the value of regulatory reporting means involvement of legal experts and embedding XBRL in the process of policy making. Legal and operational reporting experts should be consulted when defining or changing XBRL reports, to address questions such as:

- Are certain reporting requirements really needed, can reporting elements be acquired in a second stage of regulatory supervision, or through other sources (e.g. reports, registers, research)?
- Can the legal foundation of the reporting element be clearly and uniquely identified? In other words, is it legally permitted to request the information?
- Is differentiation needed for different target groups (e.g. size of business) and how to balance this differentiation with maintainability?
- What is the 'stability' of a reporting element? Is it expected to be stable for years or is it expected to change in the near future?
- Is the data needed to report against the reporting elements already (timely) available or will businesses be required to implement registration and data collection processes? In case of the latter, the report will probably lead to more administrative burden and require a longer time to implement.

Anchoring XBRL in the policy making processes

When starting an XBRL program, properly anchoring XBRL in processes of policy making is of eminent importance. Legal experts are needed to address legal and organizational obstacles to improve regulatory reporting. Furthermore, legal experts have to be mobilized and supported to create simplification and harmonization by (cross-agency) alignment of legislation. This can be done by reusing reporting elements in the XBRL taxonomy from related legislation. Finally, legal experts should review the quality of legal references in XBRL taxonomies.

As XBRL is an open standard, XBRL taxonomies can be easily distributed to (private) stakeholders for feedback and review. As XBRL taxonomies are highly structured, stakeholders understand the reporting requirements more clearly. This enables parties to provide detailed feedback on (changing) reporting requirements expressed in the taxonomies with clear reference to specific reporting elements. Even more so, standard setters start to embed the maintenance and development of their taxonomies in the regulatory standard setting governance model and due processes.

Regulatory reporting: always in motion

Regulatory reporting is always in motion. This offers both a risk and an opportunity for the value of regulatory reporting. The risk is that new reporting requirements will undermine uniformity and comprehensiveness and introduce even more administrative burden, leading to incomparable, lower quality, higher cost data. The opportunity consists of the fact that the cycle of policy making can be used as a mechanism for continuous improvement of regulatory reporting. Continuous improvements can be established by organizing structural and systematic public-private evaluations of existing reports and assessments of new reports at the start of the policy making cycle. Managing this process on a cross-agency level with involvement of both public and private stakeholders will gain the best results. Furthermore, these activities have to be in line with the taxonomy maintenance process and other initiatives for better regulation and reduction of administrative burden.

Additional value can be gained by returning reported data to businesses and the wider community as open data. Governments collect and process vast volumes of information on businesses. Providing open access to financial and non-financial performance data facilitates businesses to use this data for their own purposes, like benchmarking and performance management. Moreover, it increases transparency and improves insight in and access to capital markets.

XBRL in practice

XBRL has proven to be a successful tool to discover opportunities for standardizing cross-domain reporting processes. In the Netherlands this was the case when the first XBRL taxonomy revealed that for many businesses only marginal differences existed between an annual statement based on fiscal or commercial basis. As a result, legislation was changed allowing small companies to use fiscal data for the obligatory annual statement instead of commercial data¹⁴. Also a private consortium of commercial banks has reused and extended the public national taxonomy to help businesses in the filing of annual financial reports to the banks as part of the business lending process. The reuse of many reporting elements from the national taxonomy creates value out of public reporting for the private process of providing and managing loans.

Key takeaways

- Define reporting elements with a business context in mind, using definitions already in use by businesses.
- Align the maintenance and design of the XBRL taxonomy with the policy making and legislation process.
- Promote extending and reusing public taxonomies for private purposes.
- Improve access to XBRL data by making XBRL reports available to the community (e.g. analysts, software vendors, press, other regulators and policy makers) as open data.

¹⁴Dutch Parliament Kabinetsplan aanpak administratieve lasten, 29 515 Nr. 130; The Hague, 1 March 2006.

