

Bridging the gap between academia and standard setters

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ABSTRACT.

Purpose

This commissioned paper reviews literature outlining reasons for a perceived gap between academics and standard setters as policy makers. It emphasises how academics and standard setters can collaborate on accounting and audit research and assist standard setters to act in the public interest.

Design/methodology/approach

The approach is primarily a literature and document review of relevant issues, summarising New Zealand's standard setting arrangements, providing examples of successful policy-changing research, and making recommendations on future research topics.

Findings

Despite the long-held views of a gap between academic researchers and standard setters, increasingly standard setters utilise research and request input from academics in their deliberations. Standard setters can increase the likelihood of relevant research by promoting critical issues for research and connecting their practitioner networks with academics. Academics can bridge the gap by selecting topics of mutual interest, and communicating their findings widely and well.

Practical implications

Increasing collaboration should lead to better accounting and audit standards.

Originality/value

This paper highlights matters of concern in the New Zealand standard setting environment where there is a strategic objective to undertake research.

Key words

Audit standard setters; financial accounting standard setting; public interest; legitimacy; regulation; research; standard setters; standards

Article Classification: Viewpoint

Acknowledgements

This paper has been reviewed for accuracy by senior staff at the New Zealand standard setter.

Bridging the gap between academia and standard setters

1. Introduction

A distinguishing feature of universities is that ‘they accept the role as critic and conscience of society’ (Education Act 1989, s. 4(a)(v)). In particular, the Act differentiates universities as undertaking research to advance knowledge and promote community learning. Increasingly, universities are funded on the impact of such research. Nevertheless (as discussed below), measurements of research impact prioritise academic readership, rather than the wider community who may need this knowledge to improve their own performance.

Laughlin (2011) considered the accounting professional community comprises three elements: accounting research, policy and practice. Taking the first two of these elements, it is the purpose of this paper to analyse how research in financial accounting and auditing may engage policy-makers, and thus, change practice. The policy-makers in question are accounting and auditing standard setters, who drive local and international practice.

The globalisation of standards, and changes in practice and standard setting, provide many opportunities for research (Humphrey, 2008; Hay, 2014). Unfortunately, Parker’s (2007, p.39) literature review notes that published research reveals a "*reluctance to engage major policy questions and broader reporting constituencies*". Accordingly, the research questions for this ~~paper~~ paper are: firstly, what types of research could be useful for standard setters; and secondly, what could researchers and standard setters do to bridge any gap separating them?

Prior research has critiqued three aspects of standard setting activities: lobbying, impact, and issues in accounting and auditing. First, a wealth of academic literature analyses constituents’ lobbying and whether the promulgated standards reflect that lobbying (e.g. Watts & Zimmerman, 1978; Tandy & Wilburn, 1992; Baskerville & Pont Newby, 2002; Zeff, 2002; Durocher & Fortin, 2010). Secondly, academic research assesses the impact of standards on accounting and auditing practice (e.g. Gold, Gronewold & Pott, 2012; Chiang, 2010; Chiang & Northcott, 2010; Asare & Wright, 2012; Aversano & Christiaens, 2014) and teaching (e.g. Cordery, 2013). Thirdly, researchers develop projects separately or in combination with standard setters, analysing issues facing accounting and auditing standard setters (e.g. Ewert & Wagenhofer, 2012). We concentrate on this latter topic. While New Zealand is the context of our specific examples, the paper will be relevant to other jurisdictions where standards

setters are, in effect, standard-takers, and utilise international standards as a basis for the majority of their standard setting activities.

This paper first briefly considers theories underpinning standard setters' roles and how these signal the need for academics and standard setters to be mutually supportive. Next, it identifies New Zealand's standard setting bodies, followed by a consideration of what constitutes research from both standard setter and academic viewpoints. Selected examples enable us to determine a range of research that could be useful for standard setters, and to recommend how any gap between academia and standard setters may be bridged.

