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

Agenda Item D

Fees

Objectives

1. To provide an overview of the key comments from respondents to the Fees Exposure Draft, Proposed Revisions to the Fee-related Provisions of the Code (ED), and the Fees Task Force’s\(^1\) responses.

2. To obtain Representatives’ input to the Task Force’s approach and proposed revisions to the fee-related proposals in the ED.

Project Status and Timeline

3. In January 2020, the IESBA published the ED, with a comment period until May 4, 2020.

4. During the March 2020 CAG meeting, representatives were provided with a report back on the September 2019 CAG discussion. The agenda paper indicated how the Task Force/IESBA had responded in the ED to CAG Representatives’ comments.

5. After the publication of the ED, some stakeholders informed the IESBA that they were experiencing disruptions to their operations caused by the pandemic. To provide additional time to stakeholders to prepare their responses, the IESBA agreed to extend by one month the comment period until June 4, 2020.

6. Overall, 64 respondents have provided comments to the ED from various stakeholder groups and regions, including Monitoring Group members IOSCO\(^2\) and IFIAR\(^3\).\(^4\)

July 2020 IESBA Session

7. The IESBA received a presentation on a high-level summary of the key comments to the ED at the July 22, 2020 IESBA meeting. The Board tentatively agreed to the way forward on the following key matters:
   - The Board supported the Task Force’s view that the inherent threats arising from the client relationship is outside the remit of the Fees project and should be considered under a separate

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\(^1\) The Task Force comprises:
- Ian McPhee, IESBA Member and Task Force Chair
- Michael Ashley, IESBA Member
- Liesbet Haustermans, IESBA Member
- Caroline Lee, IESBA Member

\(^2\) International Organization of Securities Commissions

\(^3\) International Forum of Independent Audit Regulators

\(^4\) The full list of respondents is included in Appendix I to Agenda Item D3.
project. The Board agreed that the Fees project should continue to address the matter of threats created by fees paid by the audit client.

- Regarding the proposed threshold in the case of fee dependency on a non-PIE audit client, the Board broadly supported retaining the approach proposed in the ED and agreed on balance that the 30 percent threshold for non-PIE clients would promote consistent application. The PIOB Observer at that meeting also supported that position, seeing the threshold as acting as an important signaling mechanism.

- The Board also agreed that the enhanced transparency of fee-related information, including public disclosure, is an important element of the structure of the proposals and the Board should aim to provide global transparency in the Code at earliest time possible.

Matters for CAG Consideration

8. Agenda Item D1 includes the slides for the Task Force’s Chair presentation 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.

9. Agenda Item D2 sets out the proposed revisions to the fee-related proposals in the ED based on the Task Force’s proposals.

10. During the session, Representatives will be asked to provide input to the matters raised for CAG consideration in Agenda Item D1.

Next Steps

11. The IESBA will discuss the full analysis of respondents’ comments on the ED and the proposed revisions to the fee-related proposals at its September 2020 meeting.

12. The Task Force plans to organize targeted outreach and liaise with the following stakeholder groups before the December 2020 IESBA Meeting:
   - Forum of Firms
   - IESBA National Standard Setters
   - IFAC Small and Medium Practices (SMP) Advisory Group (formerly the IFAC SMP Committee)
   - IFIAR and IOSCO

13. 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 Discussion

Agenda Item D1  Presentation - Overview of Key Comments to Fees ED and Task Force Responses

Agenda Item D2  Proposed Revisions to the Fee-related proposals in the Fees ED (mark up)
Agenda Item D2.1  Proposed Revisions to the Fee-related proposals in the Fees ED (clean)

For Reference

Agenda Item D3  Significant Comments to Fees ED and Task Force Responses

Agenda Item D4  Additional Comments to Fees ED and Task Force Responses