Proposed Changes to Fee-related provisions of the Code — Summary of Additional Comments on Fees Exposure Draft and Task Force Proposals

Note to CAG Representatives

This document below includes isolated comments raising general matters of clarification or comments of editorial in nature.

The revised proposed text is set out in **Agenda Item D-2.**

ED Question 1:

Do you agree that a self-interest threat to independence is created and an intimidation threat to independence might be created when fees are negotiated with and paid by an audit client (or an assurance client)?

#	Comments[1]	Respondent[2]	Change?	Task Force (TF) Response
1.	Suggestion that 410.3 A1 and propose that it be moved under the subheading "Introduction", as it refers to all provisions in Section 410.	IRBA	No	Paragraph 410.3 A1 is explanatory in nature and would not fit under the Introductory section under the Structure drafting conventions.
2.	Potential threats to independence are not limited to the payment of the fee by the audit client - the threat may arise regardless of whether it is the audit client, a related party, or the regulator, who pays the fee.	CPA Australia	No	The proposals do not specifically address payment by another party given that this is relatively rare in practice.
3.	Suggestion for IESBA to move away from the term "audit client" in this context and instead use the term "audited entity" as the audit client is the shareholders	ICAS	No	Replacing the term "audit client" with "audited entity" goes beyond the remit of the Fees Project but the point raised could be considered in the context of a future project.
4.	The ability to walk away effectively negates any intimidation threat, while the free market and	CAI	No	Points noted. As explained in **Agenda Item D-3**, the TF recognizes that the firm's compliance with

[1] The comments in this document reflect the wording of the comments provided by respondents.

[2] For the list and abbreviations of respondents refer to Appendix I of **Agenda Item D-3**.

#	Comments[1]	Respondent[2]	Change?	Task Force (TF) Response
	robust tendering processes, in our market at least, mitigate against any self-interest threat created by fees paid by the audit client. The free market and robust tendering processes also mitigate against these risks. Furthermore, the Transparency Rules provide visible market information for all interested parties and regulators.			professional standards and the audit client's corporate governance structure help mitigate the threats created by audit client payer model to the extent that firms will likely conclude that the threats created are at an acceptable level. However, the TF believes that the Code should articulate the existence of those threats to raise awareness.
5.	As a result of the proposals clients may threaten to withhold payment of audit fees until the audit report is issued. There is a further intimidation threat in relation to non-payment of audit fees where disclaimer or modified audit reports are issued (i.e. the client may contend that the service was not provided to their satisfaction and threaten to withhold payment on this basis).	BKTI	No	The TF does not believe that the proposal regarding the threats created by the audit client payer model and requiring firms to evaluate the level of the threats in line with the conceptual framework should lead clients to threaten to withhold payment. Any intimidation threats should be addressed through the application of the conceptual framework.
6.	Suggestions that proposed paragraph 410.4 A3 give more significance to proposed ISQM 1 by replacing the word " might " with " will likely" .	EY	No	The term "might" as described in the Glossary of the Code signifies a possibility. As this paragraph is referring to conditions, policies and procedures *generally*, this is the appropriate formulation. The degree of likelihood will depend on the nature of the conditions, policies and procedures.
7.	GTIL disagrees that in the normal course of business, a self-interest threat to independence is created and an intimidation threat to independence might be created when fees are negotiated with and paid by an audit client. Variability in audit fees is caused by client attributes associated with audit effort and audit risk in order to perform a high, quality audit. The size of the client, the industry they operate in, and their overall complexity are factors that are considered when determining an audit fee, regardless of who pays the fee.	GTIL	No	In paragraph 410.5 A1 of the ED, the proposal recognizes that "determining the fees to be charged to an audit client, whether for audit or other services, is a business decision of the firm taking into account the facts and circumstances relevant to that specific engagement, including the requirements of technical and professional standards". However, as discussed at length at the Board, irrespective of its being a standard market practice, the mere fact that the firm is paid by the audit client creates a self-interest threat and might create intimidation threat. This has largely been supported by other respondents.
8	We do not support this new paragraph, given that negotiation with the audit client and fee payment by the audit client are part and parcel of the normal	Nexia S		

#	Comments[1]	Respondent[2]	Change?	Task Force (TF) Response
	course of business. Thus, it seems overly restrictive to consider them activities which create self-interest threats and potential intimidation threats to independence.			
9	No, we do not agree that the negotiation of fees will create a threat. Most auditors run practices as a "business" and the negotiation of fees is a normal business practice. Unless audit fees are prescribed by the government or regulator, it will remain a necessary practice.	Nexia SA		
10	R410.4 "Whether the threats to *objectivity* and independence created by the fees" (this is in line with 410.10 A1).	IRBA	No	This section is addressing only independence. Independence and objectivity are linked through the definition of independence.

ED Question 2:

Do you support the requirement in paragraph R410.4 for a firm to determine whether the threats to independence created by the fees proposed to an audit client are at an acceptable level:

(a) Before the firm accepts an audit or any other engagement for the client; and

(b) Before a network firm accepts to provide a service to the client?

#	Comments	Respondent	Change?	Task Force Response
1.	For consistency, that clarification should be given as to whether fees in the requirement refer to fees billed, fees to be billed, or fees paid, and whether this calculation requires a proportionate method.	IRBA	No	The TF notes that the proposed requirement refers to fees proposed, regardless of how they are settled.
2.	Regarding the re-evaluation of the threats, the proposal includes reference not only "if circumstances change' but also if "facts and circumstances change"	IOSCO	Yes	See paragraph 410.4 A2 in **Agenda Item D-2**.
3.	Consider splitting the proposed paragraph into two separate requirements, similar to the approach applied in the conceptual framework provisions where the re-evaluation of threats is required separately to the initial evaluation of threats (refer to paragraphs R120.7 and R120.9 of the existing Code).	APESB	Yes	See paragraph 410.4 A2 in **Agenda Item D-2**. The TF believes that the revised application material referencing the conceptual framework addresses the issues raised.
	It is not necessary to restate the requirement to consider new information or changes in facts and circumstances and re-evaluate the threat, which is sufficiently explicitly stated as a part of the conceptual framework in R120.9 and120.9 A1-A2.	DTTL		
4.	An alternative is to ban all non-assurance services for public interest entities. This would also be seen to acting in the public interest and protecting/enhancing audit independence at the same time. Furthermore, audit fees determination would not be influenced by the	IPA	No	This is not within the remit of the Fees Project.

