Discussion Paper: The Engagement of Stakeholders in Professional Standards Setting Process

September 2023
1. Introduction

Supreme Audit Institutions (SAIs) play a critical role in ensuring transparency and accountability in the management of public resources. To achieve this, SAIs adheres to professional standards that guide their auditing practices and ensure the quality and reliability of their audit reports, which can be used by several stakeholders like Government entities, Parliament, International Organization, and others. Thus, the engagement of stakeholders in the standards-setting process is crucial because it ensures that the standards reflect the needs and perspectives of all relevant parties. This will help to promote transparency and accountability, as stakeholders are given an opportunity to provide feedback on the standards. The engagement of stakeholders in the professional standards-setting process also promotes the credibility of SAIs and enhances public trust in their work. Furthermore, stakeholders’ engagement in the standards-setting process can promote the adoption and implementation of the standards later once they are endorsed and published.

As a matter of fact, generally professionals such as auditors and IT specialists engagement in the standards-setting process provides an opportunity to contribute to the development of standards that reflect their needs and interests, this approach helps promote the adoption and implementation of the standards by professionals, as they are more likely to support standards that reflect their needs and interests. On the other hand, policymakers’ engagement in the standards-setting process helps promote good governance and enhance public trust in government.

In this discussion paper, the aim is to share the benefits of the engagement of stakeholders in professional standard sitting process, taking into consideration the opinions of international organizations that sit widely accepted audit standards like the International Federation of Accountants (IFAC) and the Institute of Internal Auditors (IIA) and donors like the World Bank. It will not necessarily have to articulate a definitive position but can provide suggestions, questions, or ideas for further consideration.
2. Background

There is no clear or specific indicator published publicly about the number of stakeholders contributing and commenting during the exposure draft process in INTOSAI standards setting; for example, according to the ISSAI’s website, there are only 6 comments on project “GUID 5280 - Guidance for audits public procurement” and all made by SAIs. This emphasizes the issue regarding the need to expand and encourage stakeholder engagement in professional standards setting in general.

The following table shows the number of responses received from SAIs and other stakeholders regarding a sample of standards or guidelines projects:

<table>
<thead>
<tr>
<th>Project</th>
<th>Responses received</th>
<th>Percentage of responses by other stakeholders (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Pronouncements on Auditor Competence</td>
<td>16 1</td>
<td>6</td>
</tr>
<tr>
<td>Consolidate and improve INTOSAI practice notes to ISSAIs – GUID 2900</td>
<td>3 -</td>
<td>0</td>
</tr>
<tr>
<td>Provide Guidance on Compliance Auditing</td>
<td>7 -</td>
<td>0</td>
</tr>
<tr>
<td>Public Procurement audit</td>
<td>6 -</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: [www.issai.org](http://www.issai.org)

In addition, in several PSC Steering Committee meetings, the World Bank was incredibly critical of the audit reports that SAIs produce, despite them being ISSAI compliant, which would explain why many donors are hesitant to utilize SAIs in auditing donor-funded projects.
3. Methodology

The methodology for this discussion paper involves identifying articles and research about the engagements of stakeholders in the Professional Standard sitting for different international organizations like the IFAC & IIA. In addition to that, the discussion paper will depend on the responses from interviews conducted with representatives from international organizations that sit widely accepted audit standards like the IFAC and IIA and donors like the World Bank:

<table>
<thead>
<tr>
<th>Coordinator Name</th>
<th>Position</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mona El-Chami</td>
<td>Senior Financial Management Specialist</td>
<td>World Bank</td>
</tr>
<tr>
<td>Katleen Seeuws</td>
<td>VP Standards &amp; Guidance</td>
<td>IIA</td>
</tr>
</tbody>
</table>

4. Discussions Points (Who, Why and How)

A) Who should be involved?

Research issued in April 2015 by (IFAC), emphasized the issue of engagement of different stakeholders, and concluded that effective stakeholder engagement is essential to building and utilizing relationships with regulators, government, press elected officials, academia, and other organizations. It is better to understand the objectives and motivations of these groups and align and communicate the INTOSAI message to maximum impact.

The (IIA) on the other hand, in their major project of developing the new International Professional Practices Framework (IPPF), was considering during the second phase of the project, engaging the stakeholders broadly, which included the internal auditors, companies, government entities, international institutions, and other organizations. The IIA objective is to create standards- sitting process that takes into consideration the public interest and enhance the approach to soliciting and carefully considering input from stakeholders interested in the future of internal auditing standards.
B) Why should they be involved?

The (IFAC) and (IIA) believe that involving stakeholders in the audit standards-setting process can lead to better standards and greater acceptance of those standards. Stakeholders, such as investors, regulators, donors, users, and auditors, have a vested interest in the quality and reliability of financial reporting and auditing, and their input can help ensure that audit standards are relevant, practical, and effective. By involving stakeholders in the standards-setting process, the standards are more likely to reflect the needs of the users of financial statements, and the standards are more likely to be implemented and followed by auditors. Additionally, involving stakeholders in the standards-setting process can increase transparency, accountability, and trust in the auditing profession. When stakeholders are involved in the process, they can see firsthand how the standards are developed, and they can provide feedback and input on the standards. This can help build trust between auditors and stakeholders and enhance the credibility of the auditing profession.

