

**Meeting:** IESBA  
**Meeting Location:** Hybrid (New York)  
**Meeting Date:** November 30-December 3, 8 & 16 2021

# Agenda Item 9

## Benchmarking Independence Provisions for Audits of Public Interest Entities

### *Phase 1 –Comparison of IESBA and US SEC/PCAOB Frameworks*

#### Objective

1. To receive an update on the Benchmarking Working Group's (WG) <sup>1</sup> recent activities.

A working draft of the Benchmarking Report is provided at **Agenda Item 9-A** for information. Although the Benchmarking Report will not be the subject of the IESBA's discussion in December 2021 meeting, the WG welcomes meeting participants' input, queries and comments via email. Please send them to [szilviasramko@ethicsboard.org](mailto:szilviasramko@ethicsboard.org) preferably by *December 29, 2021*.

#### Activities since September 2021 Meeting

2. The WG met three times via videoconference to develop the materials for the next IESBA meeting.
3. During Q4 2021, the WG Chair, Ms. Friedrich, and WG member, Mr. Fleck briefed the IESBA Consultative Advisory Group (CAG), representatives of CPA Canada's Independence Standing Committee, and the IESBA National Standard Setting Liaising Group about the:
  - Focus areas and topics covered by the benchmarking initiative,
  - Proposed outputs arising from Phase 1, and
  - WG's observations based on the analysis completed to date.
4. During the December 2021 IESBA meeting, the WG Chair will highlight the key outcomes of those meetings.

#### Matters for IESBA Consideration

##### *Update on the Development of Draft Reports*

5. At the September 2021 IESBA meeting, IESBA meeting participants received an overview of the WG's observations and preliminary conclusions in relation to the following three focus areas:

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<sup>1</sup> The Working Group members are:

- Laura Friedrich, IESBA Technical Advisor Working Group Chair
- Richard Fleck, NAS Task Force Chair
- Richard Huesken, IESBA Member
- Peter Oastler, Independence Expert
- Kristen Wydell, IESBA Technical Advisor

- Overarching principles and approach.
  - Key Definitions.
  - Permissibility of NAS to audit clients, including prohibited services.
6. **Agenda Item 9-A** incorporates the WG's revisions to address the various inputs received to-date (including from the September 2021 IESBA meeting). Changes in this draft include:
- Refinements to address concerns about the tone and language used in the September draft of the report, especially in the commentary section.
  - A discussion of the following focus areas that were analyzed in Q4 2021 namely:
    - Non-compliance with laws and regulations.
    - Fees.
    - Auditors' communication with those charged with governance about independence matters, including pre-approval of NAS and disclosures about fees.
    - Business relationships.
    - Gifts and hospitality.
7. During the December 2021 meeting, the WG will brief the IESBA on the planned timing for the development of the sections of the detailed report relating to remaining focus areas, as well as the summary report that will complement the detailed report.

#### **Forward Timeline and Next Steps**

8. The WG is planning to finalize the detailed report with the comparison of all the focus areas and topics (including those to be completed regarding financial interests and long association/partner rotation) by January/ February 2022.
9. IESBA members will be provided an opportunity to provide input and drafting suggestions to the WG on an updated draft of the detailed report in February 2022. At the same time, the IESBA will be asked to provide input on an initial draft of the summary report.
10. At its March 2022 meeting, the IESBA will provide input on the final drafts of detailed and summary reports.

#### *Consideration of Future Phases for Benchmarking*

11. During the December 2021 meeting, the WG will brief the IESBA on its preliminary views regarding the potential criteria to be considered in determining the jurisdiction and timeline for next phase of the Benchmarking Initiative.

#### **Action Requested**

12. During the session, IESBA members will be asked to note and react to the WG Chair's presentation.

#### **Material Presented**

Agenda Item 9-A

Benchmarking – Working Draft of Phase I Report as of November 22, 2021