IAASB [Draft] Framework for Activities

This document is still a work in progress, with time and resources dedicated to its further development in 2020, as reflected in our Work Plan for 2020–2021. At present various elements are being reflected as placeholders as the IAASB explores and develops the relevant workstream activities of the Framework. This document has been provided as context for the IAASB’s Strategy for 2020–2023 and Work Plan for 2020–2021, and is not for approval at the December 2019 IAASB meeting. However, Board comments of a substantive nature as to the content of this draft will be discussed.

The IAASB’s "Framework for Activities" (the Framework) sets out a framework for how it undertakes its work, including describing the processes and procedures for selecting and prioritizing specific activities to deliver on its committed actions. This document describes each of the components of the Framework, which is aimed at supporting the IAASB’s work to achieve its objectives and goal as set out in its Strategy for 2020–2023.

The Framework is intended to focus the Board on:

- Being nimble and timely in its response to identified issues and challenges. The Board’s ability to be agile to respond to emerging developments in an evolving environment will help ensure the relevance of the IAASB’s standards; and
- Responding to identified challenges and issues in a deliberate and appropriate way.

As the IAASB continues to progress its thinking and respond to the evolving environment, the IAASB will update this document to reflect enhanced processes and procedures.

Key components of the Framework include:

- Information Gathering and Research Activities (Section I)
- Revising and Developing Standards (Section II)
- Narrow Scope Maintenance of Standards (Section III)
- Activities to Support the Implementation of the IAASB’s Standards (Section IV)

Placeholder for diagram to show Framework – to be developed
Section I—Information Gathering and Research Activities

Purpose:
Activities within the information gathering and research activities component are aimed at informing potential work plan decisions and supporting future work of the IAASB by helping the IAASB:

- Identify emerging areas that may require focus.
- Determine future work activities.
- Scope its projects.

Description
This component provides a structure to guide the decisions about the Board’s activities to determine its future work.

Broadly, topics are included in the IAASB’s information gathering and research activities when it is considered that there would be a public interest benefit in further considering whether IAASB action is needed. Activities within this component include fact-finding activities, targeted information gathering on specified issues or challenges, and post-implementation reviews. Relevant criteria [to be developed] set out the attributes to be met for topics to advance to more substantial, focused Board attention (as set out in Categories A, B and C below). The various activities within this component are described below, however they are not intended to necessarily show a linear ‘flow’ of a topic or issue in all instances (for example, a topic may start in Category B).

Fact-Finding Activities
To monitor, understand, research and explore emerging issues and developments that may affect the IAASB’s auditing, assurance and other standards.

Targeted Information-Gathering on Specified Issues or Challenges
To:

- Further understand underlying factors causing issues and challenges.
- Determine new possible projects, or other actions as appropriate, for addressing identified issues, and assessment thereof (using applicable criteria [to be developed]).
- Scope future projects or other agreed actions.

Post-Implementation Reviews
To understand whether new and revised standards have been implemented as intended, i.e., in terms of the purpose for which they were developed.

Activities are undertaken to determine whether the relevant standard(s) are being consistently understood and implemented in a manner that achieves the IAASB’s intended purpose in developing or revising them so that the IAASB can determine what actions, if any, are needed:

- To increase the consistency of practitioners’ understanding of the Standards; and
- For the Standards to achieve the intended purpose.
Activities will include, as applicable:

- Identifying practical challenges and concerns, and how they are being addressed.
- Understanding why new or revised standards have not been adopted.\(^1\)
- Assessing which matters need to be included in Category B of the information gathering and research activities in order to determine whether further action by the IAASB is needed.

**Categorizing Topics and Matters Within the Information Gathering and Research Activities Workstream**

In order to assist the IAASB about how to focus its attention, topics and other matters identified are categorized into the following:

**Category A**

Activities to explore new possible topics with issues and challenges that may fall into our remit, that are globally relevant, and that may warrant further focused information gathering and research, which will be informed by:

- Scanning the environment and monitoring global trends;
- Post-implementation reviews (regarding the implementation of the IAASB's standards);
- Interacting with stakeholders (for example, an important input into this category is the IAASB annual meeting with its national standard setters (NSS), who provide an update about what is happening at a jurisdictional level); and
- Other surveys, as needed.

Once a possible new topic is identified for further consideration, it may move to Category B for more focused action, or may be subject to another action that may be appropriate to the circumstances.

**Board Participation**

Activities related to information gathering and research will largely be Staff-led, and may involve others such as academics, NSS and the International Federation of Accountants (IFAC), as needed. However, post-implementation reviews will be undertaken by a specific working group set up for this purpose, supported by staff. The members of the working group will be determined based on the topic and their experience with developing the original standard (or revisions) or ability to input regarding the standard under review.

It is expected that at least an annual update is provided to the IAASB on the status of the topics within this category.