2. Standard setting theories: public interest and avoiding regulatory capture

Standard setters, as policy makers, co-regulate financial reporting (Irvine & Ryan, 2013) along with entities such as (in New Zealand) the Financial Markets Authority, Department of Internal Affairs - Charities Services and the New Zealand Stock Exchange. While discussions of regulation are complex, it is generally agreed that public interest and public choice theories are relevant. The public interest theory of regulation asserts that regulation is necessary to deal effectively with substantive resource distribution problems (Christensen & Læg Reid, 2006), as financial statement preparers will prefer their private interests rather than the public interest. Due to information asymmetry, actions in the private interest are not always visible. A common standard setting tool is therefore to mandate disclosure of specific items to reduce information asymmetry. Indeed, financial reporting regulation within the securities markets originated as a reaction to insufficient voluntary disclosure to maintain an internationally efficient marketplace (Solomons, 1978). By restricting incentives and opportunities for manipulating reporting, regulators aim to restore market confidence, encourage investor participation, and improve issuers' governance (Solomons, 1978). Broadbent & Laughlin (2005, p. 207) endorse the importance of public interest regulation, stating: "*where this public interest is perceived **not** to be upheld, then tension between the government of the time and (primarily) the accounting standard-setting bodies is inevitable*". Nevertheless, complying with accounting standards incurs cost for preparers, including the need for financial statement audit.

Public choice theory is less positive about regulation, stating that the public interest is often not realised due to rational ignorance, the self-interest of regulators, and regulatory capture

(Christensen & Lægreid, 2006). To reduce the danger of regulatory capture, there is a need for independence in funding, and for due process (Gipper, Lombardi & Skinner, 2013).

Due process builds legitimacy which is necessary for a standard setter, if its standards are to be followed. Therefore, common research themes include: legitimacy, constituents' lobbying and regulatory capture (Shapiro, 1997; Cooper & Robson, 2006). Many of these academic studies cover standard setters from the United States (Johnson & Solomons, 1984; Tandy & Wilburn, 1992; Fogarty, 1994; Young, 1994; Christensen & Mohr, 1999), Canada (Baylin, Macdonald & Richardson, 1996; Durocher, Fortin & Côté, 2007; Durocher & Fortin, 2010), New Zealand (Baskerville & Pont Newby, 2002; Sinclair & Bolt, 2013), and the International Accounting Standards Board (IASB) (Lawson, 2007; Larson & Kenny, 2011; Zeff, 2002, 2006, 2012).

Given the role of standard setters to promote the public interest, and the role of universities to be a critic and conscience of society (in the public interest), it is apposite for researchers to engage in the standard setting process. Thus, academics become members of standard setters' boards, both internationally and domestically (e.g. Whittington, 2005; Bradbury & van Zijl, 2007). Further, as noted here, academics undertake a range of research on standard setting, financial accounting and auditing that could bring an independent viewpoint and build better standard setting (Ewert & Wagenhofer, 2012). A challenge is to impact policy, as tax researchers have in Australia, where:

The prior research of former tax academics has been instrumental in shaping the tax landscape we know today. McKerchar (2011, p. 53)

In accounting and auditing, there remains the perception of a 'gap' between academia and standard setters (Inanga & Schneider, 2005). For a number of authors, this gap occurs due to a 'fundamental flaw' in accounting that arises from a perceived lack of theory in accounting practice, and thus, a disconnection between practice and theory (Inanga & Schneider, 2005; Hopwood, 2007, 2008, 2009; Baldvinsdottir et al., 2011; Chalmers & Wright, 2011), which could be because practitioners and academics operate in 'different worlds' (Guthrie, Burritt & Evans, 2011). For example, in addition to a theoretical emphasis, it is suggested that academics are elitists, using jargon and failing to communicate with practitioners. Singleton-Green (2010) identified eight reasons for a communication gap between academics and policy makers, including: topics being spread over several journal publications, and practitioners considering that accounting research is remote. Singleton-Green (2010, p. 137) noted the:

... best way to overcome the problem of the volume of research and the diversity of places in which it is published is to find an academic who can act as a guide through the literature and summarise its key findings.

Conversely, some note that policy makers and accounting practitioners ignore accounting research (Wyatt, 1989; Laughlin, 2011), despite its potential to add to the public interest.