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	prospect of the firm of obtaining additional revenue for other service.			
5.	Suggestion that there should be a better linkage of the requirement to these factors. The phrase "created by the fees proposed to the client" in the requirement does not do justice to the range of factors mentioned. The factors listed, in several cases, are not linked to threats created by who pays the fees ("when the fees are paid by the audit client"), as described in the lead-in text. The focus on "who" is misplaced.	PWC	No	The overriding context is that the fees are "paid by" the audit client. While some of the factors are not directly linked to threats created by who is paying the fees, they are relevant to the evaluation of the level of the threats.
6.	The paragraph and related application material as currently written lacks clarity. It contains summarized information about the application of the conceptual framework from Section 120 but does not follow the structure of the "restructured" Code – such as being organized under a sub-heading of "Identifying and evaluating threats" which is not the structure of other sections, yet is not followed by any application material regarding "Addressing threats" nor examples of safeguards, which is how the conceptual framework is applied.	DTTL	Yes	Please see the proposed revisions to General section in **Agenda Item D-2**.

ED Question 3A:

Do you have views or suggestions as to what the IESBA should consider as further factors (or conditions, policies and procedures) relevant to evaluating the level of threats created when fees for an audit or any other engagement are paid by the audit client?

#	Comments	Respondent	Change?	Task Force Response
1.	By using current-time AI and statistics tools, an estimate of what a reasonable fee for audit engagements can be developed. Possibly, such fee can be linked to the size of revenue, total assets, or any other indicator.	CMASA	No	Point noted. The proposals recognize as a factor for consideration when evaluating threats "The level of the fees and the extent to which they have regard to the resources required, taking into account the firm's commercial and market priorities and position."
2.	Clarification is required with regard to "Whether there is external review of the quality of the firm's audit work." The proposal should clarify that this review may be performed by an individual from either within or outside the network. We question, however, whether this is a sufficiently appropriate safeguard, as the threat faced by the firm and the individuals within the network firm may be a similar self-interest threat.	IRBA	Yes	The proposed factor refers to reviews of quality of the firm's audit work performed by an independent third party, such as audit oversight authority. It is not the same as the review of the audit work performed as a safeguard to reduce the threats to an acceptable level. The TF proposes revisions to clarify this factor in paragraph 410.4 A3 in **Agenda Item D-2**.
	Factors listed in 410.4 A2 as relevant to evaluating the level of threats created are actions that might be better identified as safeguards in addressing such threats. For example, an external review of the quality of the firm's audit work was noted as being a potential safeguard.	CPA Canada		
	Add an example or otherwise clarify what would be an example of an external review and how this review after the work is completed would impact the self-interest threat.	KPMG		
3	In the factor regarding "The level of fees and the extent to which they have regard to the resources required, considering the firm's commercial and market priorities and position." The phrase "firm's commercial and market priorities and position" has	IRBA	No	The proposal sets out that the level of the fees is a business decision of the firm taking into account the facts and circumstances relevant to the specific engagement. This factor acknowledges that the level of the fees is not necessarily only a reflection of the

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	not previously been used in the IESBA Code and would require further clarification.			resources required, but also other considerations, such as the reality that firms are commercial enterprises. This is only one out of many factors a firm would need to take into account in evaluating the level of the threats. It would not be appropriate to phrase this factor in terms of external perceptions as it is speaking to real considerations by the firm. Firms are already required to use the reasonable and informed third party test overall when applying the conceptual framework.
	Concerns that the factor on "taking into account the firm's commercial and market priorities and position" at the end of the second bullet point could be interpreted as a factor that may be used to justify a particular level of fees. The key message should be that the firm doesn't allow its commercial and market priorities and position to cause it to take on engagements and/or set fees that would give rise an unacceptable threat to independence.	UK FRC		
4	"The level of fees and the extent to which they have regard to the resources required, taking into account the firm's commercial and market priorities and position." As a factor, it is not all that clear and may present translation issues. Additionally, the auditing standards require auditors to assign appropriate resources without consideration of fee levels which would prevent such a direct connection. Therefore, it should also be phrased in terms of a 'perception' i.e. 'The level of fees and the extent to which they are perceived to have regard to the resources required, taking into account the firm's commercial and market priorities and position.'	BDO		
5	Concerns regarding the words "and the apparent emphasis they and client management place on the quality of the audit and the overall level of the fees" at the end of the third bullet. The key message should be that the firm does not succumb to pressure to reduce the quality of its work in order to reduce the fees. It should also be made clear that it is not acceptable to set a "loss leader" audit fee for commercial reasons to win business as	UKFRC	No	The factors in the Code do not intend to suggest practices firms should follow. They only set out facts that might be applicable when evaluating the level of threats.

