



AUASB Evidence-informed standard setting strategy

AGENDA ITEM NO.	5.1.1
Meeting date:	4 December 2018
Subject:	Evidence-Informed Standard Setting Strategy
Date prepared:	26 November 2018

Objective of the evidence-informed standard setting strategy

1. To ensure the AUASB have a robust and transparent evidence gathering process to inform and support decision making that contributes to the development, issuing, and maintenance in the public interest, of high quality Australian auditing and assurance standards and guidance, that meet 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 evidence.

Introduction

2. The EISS strategy is integral to the AUASB achieving its Strategic Objectives (SOs). The EISS strategy is supported by Research and Stakeholder Engagement, each of which make unique contributions to EISS.
3. Research and stakeholder engagement have a mutually beneficial relationship. Effective stakeholder engagement informs the questions for which research can provide more relevant evidence. Likewise, effective research can guide stakeholder engagement such that the nature of the interaction provides more relevant evidence.
4. 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

IAASB and AUASB's Strategic focus:

5. Research and stakeholder engagement are acknowledged as being integral in the current AUASB 2017–21 strategy and the IAASB's 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.

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 SOs. 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 supporting the AUASB's responses to international auditing and assurance issues, and the informing of international 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 was recognised as an important evaluation criteria of the quality and timeliness of the service that the IAASB provides.



Research

6. 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. The AUASB has already included evidence from research activities, undertaken independently of the AUASB and through collaborations, in the standard-setting process. Examples are:
 - Research undertaken ‘in-house’ (an example is the recent Audit Committee Chairs audit quality survey undertaken in collaboration with the Australian Financial Reporting Council),
 - Research undertaken by academics independently of the AUASB (for example the UNSW submission on ED 315 included relevant findings from academic research); and
 - Research undertaken by the auditing firms independently of the AUASB (for example, KPMGs recent research on reporting of KAMs; and research conducted by other National Standard-setters/ NZAuASB).
7. For completeness, the ATG has looked into the research activities conducted by other leading standard-setters and regulators (e.g. XRB and AASB) and identified a number of activities of interest to the AUASB. Examples are:
 - Research summaries tabled at NZAuASB meetings.
 - Research syntheses (an example is CPA Australia’s commissioned literature reviews in audit coordinated through the Auditing and Assurance Special Interest Group of the Accounting and Finance Association of Australia and New Zealand)
 - Complimentary research undertaken by standard setters and regulators (e.g. Blockchain technology and potential implications for audit and assurance by CPA Canada and AICPA; Assurance services for charities undertaken by NZAuASB)
 - Commissioned research sought specifically by the standard-setter (e.g. the AASB’s research for the Financial Reporting Framework project)

Stakeholder Engagement

8. The AUASB currently undertakes a number of stakeholder engagement activities (e.g. round tables, information sessions and invitation to comments) during the standard-setting process. As part of this strategy the AUASB will aim to better identify relevant stakeholders for each subject matter and maintain high-quality communication with these stakeholders throughout, to inform the standard setting process.

AUASB EISS Strategy and link to AUASB strategy

9. Recognising the role of research and stakeholder engagement in EISS and with reference to the AUASB’s strategic objectives, the EISS strategy is framed around five strategic actions.
 - (a) Design, implement, and regularly review appropriate research and stakeholder engagement activities to provide the evidence enabling the AUASB to best represent Australian views and interests. This will contribute to the development of high-quality AUASB standards, guidance statements and other pronouncements, designed in the public interest, with any deviation from international pronouncements supported by strong evidence. It will also enhance key Australian and international relationships by facilitating the



- basis of Australian positions on key issues by demonstrating thought leadership.
- (b) Where relevant, work 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 that inform the AUASB's Assurance Framework.
 - (c) Optimise 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.
 - (d) Recognise that research and stakeholder engagement are essential to inform the AUASB on decisions in the public interest on emerging issues. Encourage and support research and stakeholder engagement to better understand user needs for external reporting beyond financial reporting and to better monitor and respond to emerging issues impacting the development of auditing and assurance standards and guidance, including changing technologies.
 - (e) Use research and in-depth knowledge of stakeholder needs to inform the AUASB on areas where guidance or education initiatives are needed.
10. For further information on the EISS strategy's linkage to the AUASB's SOs, refer to Appendix 1.

EISS Strategy implementation plan

11. Overall, the AUASB aims to implement initiatives that enable appropriate, sustainable and rewarding collaborations and engagement with a broad range of stakeholders, including, where appropriate, academics, accounting firms, accounting professional bodies and leading international bodies (e.g. XRB and NSS committees). This objective will be achieved through encouraging and formalising collaborations, expanding and maintaining our relevant group of stakeholders and embedding evidence-informed standard setting activities in the project development and post-implementation phases.

In project development phase (with examples in Appendix 2)

12. To assist with a more 'evidence-informed' approach to the AUASB's standard-setting and other activities, the need for more stakeholder engagement and research in the development (especially at the early stage) of an initiative or project requires a systematic and structured approach. To address this, the ATG is of the view that utilisation of research and stakeholder engagement is most beneficial at the early stage of a project's life-cycle (referred to hereafter as the 'project development phase').
13. For IAASB projects the AUASB will evaluate the benefit of feeding any known relevant research to them, as well as stakeholder engagement activities to identify and understand specific Australian matters. For Australian initiated projects the AUASB will conduct more extensive research activities to understand the issues which need to be addressed. This may be through research and/or stakeholder engagement. Therefore, the project development phase would 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).
14. Activities, conducted by the ATG, under the guidance of the board, within the project development phase would likely include:



- Identifying topics of interest (and issues within topics of importance or potential concern) 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.
- Encourage syntheses of existing knowledge and research on these topics of interest by, where relevant, working with leading NSS and academics to prepare a concise understandable research summary paper, identify unanswered questions of relevance to the project, and with reference to stakeholder engagement, prioritise research questions. (See how the AUASB might collaborate with academics in Appendix 3)
- 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.
- 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 with the IAASB and other stakeholders.