Laughlin (2011, p. 24) considered that extra effort is needed, noting:

Researchers who do want to engage in policy and practice have to not only do the research and disclose something of value but also sell their ideas to policy or practitioners who are not required to listen.

We argue in this paper that, in addition to improved communication between academics and standard setters, there is also a need to broaden the concept of 'research' to encompass policy-makers' concerns, and for standard setters to encourage such 'research'. First, we describe the context for this paper by outlining New Zealand's standard setting environment.

3. New Zealand's Standard Setting Arrangements

New Zealand's standard setting history dates back to the early 1960s, with the professional accounting body (the New Zealand Society of Accountants) being solely responsible, until the Accounting Standards Review Board (ASRB) was established as an independent Crown Entity under the Financial Reporting Act 1993 (Bradbury & van Zijl, 2007; Cordery & Simpkins, 2016). The ASRB was authorised to approve accounting standards, but could not develop them, thus the profession (by then renamed the New Zealand Institute of Chartered Accountants) continued to develop accounting and auditing standards (through the Financial Reporting Standards Board (FRSB) and Professional Practices Board (PPB) respectively). While harmonisation with Australia and international standard setters became increasingly important, the ASRB's decision in 2002 to adopt International Financial Reporting Standards (IFRSs) signalled that the accounting standard setter was to become mainly a standard-taker (Cordery & Simpkins, 2016), with a similar change for the PPB when it announced adoption of International Standards on Auditing (ISAs) in 2005 (PPB, 2005).

Strategic management of New Zealand's standard setting was necessary to respond to the new global agenda and, from 1 July 2011, the ASRB was renamed the External Reporting Board (XRB). Its membership increased (from six to nine); currently none are academics. The XRB established and delegated authority for financial reporting, and auditing and assurance

standard setting to two sub-committees (often referred to as sub-boards): the New Zealand Accounting Standards Board (NZASB) and New Zealand Auditing and Assurance Standards Board (NZAuASB) (Cordery & Simpkins, 2016; XRB, 2016). Further, under s. 12(e) of the Financial Reporting Act 2013, the XRB must liaise with international or national organisations that perform similar functions to those conferred on the Board.

The XRB's standard setting performance is heavily dependent on the performance of the NZASB and the NZAuASB and its staff, as they undertake the majority of the XRB's standard setting business. Thus, the XRB Board monitors the sub-Boards' performance by establishing goals and receiving regular progress reports (XRB, 2016).

3.1 New Zealand Accounting Standards Board

The NZASB has delegated authority from the XRB Board to develop or adopt and issue accounting standards and appropriate guidance material for general purpose financial reporting (GPFR) by entities required to prepare GPFR under New Zealand legislation (XRB 2011a). Its ten member board includes one academic. Issued standards must be consistent with the Accounting Standards Framework, which requires different suites of standards for for-profit entities and public benefit entities (PBEs) (XRB, 2015a). PBEs include public sector PBEs and not-for-profit PBEs.

Due to New Zealand's multi-standards Accounting Standards Framework and the XRB's strategic role, the NZASB is expected to liaise with, and contribute to, the work of the IASB and the International Public Sector Accounting Standards Board (IPSASB), including making submissions on exposure drafts issued by these bodies, assisting on their projects (where applicable), and participating in standard setters' forums. In addition, the NZASB is required to liaise with the Australian Accounting Standards Board (AASB) so that both countries have similar standards for for-profit reporters (XRB, 2011a). Consequently, the Chair of the AASB is a member of the NZASB (and vice versa). A final expectation is that the NZASB will undertake or commission research on financial accounting issues relevant to GPFR.

3.2 New Zealand Auditing and Assurance Standards Board

The NZAuASB has delegated authority from the XRB Board to develop or adopt and issue auditing and assurance standards (including professional and ethical standards for auditors) for engagements required by statute (XRB, 2011b). The NZAuASB also issues "Other Assurance Standards" in accordance with an authority provided by the New Zealand Minister

of Commerce, and necessary guidance material to support its standards. Its ten member board includes one academic.

