

Meeting: IESBA CAG
Meeting Location: Virtual
Meeting Date: September 10, 2020

Agenda Item

E

Non-assurance Services & Benchmarking Update

Objectives of Agenda Item

1. To *discuss* significant matters arising from responses to the January 2020 Exposure Draft, [Proposed Revisions to the Non-Assurance Services Provisions of the Code](#) (NAS ED).
2. To obtain Representatives' views on the Task Force's responses and revised proposals
3. To obtain Representatives' input on the IESBA's benchmarking initiative to compare the [International Independence Standards](#) (IIS) that are applicable to PIEs to the relevant independence requirements in major jurisdictions, starting with the requirements of the US Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB).

Project Status and Timeline

4. The NAS project is a prioritized commitment in the IESBA's [Strategy and Work Plan, 2019-2023](#) and is responsive to regulatory stakeholders' and the Public Interest Oversight Board's (PIOB) broad concerns about auditor independence when a NAS is provided to an audit client. The objective of the project is to ensure that all the NAS provisions in the Code's International Independence Standards (IIS) are robust and of high quality for global application, thereby increasing confidence in the independence of audit firms.
5. The project, which was approved in September 2018, was informed by the [feedback](#) on a Briefing Paper, [Non-Assurance Services – Exploring Issues to Determine a Way Forward](#), that was discussed at four global roundtables, as well as advice from the IESBA Consultative Advisory Group (CAG).
6. The NAS ED was released together with [Proposed Revisions to the Fee-Related Provisions of the Code](#) (Fees ED) in January 2020. In order to encourage feedback from all categories of stakeholders on the EDs, IESBA collaborated with others to undertake a wide range of activities to promote awareness of the proposals around the world. This included IESBA hosted [webinars](#), an [IFAC Gateway article](#), social media promotion via LinkedIn and Twitter, and presentations at stakeholder events (e.g., video program and roundtables hosted by the Accounting Professional & Ethical Standards Board in Australia; a breakfast seminar hosted by New Zealand Auditing and Assurance Standards Board (XRB)).
7. The comment deadline for the EDs — May 4, 2020 — was extended by a month from to June 4, 2020 deadline to provide additional time to stakeholders who are experiencing disruptions caused by the COVID-19 pandemic.

July 2020 IESBA Discussion

8. The IESBA received a presentation on a high-level summary of the key comments to the ED during a [July 22, 2020 meeting](#) and confirmed the plan to finalize the NAS project by December 2020 in

accordance to the timeline set out in the NAS ED. Among other matters, the IESBA considered the IESBA considered respondents' feedback on: the proposal relating to prohibiting firms and network firms from providing a NAS that will create a self-review threat in the case of an audit client that is a PIE; the proposed withdrawal of materiality as a factor when determining whether a NAS will create a self-review threat in relation to PIE audits; the application of the self-review threat prohibition in relation to certain scenarios involving related entities; and the adequacy of certain safeguards relating to NAS. The IESBA also considered respondents' feedback regarding the timeline for completion of the project given the concurrent project to revise the definition of a PIE in the Code.

Upcoming IESBA Meeting Discussion

9. **Agenda Item E-1** summarizes the significant comments received made by the [66 NAS ED-respondents](#) on the NAS ED; the Task Force's related responses. It also includes the various matters that the IESBA will be asked to consider during its September 2020 meeting.
10. A full list of the respondents categorized by stakeholder groups and regions is set out in Appendix 2 to **Agenda Item E-1**. The Task Force notes comment letters from two Monitoring Group members (IFIAR and IOSCO) and five CAG member organizations (AE, EFAA, IAA, IOSCO and NASBA).
11. The timetable for the NAS project is aligned to that of the Fees project.

Matters for CAG Consideration

NAS

12. Representatives will be asked to consider and react to a presentation from the Task Force Chair setting out:
 - The summary of the key comments received from respondents; and
 - The proposed Task Force responses to the key comments, taking into account the input provided by IESBA members in July.

The mark-ups in **Agenda Item E-2** show the various revisions to the proposed text in response to the feedback from respondents on the NAS ED. A clean version of the revised NAS ED text is set out in **Agenda Item E-2.1**.

IESBA Interaction with the CAG Regarding the NAS Project

13. As noted above, the substantive issues to be considered by the IESBA during their September 2020 meeting is included in **Agenda Item E-1**. This serves as the final CAG discussion of the NAS project prior to its anticipated approval. Representatives may wish to take this opportunity to comment on the IESBA's interaction with the CAG during the development and finalization of the NAS project. Appendix 1 to this paper provides a history of previous discussions with the CAG on this topic. In addition, the [NAS project webpage](#) includes background information about the project, including access to previous IESBA and CAG agenda materials and related minutes.

Benchmarking

14. Representatives will be asked to consider and react to a presentation that highlight the approach to, and timeline for, a benchmarking initiative to compare the IIS that are applicable to PIEs to the relevant independence requirements that apply in major jurisdictions, starting first with the requirements of the SEC and PCAOB (see **Agenda Item E-3**). The initiative will serve to provide

insights to stakeholders about the similarities and key differences between the IIS and independence requirements in major jurisdictions.

15. The IESBA's inaugural session on the topic was in July 2020, and is available on [YouTube](#).

Next Steps

16. The IESBA will discuss the full analysis of respondents' comments on the NAS ED and the proposed revisions to the NAS proposals at its September 2020 meeting.
17. The Task Force plans to organize targeted outreach and liaise with the following stakeholder groups in advance of the December 2020 IESBA meeting.
- Forum of Firms.
 - IESBA NSS Liaison Group.
 - IFAC Small and Medium Practices (SMP) Advisory Group (formerly the IFAC SMP Committee).
 - Representatives of the International Forum of Independent Audit Regulators (IFIAR) and IOSCO.
18. Subject to the outcome of the IESBA's discussion in September, the approval of the final text is scheduled for December 2020.

Materials Presented – FOR IESBA CAG CONSIDERATION

Agenda Item E-1	Summary of Significant Comments & Task Force Responses
Agenda Item E-2	Revisions to Proposed Text (Mark-up from NAS ED)
Agenda Item E-2.1	Revisions to Proposed Text in NAS ED (Clean)
Agenda Item E-3	Benchmarking – Power Point Slides

Material Presented – FOR IESBA CAG REFERENCE PURPOSES ONLY

[September 2020 IESBA Meeting](#) Agenda Item 3-C Analysis of Overarching Issues & NAS Comments by ED-paragraph Number with Task Force Responses

[September 2020 IESBA Meeting](#) Agenda Item 3-D Compilation of NAS ED Comments with Task Force Responses

Project History

Project: NAS

Summary

	CAG Meeting	IESBA Meeting
Information gathering/ Discussion	March 2018	March 2018
NAS discussion paper considered at global roundtables in June – July 2018		
Project commencement, including: <ul style="list-style-type: none"> • Consideration of feedback from roundtables • Approval of project proposal 	September 2018	June 2018 September 2018
Development of proposed international pronouncement (up to exposure)	March 2019 September 2019	December 2018 March 2019 June 2019 September 2019 December 2019
ED issued and available on IESBA Website – January 2020 with a June 4, 2020 comment deadline		
Consideration of responses to ED	September 2020	July 2020 September 2020