Post-implementation phase

15. 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.
16. 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).
17. Activities, conducted by the ATG, under the guidance of the board, 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.

Resource Considerations

18. Further consideration is also needed to formalise the structure of research and stakeholder engagement activities and decide how they can be appropriately resourced. This may require an expanded work effort from the AUASB's current activities, and new skill sets may be needed to be developed by the ATG.
19. The ATG needs to update the project plan template under the direction of the EISS strategy to incorporate more structured planning for research and stakeholder engagements into projects.

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APPENDIX 1 LINKAGE TO AUASB STRATEGIC OBJECTIVES

AUASB Strategy Objectives	How this has been incorporated into the EISS strategy
<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>(a) Design, implement, and regularly review appropriate research and stakeholder engagement activities to provide the evidence enabling the AUASB to best represent Australian views and interests. This will contribute to the development of high-quality AUASB standards, guidance statements and other pronouncements, designed in the public interest, with any deviation from international pronouncements supported by strong evidence. It will also enhance key Australian and international relationships by facilitating the basis of Australian positions on key issues by demonstrating thought leadership.</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>(b) Where relevant, work 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 that inform the AUASB’s Assurance Framework.</p>
<p>4. Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.</p>	<p>(c) Optimise 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.</p>
<p>5. Influence initiatives to develop assurance standards and guidance that meet user needs for external reporting beyond financial reporting.</p>	<p>(d) Recognise that research and stakeholder engagement are essential to inform the AUASB on decisions in the public interest on emerging issues. Encourage and support research and stakeholder engagement to better understand user needs for external reporting beyond financial reporting and to better monitor and respond to emerging issues impacting the development of auditing and assurance standards and guidance, including changing technologies.</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>(e) Use research and in-depth knowledge of stakeholder needs to inform the AUASB on areas where guidance or education initiatives are needed.</p>



APPENDIX 2 EXAMPLES OF EISS ACTIVITIES FOR AN AUASB PROJECT

Project Name	Existing research	Proposed research	Existing stakeholder engagement	Proposed stakeholder engagement
Auditor Reporting Implementation	<p>ACC and investor survey;</p> <p>In-house research: Perspective report on other information</p> <p>Collaboration with academics;</p> <p>Awareness of research which has examined reporting of KAMs in Australia (for example KPMG report)</p> <p>Awareness of research which has examined use and benefits of KAMs in Australia</p>	<p>Academic Research on KAMs;</p> <p>ASIC Inspection report study.</p> <p>Summary of literature review of research on the use and benefits of KAMs in Australia prepared for the AUASB</p>	<p>Roundtables</p> <p>Targeted interviews with the big 6 audit firms,</p> <p>FAQs</p>	<p>Interviews with a broader range of stakeholders (small accounting firms, investors, users, etc.)</p>



APPENDIX 3 HOW THE AUASB MIGHT COLLABORATE WITH ACADEMICS

1. How the academic representative of the board lead the collaboration?

Given AUASB's resources and strategy, the academic representative on the AUASB will provide guidance and leadership on the AUASB's collaboration with academics, with ATG's assistance, by:

- Facilitating the identification and prioritising research topics of relevance to evidence informed standard setting;
- Monitoring published research and summarizing research findings relevant to existing or potential future projects;
- Developing and monitoring the evaluation framework of research papers to ensure high-quality inputs;
- Involvement in research conferences and symposia;
- Identifying and engaging with academics with expertise in the topic areas of interest to the AUASB; and
- Communicating the identified research questions of interest to the academic community with a view to encouraging research providing evidence to inform standard setting activities.

2. How ATG coordinate the collaboration?

ATG as the main coordinator of the collaboration, needs to manage and contribute to the relevant research as follows:

- Under the AUASB's guidance, actively initiate and maintain communication on the topics of interest with the relevant academics;
- Contribute, where appropriate, to the research project(s) with inputs (e.g. market insights) from the AUASB and stakeholders;
- Actively participate in research conferences and symposia;
- Publication of AUASB Research Reports;
- Work with both the academics and the board to develop a template by which findings will be summarised in an understandable and concise manner; and
- Proactively conduct relevant training and learning to continuously improve the ability to coordinate more complex and sophisticated research activities.

3. How the AUASB can facilitate this process?

The AUASB's role is to facilitate and provide thought leadership and direction to the AUASB academic representative and the ATG as follows, where appropriate:

- Presentation of thought leadership and agenda setting presentations at academic conferences and meetings;
- Formally recognise AUASB consideration and impact of research informing policy deliberations;
- Facilitate with data collection and insights; and



- Through robust discussion, decide appropriate questions to be asked and actions to be taken from the research outputs.

4. How to utilise the broader network in academia?

Accompanying the AUASB's developing initiatives on working with leading NSS is the opportunity to draw on global academic resources. Therefore, the AUASB, with the guidance provided by the academic representative, could act on the opportunity to coordinate research activities by:

- Working closely with the leading NSSs (e.g. New Zealand Auditing and Assurance Standards Board) on research initiatives;
- Utilising the resources of academic accounting associations (e.g. The Auditing and Assurance Special Interest Group of the Accounting and Finance Association of Australia and New Zealand – AFAANZ SIG); and
- Acting as a bridge between practice and academia to facilitate relevant research.