Due to New Zealand's adoption of ISAs, and the strategic role of the XRB, the NZAuASB is expected to liaise with, and contribute to, the work of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA), including making submissions on exposure drafts, assisting on their projects (where applicable), and participating in forums of other standard setters. In addition, the Chair of the Australian Auditing and Assurance Standards Board (AuASB) is a member of the NZAuASB (and vice versa) (XRB, 2011b). A final expectation is that the NZAuASB will undertake or commission research relating to auditing and assurance or matters concerning professional and ethical conduct.

3.3 Other bodies

The XRB also operates two further groups: the External Reporting Advisory Panel (XRAP), and the NZASB's Technical Reference Group (TRG).

EXTERNAL REPORTING ADVISORY PANEL

The XRAP provides a forum for the XRB and its two sub-boards to consult with individuals and representatives of organisations affected by their work (XRB, 2014a). It allows constituencies' views to be heard by the standard setters, therefore XRAP members are expected to act 'as champions' for constituents. Its 18 members include one academic, and a wide cross-section of constituents: i.e. preparers, users and auditors; large companies, small and medium companies, SOEs, central government, local government, not-for-profit organisations; and shareholders, directors, chief executives, chief financial officers, and advisors (XRB, 2016).

NZASB TECHNICAL REFERENCE GROUP

The TRG provides a forum for the NZASB and expert constituents to discuss technical accounting issues, particularly those relating to the practical application and implementation of accounting standards (NZASB, 2014). Similar to the XRAP, the TRG is a consultative, rather than a decision-making group. None of the current eight members are academics.

As the XRB and its sub-boards are empowered to undertake or commission research to further their work, we now turn to different conceptions of 'research'.

4. What constitutes 'research'?

4.1 Standard setter perspective

Schipper (1994) defines the most relevant research for standard setting as being *ex ante*, timely, comprehensive and decisive. This is at odds to the incremental research in social science, which may also be equivocal and protracted (Schipper, 1994; Inanga & Schneider, 2005).

Standards setters have a broader meaning of ~~'research'~~ 'research' that covers both their due process and separate research projects. In terms of due process the XRB and its sub-Boards communicate with relevant constituents (Financial Reporting Act, 2013, s.22; XRB, 2014b; XRB, 2014c) and generate summaries of these views. The Boards seek constituents' views through requesting submissions to exposure draft (EDs) and other matters. The Boards use various methods to communicate and gather the views of their constituents e.g. via emailed communiqués (e.g. NZAuASB, 2015), through workshops, public presentations and podcasts, and constituents' working groups (for example the working group for 'Simple format reporting for NFP entities' (XRB 2011c)). In addition to XRAP and TRG, the Boards undertake stakeholder outreach, including inviting key constituents to relevant Board meetings.

Standard setters' staff also undertake their own 'research', while assessing academic work where possible (as can be seen by the IFRS Research Centre's summaries of research impact).¹ This includes commissioned 'research' (e.g. XRB's Request for Research Proposal (XRB, 2014d) and the IAASB's auditor reporting project (IAASB, 2015)), and supporting research students on projects of mutual interest, through access to data and small amounts of funding (e.g. Cordery, 2012). Thus it can be seen (as noted by Carlin, 2011), that successful standard setters utilise large networks within the accounting profession and beyond, which aid the 'research' process.

4.2 Academic perspective

In New Zealand, individual academics are scored on the quality of their 'research' by the Performance Based Research Fund (PBRF).² Many New Zealand universities utilise the

¹ See: <http://www.ifrs.org/IFRS-Research/Research-impact/Pages/Home.aspx>.

² Other countries also operate team-based performance-based research funding systems designed to assess research quality, encourage research excellence in tertiary institutions, and reward high performance including: Australia's Excellence in Research for Australia (ERA); United Kingdom's Research Assessment Exercise (RAE); Hong Kong's Research Assessment Exercise (RAE); Denmark's Bibliometric Research Indicator (BRI); and Norway's Performance-Based Reallocation (PBR) (Ministry of Education, 2015).

