



**Meeting Location:** Sofitel Warsaw Victoria, Warsaw, Poland

**Meeting Date:** June 15-17, 2011

## Benchmarking

### Objective of Agenda Item

1. To discuss the preliminary results of the benchmarking exercise.

### Discussion

The IESBA Strategy and Work Plan 2011-2012, identifies convergence as a long-term objective of IESBA. It notes that convergence to a single set of independence standards will enhance the efficiency of the global capital markets. Common auditor independence standards would provide a consistent understanding among investors, public authorities, and others of what it means when an auditor is independent. This would lead to increased confidence in auditors' reports, which is an essential element of the effective functioning of the capital markets and significantly contributes to public confidence in those markets. It also could increase choices for market participants when selecting an auditor.

The Strategy and Work Plan identifies three inter-related convergence efforts. One of these efforts is to analyze the Code for purposes of comparing its key provisions to the standards and regulations of select jurisdictions. The IESBA did this for some provisions of the Code when revising the Code's independence provisions. The Strategy and Work Plan notes that the IESBA believes that when focusing on the Code as the catalyst for convergence between international and national independence standards, it is important to understand how all of the key independence provisions in the Code compare to the independence standards and regulations of other jurisdictions and how in totality the Code compares to those other standards and regulations.

A benchmarking exercise has been undertaken by some Board members and technical advisors. The Independence requirements set out in Section 290 of the IESBA Code have been compared to the jurisdictional requirements of the following:

- USA (SEC/PCAOB)
- Australia

- Germany
- UK (APB)
- Brazil
- France
- Japan
- Hong Kong

The comparison was based on the ‘long document’ presented to the Board in (which contains a synopsis of the Code’s provisions and not, in most cases, the full text of the Code) and focuses only on those relationships and circumstances that are either ‘prohibited’ or ‘permitted only if certain conditions exist or specified safeguards are applied’

Agenda Paper 8-A summarises by topic the results of the comparison. It is an extract from Paper 8-B and details, in respect of certain selected key topics:

- the IESBA requirement
- the jurisdictional requirement if substantively more restrictive than the Code, and
- in a few places, it also identifies where the jurisdictional requirement is substantively less restrictive than the Code (*these are identified in italics*).

Where there is no detail for a jurisdiction in the topic this is because the relevant jurisdictional requirement is deemed to be similar or equivalent to that in the IESBA code.

IESBA members are asked to read Agenda Paper 8-A. Agenda Paper 8-B contains the comparison across the full range of topics and is provided only for reference purposes should Board members wish to see further detail.

Agenda papers 8-A and 8-B have been prepared for discussion purposes as part of its convergence efforts. The draft comparison and the details have not been prepared by the respective regulator or professional body nor validated by them.

### **Material Presented**

Agenda Paper 8	This Agenda Paper
Agenda Paper 8-A	Comparison Extract
Agenda Paper 8-B	Comparison – Full Document

### **Action Requested**

1. IESBA members are asked to consider the nature of the differences between the Code and the selected jurisdictions