



## Australian Government

### The Treasury

6 July, 2009

**File:**

Mr Tom Seidenstein  
Chief Operating Officer  
International Accounting Standards Board  
30 Cannon Street  
London EC4M6XH  
United Kingdom

Dear Mr Seidenstein

#### **FEEDBACK ON THE DUE PROCESS HANDBOOK FOR XBRL ACTIVITIES**

Further to our discussion in Paris on 24 June 2009, please accept the following feedback on the International Accounting Standards Committee Foundation's Due Process Handbook for XBRL Activities. This feedback incorporates the views of the 13 government agencies (Taxation Office, ASIC – company regulator, APRA – Banking Regulator, Bureau of Statistics, State Revenue Offices and the Treasury) as well as the accounting firms and software developers involved in the Australian Standard Business Reporting (SBR) Program.

Some of the feedback is representative of the general issues that were discussed in Paris, and I believe that if the agreed actions are taken from that meeting, they may in turn be reflected in the Due Process Handbook.

Detailed answers to the specific questions asked in the review document are at Attachment A.

However, at a general level this Handbook is a useful resource as it starts to articulate some of the IASCF XBRL team roles and processes and provides a helpful catalyst for possible improvements to the processes.

#### **Change Management of the IFRS Taxonomy**

The IFRS Taxonomy should now be considered as “in use production technology” as preparers and software developers are using it. Any upgrades in technology, architecture or specification need to be consulted with the users of the Taxonomy to ensure that the proposed rate of change can be accommodated by the users. Reference to “software vendors” in paragraph 16, point (d) should be defined somewhere as “accounting, financial and XBRL software vendors”, representing a user base much broader than XBRL software vendors.

Paragraph 39 needs to be adjusted to reflect that the IFRS Taxonomy is an “in use production technology” meeting the demands of users, and that an ongoing demand is that the IFRS Taxonomy continues to be dependable and useable. It is vital that future annual releases of the taxonomy are seen as an evolution of the last and can be readily adapted each year by its existing and growing user base bringing into sharp focus the application of a robust ‘Versioning’ and publishing implementation.

Given the potentially wide user base for the IFRS Taxonomy, planning and analysis should generate an articulation of the proposed scope and should be distributed widely and early – well in advance of the creation and publication of the taxonomy Exposure Draft (ED).

Cost of the implications of change need to be considered not only for the IFRS XBRL Team, but also for the user community (software developers, preparers, investors). As discussed at our recent meeting in Paris, it is suggested that a set of principles be agreed and used to guide the scoping and planning process of the XAC for future releases of the Taxonomy.

### **Scope and purpose of the IFRS Taxonomy**

Perhaps the sentiment contained in Paragraph 40 is the source of tension in relation to change management and useability. While investors are key beneficiaries and part of the value chain for the IFRS Taxonomy, the key stakeholders are really the businesses and the preparers who are paying for the implementation of, and reporting against the Taxonomy. Equally, software vendors that support businesses and preparers must be satisfied with the evolving IFRS taxonomy, because without the support of these vendors, businesses will not be able to prepare compliant reports – and investors lose again. While it is agreed that it may not be possible to meet all of the demands/expectations of all stakeholders, it is considered an imperative to “optimise” the satisfaction of all involved in the reporting chain otherwise the process will break, and various stakeholders will look to alternatives

### **Quality Assurance**

While the Handbook discusses alignment with the IFRS bound volume and covers the process for publishing for review and feedback, it falls short of describing the process of alignment, the scope and purpose of the review processes and the process for managing feedback. Each of these are symptoms of the issues the Australian SBR Program has raised in the past. At no point is the notion of ‘testing the taxonomy’ mentioned.

In the Handbook the scope of the XQRT “review and comment” process and expectation is vague and the processes involved in the “review and comment” are without any defined criteria leaving them very open to interpretation. The process for dealing with the feedback from the XQRT is also unclear. As was agreed at our recent meeting, the XQRT should be the body that asserts that “the IFRS Taxonomy is a reasonable/best efforts XBRL representation of the IFRS[bound volume]”. The Australian SBR Program still considers it an imperative to make a declarative statement about the quality of the IFRS Taxonomy. In making this assertion, there should also be a statement of scope of the Quality and Assurance processes that allows that assertion to be made, including limitations.

It is accepted that Taxonomy development activities should be guided by technology considerations derived from XBRL International. However the implementation of technological advancements must be implemented with due consideration of the ability of the user community to upgrade and implement these advances at the same pace. It is not essential that all specification upgrades be implemented immediately.

In terms of usability, paragraph 43 (b) mentions that the Taxonomy should be usable, however there is no process in the Due Process documentation that tests usability. As has been discussed in the past, the usability aspects of the Taxonomy are considered to be beyond the current XQRT scope and experience sets of the members, and it is suggested that advice on usability would be more appropriately positioned as advice to the Board of Trustees rather than advice to the XBRL Team.

This would involve the creation of a business (rather than technical) based group representing business and accounting users of the Taxonomy.

In summary, the role and decision making processes for the XAC and XQRT are not clear. Similarly, the accountability for decisions (whether they be with the Chairs) is also unclear, and the notion of a poll to vote on direction and viewpoints is not appropriate where it is possible that potential showstoppers at a useability level are not understood by those voting. All issues must be considered on their severity and merit and a decision taken by the Chair – not voted upon.