Australian Business Deans Council (ABDC) Journal Quality list (ABDC, 2013), which ranks over two thousand journals to assess quality from A* (7% of journals at ‘the top’) to C (44% of journals at ‘the bottom’). Unfortunately, Oler, Oler & Skousen (2010) found that highly ranked journals increasingly publish archival research analysing the effect of economic events on reporting and vice versa, rather than practical issues affecting policy-makers. This widens the gap between academia and the profession. Indeed, as Carlin (2011, p. 96) asserts: "*accountants in practice had rarely heard of the journals many accounting scholars regard as leading outlets for research*". Thus, Guthrie et al. (2011) suggest publishers must also assist in communicating research findings.

In addition to performance based research funding systems, many business schools are accredited to bodies such as the Association to Advance Collegiate Schools of Business International (AACSB International) that also focus on journal quality. Nevertheless, the "Impact of Research Task Force" (AACSB, 2008) considered there was an excessive focus on counting publications, rather than practical contributions. Others concur, with the American Accounting Association's (AAA) Research Impact Task Force (Moehrle, et al., 2009) recommending that stakeholders are made aware of the positive effects of academic accounting research. This is a helpful recommendation to bridging any gap, and will require academics to also highlight practical considerations from their ‘research’ as well as noting areas for further 'research'.

Given evidence of different 'research' approaches, what academic research is useful for standard setters?

5. What academic research has been useful for standard setters?

Four different types of research has been (or could be) useful for standard setters: (i) awareness-raising on specific issues; (ii) post-implementation reviews of standards (or similar); (iii) lessons from standard setter actions to respond to the public interest; and (iv) user needs 'research'.

5.1 Awareness-raising on specific issues

Awareness-raising works well for both academics and standard setters when the issue is one which concerns standard setters, but can be converted into high quality academic journal outputs. The IAASB's Auditor Reporting project demonstrates an example of such a positive collaboration. In 2006, the IAASB and the Auditing Standards Board of the American

Institute of Certified Public Accountants (AICPA) commissioned academics to "*identify and provide information and insights on user perceptions regarding the financial statement audit and the auditor's report*" (IAASB, 2015, p. 1).

From the IAASB's perspective, this 'research' evidenced a need to review the form of the auditor report, and critically informed their debates (IAASB, 2011). The academics gained prestigious funding, and publishing opportunities. As shown in Table 1, the research resulted in reports published on the IAASB's website and articles published in A* and A grade academic journals (ABDC, 2013).

Table 1: Commissioned audit research and academic publications

AICPA/IAASB commissioned research	Academic output/s from research
Asare, S. K. (2009, September). Investors', auditors', and lenders' understanding of the message conveyed by the standard audit report.	Asare, S. K. & Wright, A. M. (2012). In <i>Accounting Horizons</i> . A grade (ABDC, 2013) .
Gold, A., Gronewold, U., & Pott, C. (2009, July). Financial Statement Users' Perceptions of the IAASB's ISA 700 Unqualified Auditor's Report in Germany and the Netherlands.	Gold, A., Gronewold, U. & Pott, C. (2012). In <i>International Journal of Auditing</i> . A grade (ABDC, 2013) .
Mock, T. J., Turner, J. L., Gray, G. L., & Coram, P. J. (2009, May 11). The Unqualified Auditor's Report: A Study of User Perceptions, Effects on User Decisions and Decision Processes, and Directions for Further Research.	Mock, T. J., Bédard, J., Coram, P. J., Davis, S. M., Espahbodi, R. & Warne, R. C. (2013). In <i>Auditing: A Journal of Practice & Theory</i> . A* grade (ABDC, 2013) .
Porter, B., Ó hÓgartaigh, C. & Baskerville, R. (2009, September) Report on Research conducted in the United Kingdom and New Zealand in 2008 Investigating the Audit Expectation-performance Gap and Users' Understanding of, and Desired Improvements to, the Auditor's Report.	Porter, B., Ó hÓgartaigh, C. & Baskerville, R. (2012). In <i>International Journal of Auditing</i> . A grade (ABDC, 2013) .