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	this could give rise to actual or perceived threats to audit quality.			
6.	it would be difficult for an auditor to discern "the apparent emphasis [TCWG] and client management place on the quality of the audit and the overall level of fees," particularly in relation to the overall level of fees.	KPMG	No	The TF believes that firms have enough information about the negotiation process to determine whether those charged with governance (TCWG) and client management have put emphasis on the quality of the audit and the overall level of fee.
7.	The significance of the client, for example, to the firm, network, partner or office." Clarification is sought on whether this consideration is in relation to the fee (financial significance).	IRBA	No	The Code uses the term "significance" in many places, so it is well established and is to be understood within its dictionary meaning. Its application calls for the exercise of appropriate professional judgment and it is not intended to refer only to financial significance.
	Clarify the term "significance of the client" in paragraph 410.4 A2, since this could be measured in several ways (e.g. level of fees, market position of the client, market capitalisation of the client, etc.)	MIA		
8.	It is unusual to list a public interest entity consideration as a factor. Question whether it is already covered in 300.7 A3 of the IESBA Code	IRBA	No	Last bullet point of paragraph 600.5 A1 in the extant Code already includes as a factor whether the client is a PIE.
9.	A respondent noted that the list of factors includes • conditions that are prohibited (dependency of the level of the fee on the outcome of the service and linkage between fees for the audit and those for other services), • conditions that require further evaluation (relative size of fees for the audit compared to the fees for other services), • conditions that may reduce the level of the threat (involvement of those charged with governance), and • conditions that may be safeguards (an external review of the quality of the firm's audit work). Suggestions for considering whether grouping these conditions in one list may be confusing for users of the Code.	GAO	No	As the factors in paragraph 410.5 A2 in the ED are examples that could be relevant to the evaluation of the threats created by fees paid by the audit client, the TF does not believe that including them in one list would be confusing.

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10	Paragraph 410.4 A3 notes that a quality management system might affect the evaluation of the threat. However, it does not make clear that a robust system of quality control may be a safeguard to reduce the self-interest threat and intimidation threats.	GAO	No	The existence of a quality management system designed and implemented by the firm in accordance with [proposed] ISQM 1 can assist to mitigate the threats created by fees paid by the audit client. However, it is an example of "conditions, policies and procedures" that impact the evaluation of whether the threats to independence are at an acceptable level. It does not meet the definition of a safeguard because it is not directly correlated to a particular threat.
11	Another relevant factor could be when evaluating the threat is the professional opinion of a lawyer,	IAA	No	The TF is of the view that having a professional opinion of a lawyer on the proposed audit fees is not a common practice.
12	"the adequacy of time given for accomplishment of audit assignment maintaining appropriate audit procedures" may also be added as one of those factors.	ICAB	No	The adequacy of the time given for the accomplishment of the engagement is an issue relevant to the quality management of the firm. That could be considered as part of the existence of a quality management system designed and implemented by the firm in accordance with [proposed] ISQM 1 (as an example of conditions, policies and procedures).
12	Suggestions for including the internal quality control mechanisms that exist within an audit firm, as a factor	ICAG	No	The TF believes that the internal control mechanisms are part of a firm's operating environment, including its quality management system – a matter for consideration when evaluating threats (see paragraph 300.7 A5).
14	An audit firm's independence may be affected by its client's threats to subject a potential audit engagement to a 'Request for Proposal (RFP)'. The RFP could be under the ambit of the client's corporate governance polices or best practices and leaves the audit firm with little or no room to negotiate.	ICAS	No	The TF is of the view that this would be covered under the factor "The involvement of those charged with governance in appointing the auditor and agreeing fees, and the apparent emphasis they and client management place on the quality of the audit and the overall level of the fees."
15	There should also be greater acknowledgement of International Standard of Auditing 220 Quality Control for an Audit of Financial Statements ("ISA 220"), whereby the engagement partner is required to ensure	ICAS	Yes	See changes to paragraph 120.12 A3 in **Agenda Item D-2** that now include consideration of the existence of a quality management system designed and implemented by a firm in accordance with the quality

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	that the audit engagement team complies with relevant ethical requirements, including independence requirements that apply to an audit engagement.			management standards issued by the IAASB, not only with ISQM 1.
	IESBA should give greater recognition and acknowledgment of such standards as the current standards on systems of quality control and proposed ISQM 1 and the International Standard on Auditing (ISA) 220. Both these standards deal with the specific responsibilities of the auditor regarding quality control procedures for an audit of financial statements.	EY		
16	In view that competition can help to drive innovation which may bring down the costs of audit fees, due consideration to clarify that lower fees than the predecessor auditors may not automatically mean that there is an increased threat to auditors.	MICPA	No	Paragraph 330.3 A2 of the Code already sets out that quoting a fee lower than another accountant (whether because of efficiencies from innovation or otherwise) is not in itself unethical. However, the level of fees quoted creates a self-interest threat to compliance with the principle of professional competence and due care if the fee quoted is so low that it might be difficult to perform the engagement in accordance with applicable technical and professional standards.
	factors could also be enhanced by making reference to the fact that competition can help to drive innovation in audit practices and might help drive down costs. As such, a lower fee than the predecessor auditor does not automatically mean that there is an increased threat to independence.	PWC		
17.	We suggest adding "overdue fees" and "fee dependency" at the firm/office level.	PWC	No	The list in paragraph 410.5 A2 of the ED is not a full list of factors, only examples. Para 410.4 A3 sets out that the requirements and application material that follow identify circumstances (such as overdue fees and fee dependency) which might need to be further evaluated when determining whether the threats are at an acceptable level.
18	In some circumstances, there may be instances whereby some of the fees for services are set by local law or regulation (e.g. with a fee scale).	IFAC SMPC	Yes	See revisions to paragraph 410.4 A3 in **Agenda Item D-2.**
19	Suggestions for adding the firm's remuneration practices as an example of relevant conditions, policies and procedures to 120.8 A2.	BDO	No	It is already included in paragraph 300.7 A5 as the compensation policies and procedures.

ED Question 4:

Do you support the requirement in paragraph R410.6 that a firm not allow the level of the audit fee to be influenced by the provision by the firm or a network firm of services other than audit to the audit client?