6. Lower the reporting burden for businesses

Our point of view

According to international SBR program directors (e.g. in Australia and The Netherlands), SBR will simplify reporting for businesses, it will reduce costs, make reporting more reliable, and will lead to improved data quality. This point of view is very much aligned with the goals to lower the administrative burden. Especially the burden related to compliance reporting. Based on the Standard Cost Model¹⁵ for measuring administrative burden, these costs are determined by four distinct factors:

- the creation and processing costs: e.g. acquiring, assembling, reviewing, system maintenance, archiving, and process monitoring
- the volume and number of filings
- the frequency of reporting (monthly, quarterly, annually)
- the transformation costs (one-time costs to adapt systems to changing requirements).

All of these costs should typically be considered and managed in an XBRL program.

Creation and processing costs can be reduced since XBRL provides an open, uniform way of linking the reporting elements from the taxonomy to the data structures in these systems. This is often referred to as 'mapping'. When mapping is in place, processing can be done in a standardized way, making use of any XBRL-capable tool for preparing, reviewing and filing the report. A general rule of thumb is that if possible, information should be recorded in XBRL as early as possible in the process. This also increases the quality of the data as the same reporting definitions would then be used throughout the reporting supply chain.

It is also useful to validate the report and check for inconsistencies as early as possible in the filing process, and preferably before the report is sent to the regulator. As the XBRL standard also supports validation rules to be defined in the taxonomy, government agencies can publish these validation rules as part of the taxonomy. This allows businesses to validate the report before sending it to the government agency, resulting in process efficiencies as well as a higher quality of the reported data.

Practice shows that XBRL leads to a level playing field for providers of software services and advisory services. Once software vendors or intermediaries have adapted their systems to XBRL, implementing new XBRL reports will be easier, since most components of the reporting system will not change and will be limited to updating the mapping of the new reporting elements in the taxonomy to their data structures. Especially when XBRL is applied in multiple industries, this could open doors for vendors to other reporting domains, eventually resulting in lower prices for filing services. The availability of information in a standardized format could also result in high value advisory services for businesses.

The volume and number of filings can be impacted by organizing systematic and structural normalisation and simplification of the reporting elements in regulatory reports and the reuse of information already defined in XBRL taxonomies.

¹⁵European Commission Standard Cost Model;
http://ec.europa.eu/dgs/secretariat_general/admin_burden/eu_scm/eu_scm_en.htm.

The frequency of reporting needs careful consideration when the information creation costs are high. Aligning the due dates of reports (to business processes and other regulatory reports) can contribute to a lower overall frequency of reporting activities and higher quality of data. In cases where XBRL information can be directly extracted from business information systems – without much human interference – a higher frequency will not impact the total amount of extra work that much. XBRL fully supports this concept of machine-to-machine reporting.

Transformation costs often lose priority when a new policy is introduced. Studies of experienced administrative burden show that these costs can be quite a burden for businesses. Especially when changes involve the adaptation of software systems to new reporting requirements. Although a standardized infrastructure and standardized way of mapping XBRL towards business information systems can reduce these transformation costs, prevention of unnecessary changes to taxonomies is preferable. Maintaining a base taxonomy that contains all common reporting elements across reporting domains supports the assessment of the need to define new reporting requirements. A possible solution might be the establishment of a system of common commencement dates for regulatory reports. For instance by freezing a base taxonomy for multiple years.

XBRL in practice

A lot of IT budget goes to efforts to link information systems from different parties. Wouldn't it be wonderful if these systems could communicate and talk to each other? XBRL has the capability to do just that. But it requires that all parties in the reporting supply chain adopt the same data standard. Just like the barcode.

Several studies have been carried out to investigate the benefits for businesses. From these studies we conclude that fragmentation in the application of XBRL, low integration in business software and the absence of harmonization and simplification mechanisms put a lot of stress on explaining the initial business case. It requires strong leadership and a long term vision to manage this process and make all parties in the reporting supply chain aware of the benefits.

