



AUASB Evidence-informed standard setting strategy (June 2019)

Objective of the evidence-informed standard setting strategy

1. The AUASB’s vision is to contribute to stakeholder confidence in the Australian economy, including its capital markets, and enhanced credibility in external reporting through independent auditing and assurance.
2. The AUASB must have a robust and transparent evidence gathering process to inform and support decision making that:
 - (a) Contributes to the development, issuing, and maintenance in the public interest, of high-quality Australian auditing and assurance standards and guidance; and
 - (b) Meets user needs and enhances audit and assurance consistency and quality.

An evidence informed standard setting (EISS) strategy directs AUASB activities to ensure that standard-setting deliberations and decisions are informed by relevant and reliable evidence.

3. This paper provides the guiding principles and strategy for the AUASB’s EISS process and discusses how this strategy will lead to formalised and structured research activities and stakeholder engagement, that support AUASB’s work nationally and internationally.

Background

4. An evidence informed decision-making process and stakeholder engagement are acknowledged as being integral in the current [AUASB 2017–21 Strategy](#) and the [IAASB’s proposed future 2020-23 strategy](#).¹ In the IAASB’s 2020-2023 strategy survey outputs, the need for a “research phase” to be formally identified as part of a better standard-setting process has been acknowledged.
5. The EISS strategy is integral to the AUASB achieving its Strategic Objectives and consists of the following three elements:
 - (a) The knowledge and experience of informed parties; including AUASB members,
 - (b) Research activities; and

¹ As part of the development of the 2017-21 AUASB Strategy ‘Research’ was identified as one of the main enablers to assist the achievement of the AUASB’s Strategic Objectives. As part of the development of the 2015-19 IAASB Strategy, ‘Research’ was recognised as one of the main aspects of the strategic objective: “strengthen outreach and collaboration with key stakeholders in the reporting supply chain on public interest issues relevant to audit, assurance and related services”. The AUASB International Strategy (June 2018) refers to the AUASB Research Strategy, which forms an important part of the EISS Strategy, in facilitating the collection and use of evidence informing the AUASB’s responses to international auditing and assurance issues. It is further noted in the International Strategy that the AUASB will support quality academic research by Australian Universities which enhances Australia’s reputation as a leader in auditing and assurance. In the IAASB’s 2020-2023 strategy survey results, stakeholder needs were recognised as an important evaluation criterion of the quality and timeliness of the service that the IAASB provides.

- (c) Information collection through stakeholder engagement.
6. The AUASB is informed by the views and experiences of informed parties. For example, AUASB members are selected based on their specific experience and expertise, and ability to collect and collate insights from other informed stakeholders. Their ability to contribute their knowledge and insights to Board discussions and activities is integral to evidence informed standard setting.
 7. Research, broadly defined as a systematic process of acquiring new knowledge and/or confirming (reinforcing) existing knowledge, is an essential input into EISS undertaken in the public interest. Research as a systematic process, can be classified in various ways, including type (e.g. exploratory, descriptive, or explanatory) or method (e.g. qualitative, quantitative).
 8. The AUASB is informed by formal and informal stakeholder engagement activities (e.g., round tables, information sessions, invitation to comments, regularly scheduled stakeholder meetings). These engagement activities provide essential evidence on the views of, and impact on, stakeholders of auditing and assurance standard setting activities.
 9. These three elements (refer paragraph 5) have a mutually beneficial relationship. For example, effective stakeholder engagement and the knowledge and experiences of informed parties informs the questions for which research can provide systematic evidence or provide deeper insights and context around research findings. Likewise, effective research informed by knowledge and experience can guide stakeholder engagement such that the nature of the interaction provides more relevant evidence.

Guiding Principles

10. The EISS strategy has the following guiding principles:

Number	Principle
1	AUASB members will collectively bring to standard setting deliberations a broad range of experience and expertise.
2	The AUASB considers relevant evidence from informed sources in its standard-setting deliberations and to support decision making in the public interest.
3	The AUASB designs, implements, and regularly reviews appropriate research and stakeholder engagement activities to provide the evidence enabling the AUASB to achieve its vision.
4	Where relevant, the AUASB works in conjunction with the AASB and other key stakeholders (e.g. regulators) to actively leverage resources and opportunities to conduct structured research and stakeholder engagement activities that inform the AUASB's evidence-informed standard setting process.
5	The AUASB optimizes stakeholder engagement by identifying and actively engaging with interested and relevant stakeholders,

	and utilising relevant research that enables high-quality discussion to obtain evidence to support the AUASB’s evidence-informed standard setting.
6	The AUASB encourages and supports research and stakeholder engagement that provides evidence on the current audit and assurance environment including threats and opportunities that may inform the AUASB’s future agenda.
7	The AUASB uses research and in-depth knowledge of stakeholder needs to inform the AUASB and other key stakeholders (e.g. accounting professional bodies and education providers) on areas where guidance or education initiatives are needed.

11. Appendix 1 details how these principles link to the AUASB’s strategy.

EISS Strategy and implementation plan

12. Overall, the AUASB aims to collaborate and engage with a broad range of stakeholders, including, where appropriate, academics, accounting firms, accounting professional bodies and leading international bodies (e.g. XRB and various other National Standards setters (NSS)). This objective will be achieved through encouraging and formalising collaborations, expanding and maintaining our relevant group of stakeholders and embedding EISS activities in the project proposal, development and post-implementation phases.
13. EISS involves defining an issue or problem, deconstructing what might already be known and what needs to be found out, determine the best way to gather relevant information, analysing information to derive meaning and understanding, and then presenting clearly and succinctly the information and learnings to stakeholders to advise, influence or educate.