#	Comments	Respondent	Change?	Task Force (TF) Response
1.	We acknowledge it may create fee pressure to SMPs when they provide permissible one-stop services (e.g. audit and tax return submission service) to non-PIE audit clients, and charge a lower aggregated fee than sum of price of services listed individually due to efficiency. The provision should further consider how these kind of arrangements can be addressed.	HKICPA	No	The proposal sets out that determining the fees to be charged to an audit client is a business decision, which does not preclude consideration of an aggregated level of fees. The firm can charge lower overall fees (audit and other fees) due to the efficiency achieved through provision of other services; however, this cannot influence the level of audit fee itself, but the level of fees for services other than audit.
3.	It is however important to also note the fact that "audit fee" would include fees for independent reviews. This might create a bigger threat to smaller firms, where they provide accounting and other services as well as the independent review. The proportion of other fees could be quite significant versus the independent review fee and smaller firms would need to take cognisance of this and might need to reconsider their business models.	SAICA	No	Based on the overarching provision set out in paragraphs 400.1 and 400.2, the same independence provisions apply to audit and review engagements.
5.	As mentioned above, this requirement requires practical consideration and clarification. There may be difficulties in assessing or matching the level of fees and the effect of non-audit fees. An audit engagement is for a specific period, while several non-audit engagements may extend over several years. The calculation of the fees will also need closer attention and clarification (i.e. will this calculation be done on fees billed, fees paid or on a proportionate recognition method.).	IRBA	No	The proposal does not set out a specific timeframe for the determination of whether the provision of services other than audit influence the audit fees. The intention is that firms be aware of this general principle when determining the audit fee or fees for services other than audit. The emphasis is not on matching the levels of fees.

#	Comments	Respondent	Change?	Task Force (TF) Response
6.	Paragraph R410.6 should be expanded to read: "A firm shall not allow the audit fee to be established, adjusted for or influenced by the provision by the firm or a network firm of services other than audit to the audit client."	IOSCO	No	The TF believes that the term "influence" is a broader term that includes the other suggested wordings. It is meant to establish a guiding principle rather than prescribe specific firm policies or procedures. The TF did consider alternative wording but concluded that it was not necessary to change the use of the term "influence." The extant Code already contains 77 instances in which that term is used.
	APESB recommends that the IESBA reconsider the use of the term 'influence' or to include other terms that can be quantified, such as 'affected,' 'determined' or 'impacted.' APESB also recommends that the guidance in paragraph 410.22 A1 relating to considerations affecting the level of the fee be replicated as guidance material relating to paragraph R410.6. It would be useful to have these factors for consideration at the start of the section on fees	APESB		
	We believe the term 'influenced' is too broad and would recommend it be replaced by the concept of being 'determined' based on services other than audit.	BDO		
	Yes, we support this requirement in principle, but we have difficulty in seeing how the firm would be able to demonstrate this, particularly given the subjective nature of the word "influenced". We recommend that it might be better to state that "The firm shall establish policies and procedures that require that the level of fees for the audit are set [independently and] without consideration of the provision by the firm or a network firm of services other than audit to the audit client".	PWC		
7.	It is important to recognize that the knowledge and understanding of the audit client gained by the firm when providing other services to an audit client typically provide the firm with insights into the operating, environmental, legal and financial characteristics, as well as various risk factors, associated with the audit client. This knowledge and understanding allows the audit firm to focus appropriate efforts and resources on	EY	No	The IESBA agrees and the proposal in 410.6 A2 in the ED is intended to cover this situation.

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	the specific risks associated the audit client, thereby enhancing audit quality. We do not believe that the utilization of this knowledge and experience in setting the fee for the audit engagement would be deemed to be influencing the audit fee.			
6.	We agree with the principle that, when determining the audit fee, the auditor should not be influenced by the provision of other services to the audit client. However, we also consider that this concept is being given undue prominence in the proposal. The self-interest threat is already addressed in section R411.4 which prohibits the firm from evaluating or compensating a key audit partner based on that partner's success in selling non-assurance services to their audit client, and it is unclear why the Board believes this particular matter rises to the level of requiring a separate topic and a specific requirement. Rather, we suggest for this principle to be included in the application material in 410.5 A2, which discusses the factors that are relevant in setting the level of the audit fee.	DTTL	No	The TF notes that the requirement in R411.4 has a different objective than the proposal.
7	"Paragraph R410.6 is not intended to prohibit cost savings that can be achieved as a result of experience derived from the provisions of services other than audit to the audit client, <u>when such services are permitted and where the application of such experience does not create a threat</u>." (IRBA)	IRBA	No	It is already implicit when speaking about the provision of services that these are not prohibited. Equally, it is implicit that the conceptual framework requires identification of threats given specific facts and circumstances.
8.	IESBA is already proposing a threshold on total fees from an audit client in the same Exposure Draft. Since there is already such a mechanism to ensure that the audit firm's independence is not unduly swayed, the proposed requirement is not necessary.	Nexia S	No	The proposals regarding the threshold on total fees from an audit client is intended to raise awareness of and address threats in circumstances of fee dependency. This proposal focuses on the possible undue influence of the provision of services other than audit on the setting of audit fees at an engagement level. It is not related to fee dependency.

ED Question 5:

Do you support that the guidance on determination of the proportion of fees for services other than audit in paragraph 410.10 A1 include consideration of fees for services other than audit:

(a) Charged by both the firm and network firms to the audit client; and

(b) Delivered to related entities of the audit client?

#	Comments	Respondent	Change?	Task Force (TF) Response
1.	We support the guidance in paragraph 410.10 A1, although we can find no reference to "services other than audit delivered to related entities of the audit client".	AGNZ	No	The overarching principle in paragraph R400.20 applies for purposes of determining the scope of related entities to be included with the audit client. This can be clarified in an FAQ. The TF believes it would not be practical to define "non-audit services/ fees" in the Code. To capture fees for all types of professional service other than an audit or review of financial statements, the proposals refer to fees for services other than audit (i.e., assurance services other than audits and reviews of financial statements, and non-assurance services).
2.	Firstly, we note that it is the first time that the notion of the proportion of audit /non audit fees appears in the Code and that such guidance is not commanded by a requirement. It is therefore hanging.	CNCC		
3	While we agree with the safeguard listed in paragraph 410.10 A3, we encourage the IESBA to provide additional examples of safeguards that would address the independence threats. We believe that additional safeguards will help firms implement the Code more effectively.	GAO	Yes	See paragraph 410.11 A3 in **Agenda Item D-2**.
	Despite the factors provided, examples of safeguards would be appreciated in order to help addressing such situations, including in what circumstances the threats might be at an acceptable level.	Ibracon		
	Whereas we support the factors relevant to evaluating the level of such threats as listed in paragraph 410.10 A2 and the safeguard listed in paragraph 410.10 A3,	ICPAU		