Key takeaways

- Stimulate wide application of XBRL to create a cross domain level playing field for regulatory reporting.
- Stimulate embedding XBRL in the source systems of businesses and intermediaries. This will reduce creation and information processing costs.
- Reduce issue management costs by implementing validation rules and conformity checks in taxonomies to enable business to automatically validate their reports before filing.
- Harmonization, simplification and stabilization of reporting requirements can further contribute to more efficient reporting by businesses.

7. Lower data processing cost in government

Our point of view

Although the value and efficiency of reporting can be improved for businesses, the real benefit lies with government agencies that receive higher quality information (checked in advance by business), benefit from fast, efficient and effective information processing and gain trust from the public by providing transparency and uniformity in regulatory reporting to businesses.

Flexible and standardized processing of information

Whereas many government information and reporting systems are highly customized, XBRL opens the door for more flexible and standardized processing of information. With XBRL it is possible to:

- prevent re-keying, by keeping information in XBRL throughout the entire process of receiving, validating, assessing, archiving and reporting
- make use of generic applications to view, edit, validate and analyse XBRL data
- extend reporting taxonomies with internal taxonomies to improve internal meta data management and improve information processing by harmonizing internal definitions and defining uniformly applied (data driven) business rules
- create flexible, low maintenance archival solutions and data warehouses, with drill-down possibilities to the source in XBRL (the XBRL format is suitable for archival)
- provide a level playing field for external parties offering software services to government (XBRL gives a clear requirement, requires less communication/contact)
- making government information processing more flexible and independent of location (XBRL data can be distributed and processed anywhere).

Step by step

But such infrastructure and software solutions come at a price, and are hard to realize at once. Especially because XBRL-compliant off-the-shelf solutions are still in an emerging phase. Therefore, government agencies should follow a collaborative step-by-step approach in realizing the optimal XBRL infrastructure. This means XBRL should be embedded in the IT policy strategies and architectures of government agencies.

In order to achieve this, special attention and support must be organized from the XBRL program. Especially since government agency adoption is one of the key elements for a successful overall public and private XBRL business case.

Extending the use of XBRL to government-to-government information exchange even further contributes to the business case for governments. The cost reduction of compliance reporting in for instance Education or Healthcare is evident. It would boost the interoperability of reporting requirements in many industries.