Further awareness-raising examples are Chiang (2010) and Chiang & Northcott (2010), who studied current practices of auditing environmental matters informed by New Zealand's equivalent of the International Auditing Practice Statement (IAPS) 1010 *The consideration of environmental matters in the audit of financial statements* (IAASB, 1998). Chiang (2010) found auditors were reluctant to consider non-financial impacts in a financial statement audit. This research would have been useful for the IAASB if they had been made aware of the research as they developed International Statement on Assurance Engagement (ISAE) 3410 *Assurance Engagements on Greenhouse Gas statements* (XRB, 2014g).

In financial reporting, especially with the IPSASB's recent conceptual framework and the IASB's ongoing development of its conceptual framework, research opportunities abound. For example, the European Financial Reporting Advisory Group (EFRAG) and the Institute of Chartered Accountants of Scotland (ICAS) commissioned Cascino et al. (2013) to analyse how capital providers use information (and specifically how relevant the stewardship objective is). This also resulted in a publication (Cascino et al. 2014) in *Accounting in Europe B grade (ABDC, 2013)*. Cordery & Sim (2014) analysed data collected by students hosted by the XRB and funded by the Charities Commission, to indicate the characteristics of cash and accrual reporters, which may lead to more relevant standards.

5.2 Research helpful for post-implementation reviews (PIR) (or similar)

PIRs represent the final step in standard setters' due process, being undertaken two or more years after the standard is implemented (Ewert & Wagenhofer, 2012). These highlight matters such as implementation costs and whether users enjoy more benefits following a change in a standard. Ewert & Wagenhofer (2012) argue that PIRs are ideal for academic research as they are less time-bound (allowing for the development of theory), and the objectives of the standard and the outcomes observed are clearly linked, allowing for decisive results. They detail a PIR procedure for standard setters to utilise academic research.³

Standards analysis (even when not a formal PIR) is also useful, indeed such *ex post* research reduces the likelihood that academics will face normative questions which Barth, Beaver & Landsman (2001) argue need more comprehensive analysis than a 'typical academic study'. Barth et al. (2001) suggest that *ex post* value relevance research is an example of research informative for standard setters.

³ The IASB, IPSASB, IAASB, IESBA, FASB, GASB and possibly others have conducted PIRs-, but to our knowledge, have not used academics in the past.

Aversano & Christiaens (2014) investigated to what extent IPSAS 17 *Property, Plant and Equipment* (IPSASB, 2001) addressed user needs for governmental financial reporting of heritage assets, by surveying the Italian local government i.e. the mayors and councillors. They determined that 57% of these users' needs were not addressed by IPSAS 17. This research would be useful for IPSASB to consider when it next reviews IPSAS 17, and the research could escalate this up IPSASB's agenda.⁴

5.3 Lessons from standard setter actions to respond to the public interest

Analysis of constituents' lobbying and standard setter legitimacy to demonstrate that they act in the public interest is perhaps the most frequently researched academic topic in this area. New Zealand commentators include Baskerville & Pont Newby (2002), whose observations of an earlier New Zealand standard setting regime's due process failure between 1993 ~~to~~ and 1996 ~~may~~ 1996 may well have encouraged the recent moves to wider consultative processes. Indeed, Sinclair & Bolt (2013) report on the successful consultative processes of the earlier ASRB and current XRB when it progressed the multi-standard Accounting Standards Framework.

In an international, globalised financial reporting environment, other jurisdictions' studies are helpful.⁵ For example, extensive 'research' has sought to understand stakeholders' needs in the United Kingdom and Ireland, to underpin their Charities Statements of Recommended Practice (SORPs) (Charity Commission & Office of the Scottish Charity Regulator, 2014). This research directly impacted the SORPs, and several academic outputs, including Connolly, Hyndman, & McConville (2013) in *The British Accounting Review* **A grade (ABDC, 2013)** and Connolly & Hyndman (2013) in *Qualitative Research in Accounting and Management* **B grade (ABDC, 2013)**.