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	we propose that the IESBA provides additional examples of safeguards for example having separate engagement teams, etc. that would address the independence threats under paragraph 410.10 A3. This will be key in helping firms effectively implement the Code.			
4.	APESB believes the IESBA could also provide additional guidance on another situation where a significant portion of fees relates to multiple audit fees referred from one source. This scenario prompted the audit regulator in Australia to request the APESB to include strengthened provisions in the Australian Code (APES 110) to prevent this situation occurring in Australia. In particular, the regulator was concerned about the practices they saw in relation to the accounting and auditing engagements for Self-Managed Super Funds (SMSFs). The regulator noted that some SMSF auditors were reliant on one or two sources for referrals of SMSF audit engagements and believed this caused a significant threat to the independence of that auditor (refer paragraphs AUST R410.3.1 & AUST 410.3.1A1 of APES 110).	APESB	TBD	The TF's preliminary view is that this situation should be covered through the application of the CF, however the TF will give the matter further consideration.
5.	Assirevi believes that (i) companies in which the listed company holds more than 20% of the share capital but is not able to exercise significant influence and (ii) the entities under common control with the listed company should be excluded. In fact, in those cases, the decision-making process connected to the assignment of non-audit engagements would not fall under the purview and/or the control of such listed company.	Assirevi	No	The TF is of the view that based on the factors provided for the evaluation of the level of the threats (revised paragraph 410.4 A3), the firm should consider whether the service is provided by the firm or a network firm, and the relationship of the related entity (to whom the service is delivered) to the client. The TF believes that it is not necessary for the guidance to be overly prescriptive with regard to these factors. Nevertheless, consideration can be given to developing FAQs to address specific questions.
	We view that any threats to independence would be clearly insignificant in situations where the NAS fees earned by each network firm from the parent, penultimate parent, ultimate parent and sister entities of the audit client is less than 1% of the relevant network firm's revenue.	SAICA		

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	Alternative safeguard – Each network firm confirms to the audit firm, that the NAS fees earned by the network firm from the parent, penultimate parent, ultimate parent and sister entities of the audit client do not exceed 1% (cumulative per annum) of the network firm's revenue. In the event that the above threshold exceeds 1%, 94% of the directors we surveyed agree that obtaining a confirmation from the audit firm/the audit firm's ethics and independence partner (or equivalent) that there is no undue influence from network firms on the audit firm for its execution of audit to TCWG would be an adequate safeguard.			
	Among related entities, on the other hand, we oppose that fees for services other than audit paid to ones from overseas be included, since it would be difficult to access information on fees for services other than audit provided to audit clients' related entities overseas by network firms.	KICPA		
6	It is however important to note the fact that "audit client" would include independent review clients. This might create a bigger threat to smaller firms, where they provide accounting services as well as performing the independent review.	SAICA	No	Based on the overarching provision set out in 400.1 and 400.2, the same independence provisions apply to audit and review engagements throughout the IIS.
7	We have noted that the factor included in 410.10 A2, bullet four, states "… the qualitative and quantitative significance of the client to the firm and the network". More thought should be given regarding whether this consideration is the same as that in bullet six of 410.4 A2.	IRBA	Yes	To avoid any inconsistency, amendments have been made to paragraphs 410.4 A3 and 410.11 A2 in **Agenda Item D-2**.
8	In its response to the IESBA's Exposure Draft, Proposed Revisions to the Non-Assurances Services Provisions of the Code, the NZAuASB recommends the prohibition of all non-assurance services to audit clients that are public interest entities. Acceptance of that recommendation would mean that the application of the	XRB	No	The NAS Task Force has not taken an approach of a blanket prohibition of all NAS for PIE audit clients.

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	guidance in paragraphs 410.10 A1 to 410.10 A3 would be limited to audit clients that are not public interest entities.			
9	We believe that the role of an "appropriate reviewer" discussed in 410.10 A3 requires further consideration. It is unclear who would perform such a review. It is also unclear as to the scope of this review and we would question whether they are in fact reviewing the quality of the audit work and whether the EQC review which is required where the public interest need is greatest does not fully address the threat. We do not agree that another category of reviewer is needed given that audit firms already have an ethics partner and requirements for quality control reviewer roles are already in place..	CAI	No	The concept of an appropriate reviewer is used in the context of safeguards throughout the IIS. It does not serve the same objective as an EQC review performed for quality management purposes. The term "appropriate reviewer" is described in paragraph 300.8 A4 of the Code.
	We note that the proposed paragraph 410.10 A3 provides an example of a safeguard of "…having an appropriate reviewer who was not involved in the audit or the service other than audit review the relevant audit work". It is unclear who this "appropriate reviewer" would be.	SAICA		
10	We disagree with the fourth bullet point, the significance of the client to the firm. This is an issue of fee dependency of the firm towards an audit client, not of the ability of the auditor to issue an independent opinion on an audit client because of the large proportion of other services provided by the firm or the network to that client.	CNCC	No	The TF believes that the significance of the client is relevant when the firm is evaluating the level of the threats to independence created by a high proportion of fees.
11	SMPs, especially start-ups, face increasing likelihood that they would have a large proportion of fees charged to an audit client generated by providing non-audit services ('NAS'). This could inadvertently raise the barriers of entry into the profession and promulgate oligopolistic behaviour within the market.	MIA	No	The TF believes that this is a factor that could have relevance in the case of fee dependency on one audit client, but not in the case of the proportion of overall fees generated from one client.
12	The last sentence of 410.10 A1 references "a perception that the firm or network firm focuses on the non-audit relationship," which would seem to be akin to	KPMG	Yes	The sentence is speaking to the threat arising from the focus on the non-audit relationship, not the perception. That sentence articulates how a