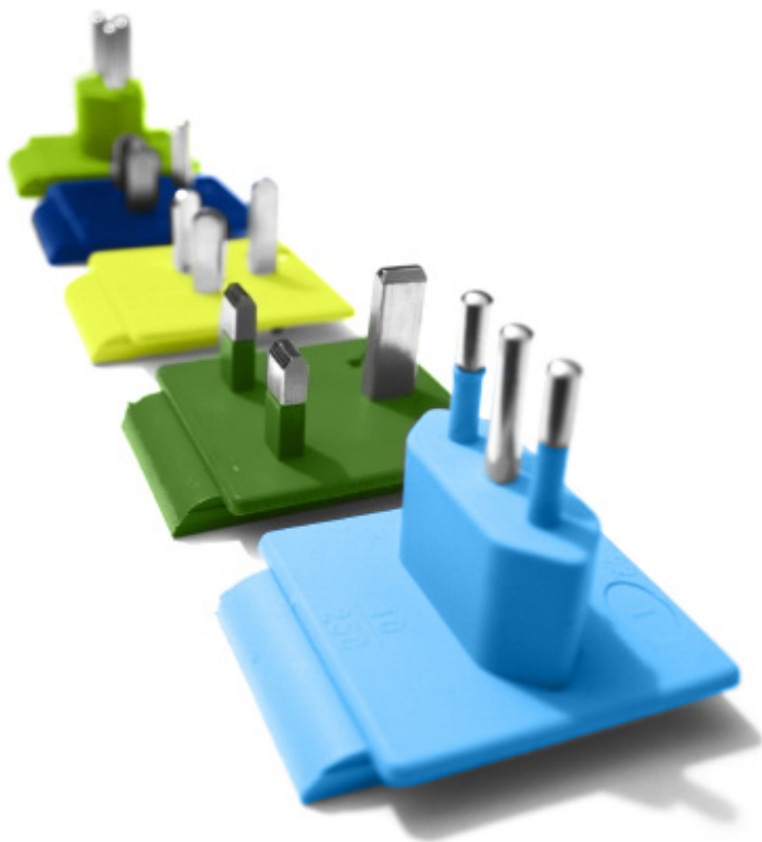
XBRL in practice

Deloitte has executed an extensive study of the business case for XBRL application in the domain of grants reporting. This study revealed that the financial business case for governments is driven by a sufficient volume of the number of filings. For businesses, the business case is mainly driven by harmonization of the reporting requirements, for which sufficient coverage of relevant regulatory reports is required. A cross-agency (collaborative) investment in XBRL should be a government priority in its own interest and that of businesses.

Recently, the financial market supervisory model has undergone significant changes. European wide supervisors have been established for banking (European Banking Authority) and insurance (European Insurance and Occupational Pensions Authority). These supervisors are in the process of adopting XBRL for financial and risk reporting. Although in different domains, their architectures and reporting approaches will be aligned, enabling financial institutions to invest in a uniform reporting standard for compliance reporting to both EBA and EIOPA.

Key takeaways

- Receivers of XBRL data – mostly government agencies – are the initial beneficiaries of any XBRL program.
- Businesses gain from data standardization when this covers many regulatory reports and reporting requirements are rationalized to lead to a consistent and normalized reporting set.
- Establish strong cross-agency leadership and communicate the business case across government and all stakeholders in the reporting supply chain.
- Monitor the adoption of the XBRL standard by all stakeholders in the reporting supply chain and take action to support those who lack behind.
- Extend the use of XBRL to internal and intra-governmental reporting processes.



8. Envision a new paradigm in policy making and execution

Our point of view

People involved in XBRL are often passionate about its potential. Although a lot of hurdles must be overcome, XBRL opens the door towards a new and better way of policy making and execution. XBRL helps government to benefit from truly integrated information. Several characteristics contribute to this:

Bridging the gap between policy and business reality is still challenging for today's policy making, despite many improvements in the policy making process (impact assessments, interaction, and participation). Experience shows that XBRL can help to close this gap by making the legal basis of reporting elements transparent throughout the entire reporting chain (from businesses, intermediaries, software vendors, and government agencies to policy makers). An XBRL taxonomy can serve as a (national) dictionary for all stakeholders in the reporting supply chain.

Collaborative Design is one of the core principles behind a successful application of XBRL. Building an XBRL taxonomy requires a multidisciplinary effort: legal experts working hand in hand with operational experts and businesses to optimize regulatory reporting. Involvement of legal experts is especially important to justify the legal basis for:

- a unique interpretation of the reporting elements
- assessing the reusability of data for other reports (Is reuse legally restricted or permitted?)
- the most efficient reporting process (Can timings and due dates be aligned?)
- aligning policy goals with the effectiveness of the actual reporting process (Do the reporting requirements meet their purpose?).

Speaking the same language is another benefit resulting from adoption of one data standard. The added value of XBRL is that one source (the taxonomy) can be used by all users involved (e.g. legislators, auditors, analysts, IT specialists and business users), reducing miscommunication along the line. This is also highly valuable when integrating multiple XBRL reports.

'Government as One' can be one of the outcomes of an XBRL implementation. XBRL helps government agencies to cooperate in the organization of their information obligations and services towards businesses by using the same data standard and standardized ways to file and process the information.

Data driven policy making becomes possible when (XBRL) data already available in practice are used for defining regulatory reporting requirements. It eases the alignment of new reporting requirements with reporting processes already in place and reduces the risk of defining reporting requirements that are just a little different and would increase the reporting burden without much added value.

