

**Meeting:** IESBA CAG  
**Meeting Location:** Virtual  
**Meeting Date:** March 10, 2020

## Agenda Item

# B

### **Benchmarking Independence Standards for Audits of Public Interest Entities**

#### *Phase 1 – IESBA Versus US SEC/PCAOB*

#### **Objective of the Session**

1. To receive a brief update on the IESBA's Benchmarking initiative.

#### **Initiative Status and Timeline**

2. At its [July 2020 meeting](#), the IESBA considered preliminary views from its Benchmarking Working Group regarding the approach to and timeline for a newly established initiative to compare the International Independence Standards (IIS) that are applicable to audits of public interest entities (PIEs) to the relevant independence requirements that apply in major jurisdictions, starting first with the requirements of the US Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB).
3. At its [March 2021 meeting](#), the IESBA will receive a progress update from the Working Group and will consider, among other matters, the proposed timeline for Phase 1 of the initiative and preliminary views about the potential deliverables.

#### *Objective, Scope and Purpose of Initiative*

4. A key objective of this multi-phase benchmarking initiative is to highlight the changes made to the Code since the previous global benchmarking exercise was undertaken in 2011 (the IESBA's [2011 benchmarking](#) work). The resulting output of the initiative will serve to provide insights to stakeholders about the similarities and key differences between the IIS and independence requirements in major jurisdictions.
5. In carrying out such comparison, the benchmarking will focus on the recently approved revisions to: (i) the International Independence Standards,<sup>1</sup> and (ii) the SEC/ PCAOB independence Rules. Interpretations and relevant publications that provide insights relevant to the practical application of the two sets of independence standards will be considered only where they provide necessary information regarding the actual prohibition or permissibility of certain relationships, activities, or services.

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<sup>1</sup> For example, the revisions to the non-assurance services and fee-related provisions that were approved at the December 2020 meeting will form part of the initiative.

6. It is not the aim of the initiative to make judgments regarding which independence framework is more stringent overall.

*Report Back on September 2020 CAG Meeting*

7. As part of the September 2020 Non-Assurance Services session, CAG Representatives received an overview of the background to, and the scope of, the benchmark initiative. Below are extracts from the draft minutes of the September 2020 CAG meeting<sup>2</sup> and an indication of how the Working Group has responded to the CAG’s comments.

<b>Matters Raised</b>	<b>Working Group Response</b>
Mr. Dalkin expressed support for the initiative, noting that it would be helpful to understand the key differences between the Code and the US requirements, especially in relation to NAS for PIEs.	Support noted.
Mr. Thompson echoed similar support. However, he cautioned against the view that prescription is always better. He noted that the Code conforms to the principles of good regulation, which include proportionality. He also cautioned against the risk of a “trickle down” effect from the provisions addressing PIEs to those addressing non-PIEs.	Support and cautionary comment noted.  The initiative will focus on the Code’s provisions that are applicable to audits of PIEs.
Ms. Landell-Mills noted the initiative as being of high importance. She highlighted the broader question of conflicts of interest, noting that she would like to see it addressed beyond the issue of self-review threats.	Point taken into account.  As part of its analysis, the Working Group will consider the Code’s general overarching provisions that apply to professional accountants in public practice who perform audit and review engagements. This will include the provisions set out in Part 1 and Part 3 of the Code (i.e., including the Code’s conflict of interest provisions).

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<sup>2</sup> The draft September 2020 minutes will be approved at the March 2021 IESBA CAG meeting.

Benchmarking  
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<p>Mr. Kashiwagi also supported the initiative, noting that it will have strong public interest benefits. He wondered whether the coverage would extend beyond the US and the EU.</p>	<p>Support noted.</p> <p>Mr. Fleck responded that no decision had been taken yet in that regard, but he would envision the effort eventually encompassing additional jurisdictions within the G-20 to obtain a good range of perspectives, especially given that the Code is a global set of standards.</p>
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*Upcoming CAG Meeting*

8. At the March 2021 meeting, the Chair of the Working Group will brief the CAG on the proposed timeline for Phase 1 of the initiative, the nature and extent of the analysis that will be undertaken, and the format for final reports/ deliverables.

**Matter for CAG Consideration**

9. Representatives are asked to note the presentation and share any reactions.

**Material Presented**

Agenda Item B.1      Benchmarking PowerPoint Slide Presentation