Project proposal phase

14. It is important to engage with stakeholders and identify relevant existing research or the need for research, early at the development stage of an initiative or project.
15. For the research phase of IAASB projects, in collaboration with leading academics, the AUASB will contribute to an understanding of what is known from extant research on the topic, as well as undertake stakeholder evidence collection activities to identify and understand specific Australian matters. For Australian initiated projects the AUASB will conduct more extensive evidence collection activities to understand the issues which need to be addressed. This may be through research and/or stakeholder engagement.
16. Activities within the project development phase would likely include:
- Activities aimed at understanding the specific needs of Australian stakeholders, understanding the broader environment and changes thereto, prioritising topics of

interest and interpreting and communicating findings to influence nationally and internationally (e.g. IAASB, NSS).

- Identifying topics of interest by: Monitoring IAASB’s technical work plan; environmental scans about relevant emerging matters; research findings and considering important stakeholder needs from on-going engagement with a broad range of stakeholders.
- Synthesising existing research by, where relevant, working with leading NSS and academics to prepare a summary paper, identify unanswered questions of relevance to the project, in consultation with the board, and with reference to stakeholder engagement, prioritise research questions.
- Designing a research plan to effectively find answers through: in-house, commissioned and/or academic research involving, where beneficial, others including (but not limited to) professional bodies, audit firms, FRC, IAASB, NSS’s and other stakeholders.
- Designing a stakeholder engagement plan to: Identify relevant stakeholders; Consider appropriate method(s) of engagement (e.g. roundtables; webinars); and analyse and communicate insights.

Project development and completion phase (Board approval)

17. At all stages of project development and pre-completion, issues may be identified where the consideration may be informed by evidence. There should be robust AUASB Technical Group (ATG) and board discussions regarding progressive findings on a topic, with reference to evidence on which those views are based. During this phase the AUASB should demonstrate thought leadership arising from any research and stakeholder engagement through its interactions with the IAASB and other stakeholders.

Post-implementation phase

18. To better facilitate the effective and efficient implementation of revised standards, or new standards, the AUASB needs to be informed to provide supporting implementation tools (e.g., educative webinars and FAQs etc.) that fit the specific needs of users. (Referred to hereafter as the ‘Post-implementation phase’). Challenges may be identified through feedback from stakeholders or research endeavours.
19. The post-implementation phase would include activities aimed at understanding the specific implementation issues of Australian stakeholders, understanding the impact/ effect of the issued or revised standards including whether intended benefits have been achieved, and interpreting and communicating findings to influence nationally and internationally (e.g. IAASB).
20. Activities within the post-implementation phase would likely include:
 - Assessing the extent to which a new standard (or provision) is achieving the expected benefits and any unintended consequences.
 - Identify and analyse implementation issues by: revisiting the stakeholder engagement plan to conduct follow-up engagement; and evaluating the costs and benefits of addressing the issues thereon using appropriate methods (possibly collaborating with the academic community).
 - Design supporting implementation tools through: choosing the appropriate tool(s) (e.g., whether it should be guidance, FAQs, etc.) based on the understating of the audience and suggestions from research findings (if needed); deciding the appropriate method(s) (e.g. in-house, commissioned and/or academic research) to

gather information for developing the tool(s); and planning suitable collaboration (including but not limited to working with NSS and academics).

- Robust ATG and board discussions regarding progressive findings on a topic and, where appropriate, express the views of the AUASB with reference to evidence on which those views are based. Demonstrate the thought leadership arising from research and stakeholder engagement through interactions within the IAASB and other stakeholders.

APPENDIX 1: EISS GUIDING PRINCIPLES LINKED TO THE AUASB STRATEGIC OBJECTIVES

AUASB Strategy Objectives	Link to the EISS Guiding Principles
<p>1. Develop, issue and maintain high quality Australian auditing and assurance standards and guidance that meet the needs of external report users. Use IAASB Standards – where they exist, modified as necessary – or develop Australian-specific standards and guidance.</p>	<p>Guiding principles number 1, 2 and 3</p>
<p>2. Actively influence international auditing and assurance standards and guidance by demonstrating thought leadership and enhancing key international relationships.</p>	
<p>3. With the AASB, play a leading role in reshaping the Australian external reporting framework by working with regulators to develop objective criteria on:</p> <ul style="list-style-type: none"> • who prepares external reports (including financial reports)? • the nature and extent of assurance required on external reports. 	<p>Guiding principle number 4</p>
<p>4. Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.</p>	<p>Guiding principle number 5</p>
<p>5. Influence initiatives to develop assurance standards and guidance that meet user needs for external reporting beyond financial reporting.</p>	<p>Guiding principle number 6</p>
<p>6. Monitor and respond to emerging issues impacting the development of auditing and assurance standards and guidance, including changing technologies.</p>	
<p>7. Develop guidance and education initiatives, or promote development by others, to enhance consistent application of auditing and assurance standards and guidance.</p>	<p>Guiding principle number 7</p>