Ready for the future. The value of data standards such as XBRL can further be enhanced by its compatibility with innovative service oriented technologies, cloud computing and data analytics. These capabilities all add to the interoperability of financial and non-financial data flows. It also enables the effective cooperation in public-private partnership to streamline compliance reporting processes.

XBRL forcing cross-departmental alignment of legal processes

Introducing XBRL in the Netherlands had an impact on the legal processes at various involved departments. The change management of the (base) taxonomy requires a structured sequence of input and release events. To assess opportunities for further harmonization and keep overall integrity, all relevant changes must be proposed within common specified time frames. The XBRL taxonomy maintenance process therefore dictates when legal changes have to be formulated and cleared out. Because the base XBRL taxonomy is implemented in so many business information systems, political pressure exist to avoid changes outside the specified timeframes.

Finally, XBRL also services innovative concepts of fully turning the information chain around. Instead of pushing data from business to government, the government specifies which information has to be registered by businesses (providing an XBRL taxonomy) and asks for (subsets) of information when appropriate (for business and government).

XBRL in practice

XBRL provides the technical syntax to document the full semantic definition of a reporting requirement. As such this makes XBRL a valuable asset for governments and clearly distinguishes XBRL from other data standards. In the past, XML schemes of reports were only known by IT specialists struggling to adapt software to non-standardized technical dictionaries. With XBRL, the taxonomy has become the heart of both the political and operational effort for better and more efficient regulatory reporting. Who would ever have guessed that politicians were going to refer to a technical term like XBRL? The fact that they do, is evidence for a paradigm shift.

Key takeaways

XBRL can be instrumental in bringing the reality of policy makers, government agencies and businesses closer to each other by offering a transparent and uniform language that can be used across the reporting supply chain.

- It stimulates cross-agency cooperation in defining information obligations and services to businesses (Government as One).
- XBRL enables a more fact-based, (open) data-driven policy design and legislation process.
- XBRL fits in current and future innovative government service models, making it a long term future-proof investment.

Why Deloitte supports XBRL

We believe that XBRL is an important piece in the jigsaw of today's reporting challenges. Effective and efficient reporting is required to regain trust in government and businesses operations. XBRL can serve to improve transparency and control and at the same time contribute to the reduction of the ever growing red tape caused by increased reporting obligations. The focus on standardization, interoperability and public and private cooperation are important concepts. It is based on respecting individual uniqueness combined with a strong focus on what characteristics are in common.

Where applicable, Deloitte integrates XBRL in its core processes, enabling clients to benefit from the use of XBRL today. We consider XBRL as a means to improve our core information and auditing processes, reducing regulatory filing costs in favour of higher valued advisory services. Deloitte also provides XBRL advisory services and voluntarily participates in many XBRL initiatives to support the successful adoption of XBRL. In our quest to promote XBRL we often come across unawareness and scepticism. Therefore we are pleased to share our vision on and experience with XBRL with you in this document.

As one of the founding members of the XBRL International consortium, Deloitte is an active participant in XBRL development around the globe. With a global network of XBRL-experienced professionals we provide a comprehensive array of services related to XBRL. As a multidisciplinary organization, we can help companies understand, implement, and benefit from the potential of XBRL.

We offer companies assistance with:

- Evaluating the potential impacts of XBRL
- Assessing readiness for XBRL reporting requirements and regulatory mandates
- Implementing XBRL reporting solutions; providing support with project management, training, and process and technology deployment services
- Addressing the implications of XBRL beyond external reporting in areas such as finance transformation, data integration, and continuous reporting.

For more information, please contact:

Dave van den Ende

Director/XBRL Leader EMEA

Deloitte Innovation, The Netherlands

dgvandenende@deloitte.nl

Tel/Direct: +31 (0) 8 8288 0208

Mobile: +31 (0) 6 5204 8163

Or visit us at www.xbrlplus.com.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

This communication is for internal distribution and use only among personnel of Deloitte Touche Tohmatsu Limited, its member firms, and their related entities (collectively, the "Deloitte Network"). None of the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.