5.4 User needs 'research'

Undertaking 'research' to determine users' needs is an important factor for standard setters seeking to derive standards that will meet users' needs (Gold et. al, 2009, 2012). Massey University were awarded the XRB's first research contract after a public request for research proposal (XRB, 2014d). Massey University presented their findings at the XRB's December 2015 meeting (XRB, 2015b) on their research on the information needs of users of capital

⁴ Standard setters' forums also work together on difficult standards (such as the Asian-Oceania Standard Setters Group's research on IAS 41 *Agriculture*).

⁵ For example, Australia is reconsidering its financial reporting framework for not-for-profit entities in light of the New Zealand experience.

market entity financial reports. The findings of this will be made public in early 2016. The XRB consider this "*is the first research into user-needs in New Zealand since the introduction of the NZ IFRS*" (XRB, 2015b, p.1).

6. What new research could bridge the gap and support standards' development?

Financial accounting and auditing academics are encouraged to be informed about practitioners' concerns and to collaborate on solving these with their respective standard setters (Stevenson, 2011). Avenues supportive of standard setting work include: (i) research identified in standard setters' strategic plans; (ii) consultation on standard setters' agenda; and (iii) specific research areas.

6.1 Strategic Plans

The XRB and its two sub-boards work under a strategic plan for 2014 to 2019 entitled "Giving Life to the User-Needs Framework". It identifies five strategies (XRB, 2014e):

1. Maintain and enhance existing standards;
2. Undertaking user-needs research;
3. Influence the International Bodies;
4. Enhance constituency engagement and support; and
5. Maintain capability within a financially prudent organisation.

Research of interest could focus on any of these, but particularly strategy two i.e. research to determine users' needs. The strategic action plan (XRB, 2014f) identifies that some research will be conducted in-house and others outsourced, providing researchers with opportunities to tender for research (e.g. XRB, 2014d), and tailor their own research projects to meet the XRB's action plan. This plan calls for research identifying the: needs of capital market users; needs of users of for-profit tier 2 (who use Reduced Disclosure Regime (RDR)); needs of users of public sector tier 1 reports; needs of users of public sector tier 2 reports (who also use RDR); and needs of key not-for-profit users (XRB, 2014f). Specific assurance research is required on: the demand for assurance for small not-for-profit entities; extent of assurance provided; scope of other assurance, extent of multiple assurance engagements, and the extent of direct assurance (XRB, 2014f). The effect of the multi-standards and RDR frameworks will also need to be reviewed (XRB, 2014f).

6.2 Agenda Consultations

Stevenson (2011) recommended that researchers should consider what the research user is 'losing sleep over'. Scarce standard setting resources give rise to agenda consultations to

assist prioritisation, and these are likely to cause standard setters to have sleepless nights. The international standard setting bodies consult widely on their agenda. Academics could articulate why different avenues of interest should be included in these agendas (Pelger, 2015), although scepticism may arise if research is used selectively, or the academic becomes 'captured' by the standard setter. Indeed, Larson, Herz & Kenny (2011, p. 97) consider "*the time is right for academics, through their research, insights, and perspectives, to make significant contributions to the IASB*". The establishment of the IFRS Research Centre, conferences, and greater use of academic research by the standard setters, is welcomed.

6.3 Specific Research Areas

Key areas requiring research include: audit quality, long association of assurance partners, and PIRs.

AUDIT QUALITY

Professor Arnold Schilder (Chairman of the IAASB) in New Zealand during November 2015 hosted by the XRB, publicly confirmed the importance of audit quality (Schilder, 2015a). He noted that the business environment is changing, including changes to audit firms' business models and the conduct of audits (e.g. group audits including entities across different time zones and countries). Stakeholders demand the IAASB address practical challenges for audit firms in terms of quality control, especially in light of small to medium practices, and inspections emphasising consistent deficiencies.

