IESBA’s Benchmarking Initiative

Background to Initiative

• Concerns that the IESBA Code’s conceptual framework approach allows firms too much flexibility and judgment
  ➢ Views that national laws and regulations are more robust and enforceable
• Code’s independence framework has undergone significant change since last benchmarking, including proposed revisions arising from NAS and Fees Project
  ➢ Benchmarking is a strategic exercise to promote awareness of International Independence Standards
Objective of the Benchmarking Initiative

- To provide a robust basis for comparing the International Independence Standards with equivalent provisions in other jurisdictions

**Phase 1**
- Focus on mapping PIEs provisions to the US SEC/PCAOB Rules

**Phase 2**
- Expand to other jurisdictions in future (e.g., EU)

Objective of the Benchmarking Initiative

- Benchmarking will compare provisions regarding:
  - The scope and the overarching principles that are relevant in applying independence frameworks,
  - The nature of the relationship between an auditor and an audit client, and
  - The activities and services that may and may not be provided to an audit client,
  → thereby highlighting the similarities and differences between independence frameworks.
Scope of Phase 1

- International Independence Standards relevant to PIEs
  - Includes forthcoming revisions arising from Fees and NAS projects
  - Focus will be on Part 4A, but given Code’s building-blocks architecture will include relevant provisions in Part 1 and 3

- SEC/PCAOB rules relevant to listed entities, including:
  - Federal Statute
  - SEC rules in Regulation S-X
  - PCAOB ethics and independence rules

Timeline

- **2021 March**
  - Mapping demo
  - Overview of key differences

- **2021 June**
  - Final draft (incorporating NAS and Fees)

Further information about Initiative and July 2020 IESBA meeting materials are available on the IESBA’s website