**Criteria to move to Category B**

[to be developed]

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\(^1\) For example, the IAASB could obtain information from, or collaborate with, IFAC who promotes and monitor the adoption of international standards through advocacy, stakeholder relations, and enhancing the IFAC Member Compliance Program.
Category B
More focused information gathering and research activities to further consider the issues and challenges related to identified topics to understand and evidence those matters that fall within our remit and for which further action may be necessary. Such topics may move to Category C, or the Board may determine that no further action is necessary.

It is expected that these topics will be discussed with the IAASB in plenary sessions at appropriate times.

Board Participation

Activities related to information gathering and research will still be Staff-led, but may involve Board representatives as needed. Information gathering and research activities within this category may also involve active participation from NSS and IFAC. It is expected that initial discussion with the IAASB about the topic will take place in plenary sessions, as well as further discussions as may be needed, for example, to provide status updates or to obtain input about moving to Category C or that no further action is necessary.

Criteria to move to Category C
[to be developed]

Category C

Activities focusing on analyzing identified topics to determine recommendations for Board action (including the scoping of such activities, and the development of project proposals as needed.

The outcomes from activities in Category C may include new projects or workstreams on the work plan to address identified issues and challenges.

Topics within this category would likely utilize Board plenary time for discussion of matters being considered.

Board Participation

As topics move into Category C, an IAASB Working Group (made up of IAASB members, Technical Advisors and other experts as necessary) will be established to undertake the necessary work to determine the appropriate way forward. This work will be supported by IAASB staff or others as appropriate.

Involving Others

As noted, the IAASB may carry out these activities or work with others, such as NSS, the regulatory and inspection communities, IFAC and its member organizations (for example, leveraging IFAC’s relationship with its member organizations), the academic community, or others, as appropriate, to leverage work that has already been undertaken or that may be in progress, to draw upon the resources of others or to collaborate in undertaking certain actions.
Outputs
As noted above, topics move between categories as relevant criteria for further action are met. Where relevant, a project proposal will be developed to scope the work to be undertaken, or determine the nature, scope and timing of other actions. The outputs from this category will provide a basis of other workstreams of the IAASB including:
- Revising and developing standards.
- Development of non-authoritative guidance.
- Narrow scope maintenance of standards.
- Other activities as necessary (e.g., specific outreach activities).

In some cases, it may be found that the issues or challenges may not fall within the IAASB’s remit – in which case the IAASB may coordinate with others to address the issues or challenges. For example, it may be found that further education or implementation guidance is needed, and the IAASB may further coordinate or collaborate with IFAC or NSS (or others) about how this could be done.

Timing
There are no specific matters related to timing; this is dependent on the topic and the specific activity, as described above, being undertaken. However, the criteria that apply in each case and the feedback cycle established should serve to keep activities focused on progressing information gathering and research on a timely basis within the context of the overall mix of workstreams or projects within the Work Plan at a particular point in time.
Section II—Revising and Developing Standards

Purpose:
The project proposal determined as part of the information gathering and research activities component will determine the scope of the work to be undertaken in revising or developing a new standard(s).

Description:
The IAASB will follow its due process for the development of a new or revised standard based on an approval project proposal, including:

- Further consultation (e.g., a consultation paper) as necessary (post-project proposal).
- Development of an exposure draft and related conforming and consequential amendments.
- Development of changes to address comments received on exposure.
- Finalization of the standard to comply with all due process steps.

As appropriate, a post-implementation review will be undertaken as set out in the information gathering and research activities component to determine whether the changes have met the objectives that had been set for revising the standard or developing a new standard.

Responsibility and Action:
A Task Force will be set up for the purpose of developing the new or revised standard (with consideration given to continuity from the working group that developed the project proposal). Members of the Task Force are selected from Board Members, Technical Advisors or others with relevant expertise as needed. Each project is supported by one or two staff depending on the nature and size of the project.

Outputs:
A new or revised standard(s).

Timing:
Ordinarily, the development of a new or a broadly revised standard will take between 2 to 4 years for less significant project and 3 to 5 years for more significant projects, depending on the nature of the topic and the standard being contemplated. Post-implementation reviews will be undertaken 2-3 years after the effective date of a new or revised standard.
Section II—Narrow Scope Maintenance of Standards

This workstream sets out how the IAASB can be responsive in addressing issues in a more nimble or timely way, [and includes narrow-scope amendments or interpretations relating to specific questions about an approved standard].

[Section still to be developed – there is a separate workstream within the Work Plan for the development of the various aspects of the Framework. As part of the exploration of the narrow scope maintenance of standards, the Steering Committee will look to how other international standard-setters progress changes that are narrower than developing or revising a standard, for example the International Accounting Standards Board]
Section III—Activities to Support Implementation of the IAASB’s Standards

Implementation of the IAASB’s standards is broad and ongoing.

As part of the IAASB’s Strategy for 2020‒2023, the IAASB has undertaken to focus more on specific aspects relating to implementation of its standards, in particular in relation to the first-time adoption of newly revised or developed standards. The IAASB continues to look to, and work with, others (as appropriate) regarding the broader, ongoing guidance relating to its standards (for example, one of IFAC’s strategic objectives is contributing to and promoting the development, adoption and implementation of high-quality standards).