For example, in 2012, the International Auditing and Assurance Standards Board (IAASB), which is part of IFAC, sought input from a wide range of stakeholders as it revised its standards on auditor reporting. The IAASB received input from investors, auditors, regulators, and other stakeholders, which helped inform the final standards. The resulting standards, which were issued in 2015, require auditors to provide more information in their reports about their work and the financial statements they audited. This increased transparency is intended to enhance the usefulness and relevance of audit reports for investors and other stakeholders.

Another example for the importance of stakeholders’ involvement in standards sitting is what has been performed in 2018 by the Public Company Accounting Oversight Board (PCAOB) (which regulates auditors of public companies in the United States), as they sought inputs from stakeholders to it revise its standards on auditing accounting estimates and fair value measurements. The PCAOB received feedback from auditors, investors, preparers, and other stakeholders, which helped inform the final standards. The resulting standards, which were issued in 2018, require auditors to use professional skepticism and exercise greater judgment in their auditing of accounting estimates and fair value measurements, which are
often complex and subjective. This increased rigor is intended to improve the quality and reliability of financial reporting for investors and other stakeholders, and stakeholders’ engagement was very important there to ensure acceptance and compliance with the revised standard.

C) How should they be involved?
IFAC and IIA have provided guidance on how stakeholders can be involved in the standards-setting process. Here are some of the ways stakeholders can be involved (as found based on the research of publicly available documents and during the discussion with World Bank and IIA):

1. **Providing feedback on exposure drafts:** Standards-setting bodies typically issue exposure drafts of proposed standards for public comment. Stakeholders can review these exposure drafts and provide feedback on the proposals. This feedback can help the standards-setting body refine the proposals before finalizing the standards.

2. **Participating in roundtable discussions:** Standards-setting bodies may hold roundtable discussions or other forums to gather input from stakeholders. Stakeholders can participate in these discussions and provide their views on the proposals.

3. **Serving on advisory or project groups:** Standards-setting bodies may establish advisory, project groups or task forces to provide input on specific standards or projects. Stakeholders can apply to serve on these groups and provide their expertise and perspectives on the proposals.

4. **Participating in surveys:** Standards-setting bodies may conduct surveys of stakeholders to gather input on specific topics or proposals. Stakeholders can participate in these surveys and provide their feedback.
5. **Attending public meetings:** Standards-setting bodies may hold public meetings where stakeholders can provide input on the proposals. Stakeholders can attend these meetings and provide their views on the proposals.

6. **Translating important and major contents of drafts:** Another possible way to increase stakeholders’ engagement during standards setting process and during exposure period, is to provide translation of major or important content or changes in the drafts, which may help improving response rate from different language groups.

7. **Online channels and forums:** Engagement with stakeholders does not have to be only during exposure drafts or new projects, and having a permanent channel or forums to communicated between stakeholders and standards-setter may serve as an important tool to expand stakeholders’ engagement.

8. **Early and continuous engagement:** It is also important for the stakeholders to be engaged as early as possible whether in needs analysis stage or during period evaluations of processes and standards, as sometimes it is too late to influence the direction of a project at the exposure draft stage.

9. **Classification and categorization of feedback:** Another method to enhance the value and utilization of stakeholders’ engagement may be achieved through classifying and categorizing feedback and comments received with more weight and value assigned based on relevance, for example an auditor comment about the clarity of a requirement would be of high value; and at the same time, a donor organization comment on the reliability of the reporting is of higher importance as well. So those would have more weight and value when evaluating the comments received during exposure drafts or throughout the project life cycle.
10. **Post-Implementation Feedback:** In addition to the stakeholders feedback during the early stages of projects and during exposure, the post implementation engagement and feedback is important to evaluate the success of a new standard, to see whether it achieved the necessary impact.

5. **Conclusion**

In conclusion, the engagement of stakeholders in the professional standards setting process is crucial for the success and relevance of the standards. The INTOSAI – PSC and FIPP can learn from the experiences of IFAC and IIA in engaging stakeholders in the standard setting process to improve and enhance engagement. IFAC and IIA have successfully engaged stakeholders in their standard setting processes through various mechanisms such as public exposure drafts, public consultations, and stakeholder advisory panels, this can be achieved through establishing framework for standard setting. The framework would serve to ensure that the standards reflect the views and needs of stakeholders and enhance the acceptance and adoption of the standards.

This discussion paper is just the first step to focus on this matter, and further consultations and discussion may follow to achieve a better understanding and enhanced methodology and framework for stakeholders’ engagement in INTOSAI standards setting process.