#	Comments	Respondent	Change?	Task Force (TF) Response
	the reasonable and informed third party test. The last part of that sentence then states "which might create a threat to the auditor's objectivity." We do not agree that a perception would create a threat to the fundamental principles. The reasonable and informed third party test is a consideration made by the professional accountant or the firm, not the cause of a threat.			reasonable and informed third party might view the non-audit relationship, so it is intended to be helpful guidance. Nevertheless, the Task Force has made an amendment to refer to a threat to independence as opposed to objectivity. See paragraph 410.11 A1 in **Agenda Item D-2**.
13	We suggest that the following be included as a factor at 410.10 A2: "The nature of the client, for example whether the client is a public interest entity."	KPMG	No	It is already included in the factors in the general section (revised paragraph 410.4 A3).
14	The first bulleted point references an appropriate reviewer "who was not involved in the audit engagement." We recommend using language consistent with the auditing standards, such as "who is not part of the engagement team," to clarify the meaning of the safeguard.	KPMG	No	The wording used in the ED is aligned with the wording of other similar safeguards in the Code.
15	Another factor that could be considered in paragraph 410.10.A2 is the ratio of fees for services other than audit to audit fees charged over a number of years.	IFIAR	Yes	See paragraph 410.11 A2 in **Agenda Item D-2**. In the case of a limited term audit relationship (e.g. one-year audit engagement), independence would be a consideration only for the duration of the audit relationship.
	The level of threats created by proportion of fees is effected if the audit engagement is short, especially In the case of a one-year audit engagement.	CNCC		

ED Question 6:

Do you support the proposal in paragraph R410.14 to include a threshold for firms to address threats created by fee dependency on a non-PIE audit client? Do you support the proposed threshold in paragraph R410.14?

#	Comments	Respondent	Change?	Task Force (TF) Response
1	We support the proposal, however more guidance could be included on what constitutes the total fees	AGSA	No	This is a term used in the extant Code and during the fact-finding activities the TF did not identify any difficulties regarding its application. The term covers the total fees generated only at firm level, not at network level. It includes audit fees and any other fees for services other than audit from the client (including related entities as per R400.20). Specific implementation questions can be addressed through FAQs.
	There have been questions as to whether the total fee includes all fees received by the firm, or total audit fee. As divisions within a firm are sometimes evaluated as standalone entities/departments, would it not be reasonable to evaluate the audit fee received from the non-PIE audit client against total audit fees.	IRBA		
	It should also be specified whether the fee from such a non-PIE audit client is only the audit fee or it includes other fees charged on that client.	ICAB		
	We also received feedback that "total fees from an audit client" should be clarified for the reader as to whether total fees include those received by network firms in addition to the firm. We believe the intent from paragraph 68 in the Explanatory Memorandum is that the use of "the total fees received by the firm from an audit client" or something similar would make this clearer in R410.14.	CPA Canada		
	Clarity is required as to whether this provision applies to the firm or network firm; and also, to understand better the reason why this is not applied at both levels.	IRBA		
	In terms of the relevant fees we believe that the provision lacks clarity. We assume this is intended to refer to all fees received by the firm from the client or a related entity, and excludes fees received by other firms in the Network (or indeed other component	PWC		

#	Comments	Respondent	Change?	Task Force (TF) Response
	auditors outside the Network) whether for audit or for other services. This could be clearer.			
2	Additionally, these provisions do not differentiate between the maturity of the audit firm. This requirement may create an additional burden to new audit firms, especially SMPs.	IRBA	No	The general provisions on fee dependency applicable to all audit clients include the following factor that addresses the comment raised: *Whether the firm is expected to expand such that the significance of the client is likely to reduce.* However, the TF believes that the proposed 5-year period provides enough time for firms to address fee dependency on a client.
3.	The proposal does not appear to differentiate and address the need of auditors who audit large non-PIE audit clients and auditors who audit small-medium non-PIE audit clients. Small practitioners with a handful number of audit clients will easily breach such requirements proposed in the Code. It is recommended that the IESBA looks into the scalability of the proposal, such as tiered system or any other forms that address the different business models of practitioners.	MICPA	No	The TF believes that the proposed 30 percent threshold in conjunction with a 5-year period provides enough scalability, taking into account the different level of public interest in non-PIEs, and provides enough flexibility for newly established firms to deal with fee dependency.
4.	We propose that the board applies a minimum of 20% threshold that is used as an indicator of influence in various standards such as IAS 28 Investment in Associates and reduce the period requiring action to three years. This measure would strengthen mitigations over self-interest threats and ensure that any action required is taken timely.	BICA	No	Regarding the threshold, the fact-finding activities leading up to the Fees project provided no empirical evidence as to what it should be. Therefore, taking into account the considerations and feedback from stakeholders, including the IFAC SMP Committee, the IESBA agreed to include the proposed 30 percent threshold in conjunction with 5 years.
	We would suggest that a threshold of 20% and three years may be more appropriate. This would still allow for proportionality as the provisions for audit clients that are non-PIEs are still less rigorous than the provisions for audit clients that are PIEs.	ICAS		
	If the Board decides to retain the current proposed 30% threshold, we believe that to defer the need for safeguards to the fifth or sixth year to be imprudent	PWC		