While developing the audit quality framework the IAASB (2013, p. 66), identified⁶ a number of areas to explore "*that may benefit audit quality on a global basis*". The authors of this paper contend that some could be framed as individual research projects, including:

- i. Establishing global guidance against which audit firms can assess their governance arrangements - by researching what users consider should be in this guidance;
- ii. Establishing a common understanding of capabilities affecting audit quality, their demonstration and assessment, for audit firms to use when recruiting, evaluating, promoting, and remunerating partners and staff - by interviewing stakeholders to determine their understanding of capabilities that affect audit quality; and

⁶ IAASB (2013, January) "Appendix 1: Areas to explore", *A framework for audit quality*. pp 66-68. Available <https://www.iaasb.org/system/files/publications/files/A%20Framework%20for%20Audit%20Quality.pdf>

- iii. Evaluating (with a goal to improving) information sharing between audit firms following auditor resignation or other removal from an audit engagement - by user needs research as to what information users want and whether what they currently receive is sufficient;

LONG ASSOCIATION OF ASSURANCE PARTNERS

Globally, some commentators have contributed some blame for companies' collapse on the lack of auditor independence. Conversely, the limited supply of auditors in some countries means that the rotation requirements promulgated by the IESBA (2014) may not be achievable. Research determining the safeguards (if any) utilised by auditors in countries with a limited supply of auditors, such as Australia and New Zealand, would be beneficial. This is particularly relevant when stock exchanges and international bodies increasingly prescribe maximum periods of auditor engagement. How can auditors in these countries ensure their independence, and what tools do they use to ensure this?

POST IMPLEMENTATION REVIEW AND DEVELOPMENT OF STANDARDS

The views of constituents on new standards for financial reporting (e.g. IFRSs, IPSASs) or assurance (e.g. ISAs) will continue to be important. The IAASB has not published a future list of PIRs, nevertheless, as "*stakeholders want more relevant and decision-useful information about the entity and the financial statement audit*" (Schilder, 2015b, it will be important to determine whether ISA701 *Key Audit Matters* has enabled auditors to meet their stakeholders' needs.

In respect of financial reporting, as IPSASB develops its unique public sector standards further, it has identified a number of areas that could benefit from future 'research', including: public sector measurement, (as previously noted) IPSAS 17 with respect to heritage and infrastructure assets, developing IPSAS 9 *Revenue* and IPSAS 23 *Revenue from Non-Exchange Transactions (taxes and transfers)*, and the inverse - non-exchange expenses (IPSASB, 2015). In the for-profit space, the IASB note that PIRs for IFRS 10 *Consolidated Financial Standards*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in other Entities*, and IFRS 13 *Fair Value measurement*, are to be reviewed in 2016 and have invited research to underpin those reviews.⁷ In addition to empirical research, as noted by Singleton-Green (2010, p. 137), academics can "*act as a guide*" through literature in these areas.

⁷ See <http://www.iasplus.com/en/resources/ifrsf/due-process/iasb-post-implementation-review-process>.

7. Conclusion

So where to from here? Standard setters and academics have mandates to work in the public interest (Solomons, 1978; Education Act, 1989; Broadbent & Laughlin, 2005), and evidence suggests that this occurs. Academics are active on standard setting bodies, make submissions, undertake commissioned 'research' and publish in areas of interest. Nevertheless, 'research' that is relevant to policy makers does not finish when the analysis is complete, as Stevenson (2011, p. 103) states "*it is important to educate the community about the findings of the research*", whether through traditional means, social media, or direct contact with the standard setter. When academics work on projects of mutual interest and communicate their findings well, they will go some way to bridging any gap between themselves and standard setters.

Standard setters increasingly utilise 'research' to underpin their deliberations as part of the due process and to gain a broad view of issues. So what types of 'research' could be useful for standard setters? This paper determined that standard setters use in-house research and consultations (in New Zealand's case this includes the XRAP and TRG and composition of the XRB, NZASB and NZAuASB), as well as commissioned 'research'. These actions reduce the spectre of rational ignorance and regulatory capture (Christensen & Læg Reid, 2006; Gipper et al. 2013).

What could researchers and standard setters do to bridge any gap separating them? This paper suggested a range of future research topics where academics could assist standard setters with solutions, and standard setters could promote other relevant topics. As Carlin (2011) noted that academics sometimes lack contacts, the standard setter can increase the likelihood of relevant research by connecting their practitioner networks with academics. By inviting academic research, providing access to contacts, and utilising the results, standard setters will go some way in bridging any gap between themselves and academics.

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