The following sets out the IAASB’s implementation activities related to its standards.

A. IAASB Activities to Support the First-Time Implementation of New and Revised Standards

Purpose:

Developing support materials, and other related activities (e.g., webinars, presentations etc.), to assist with the effective implementation of new and revised standards, in the initial period after a final standard is published. These activities are aimed at supporting the proper implementation, and consistent application, of the IAASB’s standards globally by drawing on the deliberations, viewpoints and basis for decisions made by the Board regarding the relevant standard, and communicating these in a practical and useful way.

Description:

The IAASB’s work does not stop once a new or revised standard is issued—the IAASB has a responsibility to help with facilitating that the changes from new and revised standards are consistently and properly applied. Although broader guidance may be needed as the IAASB’s standards are used, the IAASB’s
greatest value with regard to the application of its standards is when new changes are published. As resources are facing competing demands, the focus of this workstream activity is therefore on the initial period (i.e., 6-12 months) after a standard is finalized. The IAASB may also look to others (such as IFAC or NSS) to collaborate on these initial support activities. The IAASB thereafter looks to others to support further implementation through the development of guidance on a more ongoing basis.

Responsibility and Action

Initial responsibility for determining the appropriate activities related to the implementation materials for new or revised standards is with the Task Force Chair for the relevant project and senior IAASB Staff. It also needs to be determined whether an implementation working group is required, and if so, the Task Force Chair will work with the Technical Director to establish such a group.

A plan for activities to support the implementation of new and revised standards should be established shortly after finalization of a standard, and agreed with the IAASB Chair and Technical Director.

Outputs:

Supporting materials and activities could include one or more of the following (to be determined on nature of the standard, available capacity and stakeholder need):

- At a Glance Documents
- New and Revised Standards: First-Time Application Guide
- Staff publications, such as Questions and Answers, flow charts, illustrations, diagrams etc.
- Webinars
- Videos
- Focused educational presentations
- “Implementation Package” for less complex entities

Timing:

Implementation activities related to new and revised standards are expected to be undertaken in the period immediately following finalization of a new or revised standard, where applicable (i.e., ordinarily a period of 6 to 9 months after approval of a new or revised standard).

B. Implementation Activities to Develop Non-Authoritative Materials

Purpose:

Where a need for non-authoritative materials has been identified, from the IAASB’s information gathering and research activities component, related to a specific issue or challenge, or to an industry where guidance may be needed, non-authoritative materials (as appropriate) will be developed to assist with application or to address an issue or challenge identified.

Description

The documents that fall under this category relating to non-authoritative materials may include:

- International Practice Notes (IPNs) (for audit or assurance).
• Other non-authoritative materials within the IAASB’s remit (such as the guidance document for Extended External Reporting (EER) about how to apply ISAE 3000 (Revised)\(^2\) to such engagements).

• Frequently Asked Questions.

• Staff Publications.

As these documents do not specifically fall under the IAASB’s due process for the development or revision of a standard, the following approval process applies to such documents: [this is an example and will need to be further developed – there will also be something separate for IAPNs]

- **Channel 1**: Guidance is developed and finalized by staff, supervised and reviewed by Deputy Director who has oversight responsibility; Cleared for issue by Technical Director and Chair and/or Deputy Chair of the IAASB.

- **Channel 2**: Non authoritative materials are developed and finalized by a Working Group and staff, including review by Deputy Director who has oversight responsibility; Final recommendation by the Working Group Chair; Cleared for issue by Technical Director and the Deputy Chair or Chair of the IAASB.

- **Channel 3**: Non authoritative materials are developed and finalized by a Working Group and staff, including review by Deputy Director who has oversight responsibility; Obtain external input and concurrence depending on the nature of the non-authoritative materials (expertise) and/or review and concurrence by two Board members or Technical Advisors who are not part of the Working Group; Final recommendation by the Working Group Chair; Cleared for issue by Technical Director and the Deputy Chair or Chair of the IAASB.

- **Channel 4**: Same as Channel 3, but adding before “Final recommendation by the Working Group Chair”, an additional step: Circulate guidance electronically to the IAASB for concurrence and no objection to be published (in which case the involvement of two Board members or Technical Advisors outside of the Working Group may not be needed).

**Responsibility and Action**

A working group will be set up for the development of an IPN. The development of other non-authoritative materials will be undertaken by Staff, with oversight as determined by the Technical Director (and is based on the nature of the document, as well as the specific topic).

**Outputs**

IAPN or other non-authoritative documents.

**Timing**

The process through which the non-authoritative materials will proceed will influence the time needed for development of the non-authoritative material.

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\(^2\) International Standards on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information
Ongoing Implementation of the IAASB’s Standards [This section still to be further developed]

The IAASB will continue to collaborate with others regarding the development of guidance, as needed. This may include:

- IFAC—who, through its focus on implementation activities in its strategy, promotes implementation of the IAASB’s standards, develops guidance, shares best practice, and surveys for implementation challenges.

- NSS—who continue to develop guidance and other related materials to support application of the IAASB’s standards.