#	Comments	Respondent	Change?	Task Force (TF) Response
	given the level of the threat. Therefore, we recommend that IESBA give consideration to requiring safeguards prior to the issuance of the audit report on the third year's financial statements.			
5.	No, we with disagree with the 30 per cent threshold for the threat assessment and consider that that it should be a lower threshold of 10 per cent.	IPA	No	The TF believes that the requirement has to provide greater flexibility and latitude for non-PIE audit clients than for PIE client in case of fee dependency. Therefore, the proposed 10 percent does not seem appropriate.
6.	However, there is conjecture amongst Australian professional accountants that the 30% threshold may not be appropriate in all circumstances. Perhaps consideration should be given to whether a threshold be included as guidance in application material rather than a requirement.	CPA Australia	No	The IESBA 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 TF is of the view that including the threshold in application material would not support consistent application. Furthermore, stakeholders already signaled that in some jurisdictions, when adopting the changes to the Code, a threshold in application material would translate to a requirement.
	It may be better, in an international Code, not to have an absolute indicator if it cannot, due to practical considerations, be set at a lower level. This could be accompanied by off-Code 'persuasive' guidance indicating the thresholds already applied in various jurisdictions around the world. At the very least, at a 30% level, stronger safeguards are likely to be needed (see response to question 7 below).	ICAEW		
	We consider that it is unlikely that there will be many instances where a non-PIE audit exceeds 30% of fee income for a firm, even for smaller practices, and as such a hard and fast rule may not be necessary. It may, therefore, be more appropriate that this threshold be included in application guidance rather than as a requirement given the lack of a formal basis for its determination.	BKTI		
7	CPA Australia recommends that the stem to R410.14 be clearer in what is required by the Professional Accountant. Considering R410.14 is a proposed	CPA Australia	No	The TF believes that the current wording of the proposal reflects better the approach in the conceptual framework.

#	Comments	Respondent	Change?	Task Force (TF) Response
	requirement, interpretation may be subjective given the current wording. "The firm shall determine which of the following actions it will apply as a safeguard to reduce the threats created to an acceptable level:"			
8	If, as per paragraph 55 of the Explanatory Memorandum, IESBA's intention is that that "firms should consider fees from related entities of the audit client in calculating the total fees from the client", we believe this intention could be clarified within the provisions. Similar to the comments in our response to Question 5 above, whilst IESBA's approach in the provisions is logically correct, and captures applicable related entities as per R400.20, we would highlight that it is not immediately clear to the user when considering the various requirements in this section in isolation that applicable related entities are within scope. The removal of the explicit reference in the Code might also lead the user to believe that there has been a change in the scope of the requirement.	ICAS	No	Regarding the determination of related entities, the overarching principle in IIS (in para R400.20) applies in this case. Therefore, the TF does not believe it is necessary to repeat such overreaching principle. However, this can be highlighted through an FAQ.
9.	The NZAuASB also recommends a reference back to paragraph 410.13 A4. The last three bullet points in this paragraph provide examples of ways to manage the client base.	XRB	No	The guidance in paragraph 410.13 A4 applies throughout this subsection on fee dependency. It is not necessary to add any internal references.
10.	We suggest that the safeguards proposed in R410.14 could be incorporated into the list of potential safeguards in 410.13 A7 to acknowledge their possibility as an appropriate safeguard for non-PIE audit clients.	KPMG	No	The examples of safeguards in paragraph R410.13 A7 include the review of the audit work by an appropriate reviewer. Based on the facts and circumstances, this relies on the professional judgment of the firm to decide what type of review would be appropriate in such circumstances to reduce the threats to an acceptable level.
11.	Furthermore, it should be clear in the application material that the intention is to decrease fee dependency over the time period and that high levels of fee dependency should primarily be in start-up firms.	ACCA CAANZ	No	The TF believes that this intention is implicit based on the guidance in ED paragraph 410.13 A3 that a factor to consider in evaluating the level of the threats is whether the firm is expected to expand its client base.

#	Comments	Respondent	Change?	Task Force (TF) Response
12.	We do not disagree that, from the perspective of ensuring the credibility of the audit, independence should be maintained in the case of audit services to non-PIE clients as well as PIE clients. However, although the extent of public interest in non-PIEs is not large in comparison to that in PIEs, the number of non-PIEs is very large. Even if requirement on fee dependency were established based on one threshold value across the board, it would be impractical for the JICPA, as a self-regulated body, to monitor the state of compliance by its members, which would create concerns from the viewpoint of the effectiveness of the requirement.	JICPA	No	Based on the fact-finding activities, the Task Force is of the view that it is not common that firms exceed such level of threshold. Furthermore, an audit firm can have a maximum 3 clients that they need to monitor to see whether the fee-dependency on a given client reaches the proposed threshold. The TF anticipates that the number of cases would not create a significant burden either for firms or regulatory bodies.

ED Question 7:

Do you support the proposed actions in paragraph R410.14 to reduce the threats created by fee dependency to an acceptable level once total fees exceed the threshold?

#	Comments	Respondent	Change?	Task Force (TF) Response
1.	We also think that in case of significant fee dependency on an audit client as noted in the paragraph, irrespective of year of audit and type of client, there should be a mechanism of reviewing audit working files by a professional accountant within the firm in addition to the engagement partner.	ICAB	No	This is an issue more for quality management of the firm.
2.	However, we would like to highlight following for consideration: • The role of the independent professional accountant is not defined. For a PIE audit, the role of an engagement quality reviewer has already been defined. However, for a non-PIE audit, there is no indication of the nature, timing and extent of the review to be undertaken by the independent professional accountant. • Deliverables required from the independent professional accountant is not specified in the ED. For instance, we seek clarity on whether the independent professional accountant is required to produce a report on the subject matter, and the scope and content of such a report. • The qualification or experience required for the independent professional accountant. • The impact to the audit opinion when there is disagreement between the auditor and the independent professional accountant.	MIA	No	The extant Code already includes a review of audit work performed as a safeguard in many other circumstances. The firm should exercise appropriate professional judgment as to the nature, timing and extent of the review (and the deliverables) based on the facts and circumstances. The Code is not prescriptive in this regard. Furthermore, to ensure that the reviewer has the necessary knowledge, skills and independence, the proposed requirement sets out that the review has to be performed by a professional accountant outside of the firm.
	With regard to the proposals for an independent professional accountant to be appointed after five years, the following areas need to be addressed to	BKTI		