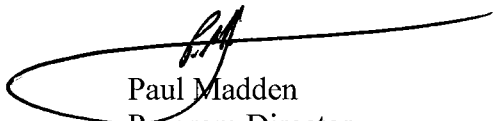
The suggestion of a process whereby a summary of comments and how they are addressed to be published is fully supported and may alleviate some of the concerns that there are patterns of unresolved issues which have been raised in individual sets of feedback.

### **Summary**

The Australian SBR Program remains committed to supporting and using the IRFS XBRL Taxonomy, and believe that its usability and acceptance within the Australian preparer community could be secured if the issues raised are resolved. Resolution of the issues in governance/assurance, change management/versioning as described above and discussed in our meetings are key to the acceptance of the taxonomy.

I am willing to collaborate with your teams wherever possible to bring these matters to conclusion.

Yours sincerely



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Program Director  
Standard Business Reporting

## **RESPONSES TO SPECIFIC QUESTIONS**

### **QUESTION 1 – EVALUATION AND ALIGNMENT**

The emphasis on ‘evaluation’ and ‘alignment’ do not completely reflect the activities that need to be undertaken during these stages. We suggest that the wording of the ‘technology evaluation’ and ‘alignment of underlying IFRSs’ stages be augmented to explicitly reflect the design and assurance activities, as well as an QA processes that need to be in place to assure the alignment process.

It is also suggested that technology evaluation should occur through ongoing interaction with the XBRL Advisory Committee rather than occurring only when a new Taxonomy is being produced. While decisions about changes and adoption of new specifications are inevitable, the rate and timing of adoption is entirely at the discretion of the XAC on behalf of the user community.

### **QUESTION 2 – IASB INVOLVEMENT IN THE DUE PROCESS FOR XBRL ACTIVITIES**

SBR Australia would like to see the involvement of the IASB extend beyond the ‘alignment of underlying IFRSs’ stage. We suggest there would be significant value to users of the taxonomy in having IASB provide quality assurance oversight of the XBRL products and provide a declarative statement that the IFRS Taxonomy has been tested and is a “best efforts” reflection of the IFRS bound volume.

### **QUESTION 3 – TAXONOMY DEVELOPMENT IN ALIGNMENT WITH THE IFRSS**

We agree that the Taxonomy development should be limited to and driven by underlying IFRSs, and the development should run hand-in-hand with the drafting of new IFRSs. Just as the NL is using their SBR Taxonomy to drive changes to laws, the potential to use the XBRL tools and processes to drive and assist in the development of IFRSs should be considered. If this were possible, it would assist in bringing forward the release of the FRS Taxonomy so that it could be released concurrently with the IFRSs.

### **QUESTION 4 – DRAFT TAXONOMIES**

The development of other taxonomies should only support accepted/adopted IFRSs – or those that have been or will be adopted by countries. Little value is seen in creating XBRL Taxonomies for standards which are not in use, and their future adoption is not yet clear.

### **QUESTION 5 – ADDITIONAL REPORTING COMPONENTS OUTSIDE IFRSS**

SBR Australia agrees that additional components (e.g. filer) should continue to be excluded from IFRS. We suggest that attempting to address the needs of multiple jurisdictions for identifiers in the IFRS Taxonomy would be prohibitively complex, and is best done outside the IFRS Taxonomy. However, they may be a class of “commonly reported” accounting terms, while not included in the IFRSs are core reporting requirements for all accounting firms globally to create useful financial statements. It is understood that there are about 200 of these, and we will send a set of examples of these separately and happy to discuss further.

**QUESTION 6**

We agree that the emphasis of the IFRS Taxonomy is appropriately a continuous and recurrent process. The concept of a “final” annual release of the taxonomy is necessary and should be coupled with a “final” and appropriate assurance process against which a declarative statement can be made. It should also reflect appropriate versioning detail in order to eliminate any confusion with prior releases of the taxonomy. It is a strong view that the annual/final IFRS Taxonomy should be an evolution of the previous year’s taxonomy aiding change management and acceptance by its users.

As per other comments above, the costs of activities (paragraph 68, 69), ie the cost borne by Taxonomy users, due to annual IFRS Taxonomy change should be explicitly considered and sued in the planning processes for the Taxonomy.

**QUESTION 7**

SBR Australia has no feedback on this question.

**QUESTION 8**

At a broad level, we agree that international cooperation between agencies and users of the taxonomy is important to encourage the best use of the IFRS Taxonomy. However, it is important to note that the input of the ITA could influence the direction of the IFRS Taxonomy from an architecture perspective, possibly to the detriment of existing users that are non ITA members. The relationship with these other groups should be made explicit in the due processes and their input should be seen as being of equal value (not greater) to all other input to the processes.

**QUESTION 9**

The coverage of this matter should be covered in any areas where QA processes are defined. It is a simple concept that the IFRS Taxonomy is an XBRL translation of the IFRSs. The QA process to prove it is a reasonable representation of the Bound Volume should be quite similar to those engaged for other language translations.

**QUESTION 10**

SBR Australia considers that the sentiment contained in Paragraph 40 is the potential source of tension in relation to change management and useability. While investors are key beneficiaries and part of the value chain for the IFRS Taxonomy, the key stakeholders are really the businesses and the preparers who are paying for the implementation of and reporting against the Taxonomy. Equally, software vendors that support businesses and preparers must be satisfied with the evolving IFRS, because without the support of these vendors, businesses will not be able to prepare compliant reports – and investors lose again. While it is agreed that it may not be possible to meet all of the demands/expectations of all stakeholders, it is considered an imperative to “optimise” the satisfaction of all involved in the reporting chain otherwise the process will break, and various stakeholders will look to alternatives.