#	Comments	Respondent	Change?	Task Force (TF) Response
	ensure appropriate and consistent application of the requirements: • What are the consequences if the independent professional accountant does not agree with the conclusions reached by the engagement team and the proposed audit opinion? Who is responsible for taking action in this situation, and what recourse is there for any actions to be taken? • What is the format of the output of the independent professional accountant? Will there, for example, be a formal report of some description? • Where there is a disagreement with the independent professional accountant, what is the impact on the audit opinions for the previous four years? • What is the liability position of the independent professional accountant in the case of any future litigation? • What are the requirements relating to qualifications, experience, independence etc. for this role against which the professional accountant should be assessed? • What is the role of the independent professional accountant in non-PIE audits? For PIE audits, equating the role to that of an EQCR creates a clearer role. There is, however, no indication of the nature, timing and extent of the review to be undertaken by the independent professional accountant in non-PIE engagement. As a result, there may be lack of consistency in application of this safeguard. • Why is there an option (b) of reviewing the fifth year's audit work after it has been completed and the audit opinion has been issued? It is unclear			

#	Comments	Respondent	Change?	Task Force (TF) Response
	what the purpose or benefit of such a review is, given that the opinion has already been issued. As noted above, what would be the recourse if the independent professional accountant disagreed with the auditor's conclusions?			
3.	We would recommend the word "independent" be added before professional accountant to indicate the safeguard is to be carried by an associate or related party who is a professional accountant that is not in the firm. We would like to request clarity on the use of "professional accountant" as in paragraph 410.5A3 an "appropriate reviewer" is used. What is the difference between the use of "appropriate reviewer" or "professional accountant"	SAICA	No	The proposals already are clear that this professional accountant is not a member of the firm expressing the opinion on the financial statements. As described in the Glossary, an appropriate reviewer need not be a professional accountant.
4	We strongly suggest including additional safeguards and provisions on the appropriate reviewer concerning the reviewer's independence from the firm as well as from the audit client and the audit client's related entities	IFIAR	No	This is outside the remit of this project. The separate project addressing the objectivity of engagement quality reviewers is addressing the objectivity of appropriate reviewers.

ED Question 8:

Do you support the proposed action in paragraph R410.17 to reduce the threats created by fee dependency to an acceptable level in the case of a PIE audit client?

#	Comments	Respondent	Change?	Task Force (TF) Response
1.	We note that the engagement quality review safeguard referred to excludes the possibility of a review from someone inside the firm. We believe that it might assist some smaller firms without compromising independence if a review were consider acceptable by someone from within the firm if the degree of fee dependence was not excessive and that individual's remuneration were not dependent significantly on the same profit source as is contributed to by the fees from the audited entity.	ICAEW	No	In line with provisions of the extant Code, the TF believes that as a safeguard, only a review equivalent to an EQR performed from a professional accountant outside of the firm would be capable of reducing threats to an acceptable level.
2.	SAICA supports the proposal, however the reference needs to be updated to ensure that the professional accountant outside of the firm is independent i.e. not a related party.	SAICA	No	As the individual is a professional accountant, he or she would be subject to all the applicable requirements of the Code, including compliance with the fundamental principles of objectivity, and professional competence and due case. The proposal is not intended to be prescriptive as to the timing of the review beyond the need for the review to be equivalent to an engagement quality review.
	it is not clear who this external accountant might be and what level of experience and qualification they would need. For instance, would they need to be an audit partner in a similar firm with industry and other relevant experience? Would the professional indemnity insurance cover of the hiring firm be extended to over them or would they need to have their own cover? The extent of the review and their responsibilities/liability (if any) to the audit client need to be clarified. The timing of the review would need to be clear and where it overlaps or otherwise with the firm's own engagement quality control reviews.	CAI		

#	Comments	Respondent	Change?	Task Force (TF) Response
	The Code should be clear that the Independent Professional Accountant should have relevant expertise in the field of PIE audits	BKTI		
3	R410.19 refers to the circumstances described in R410.17 continuing for five consecutive years, as a reason for requiring the firm to cease being the audit firm. It is unclear whether the existence of a joint audit referred to in R410.18 is an exception to R410.19.	DTTL	No	In case of a joint audit, the Code provides the opportunity for firms not to have a pre-issuance review. However, if the fee dependency continues for 5 consecutive years, the firm must cease to be the auditor even in case of a joint audit.
4.	As currently drafted, proposed paragraph R410.17 focuses on an engagement quality review being performed and not a pre-issuance review. In some jurisdictions there are requirements that the engagement quality review be performed by a locally licensed professional accountant. In this circumstance, we propose that the requirement in proposed paragraph R410 .17 is changed as follows: " When for each of two consecutive years the total fees from an audit client that is a public interest entity represent, or are likely to represent, more than 15 % of the total fees received by the firm, the firm shall determine whether, prior to the audit opinion being issued on the second year's financial statements, a pre-issuance review equivalent to that of an engagement quality review performed by a professional accountant who is not a member of the firm…." .	EY	TBD	To be further considered by the Task Force.
5.	There is a risk in only setting the requirement from year 2 that this could result in a first-year audit being conducted with high fee dependence levels without any safeguards.	Moore	No	The general provisions in paragraphs 410.13 A1 to 410.13 A3 relevant to fee dependency on all audit clients apply in case of PIE audit clients even in the first year. Firms must evaluate whether the level of the threats is at an acceptable level and if it is not, address the threats in accordance with the conceptual framework. Furthermore, if total fees from an audit client that is a PIE exceeds 15 % of total fees of the firm, the firm has to communicate this fact (and, as

#	Comments	Respondent	Change?	Task Force (TF) Response
				appropriate, the safeguards) to TCWG even in the first year of the engagement.
6.	We would appreciate a further consideration of the wording "are likely to represent" as it allows for an unreasonable level of subjectivity.	IRBA	No	Some element of judgment is necessary as estimated, proposed or provisional fees may need to be considered across a range of services provided to the client.
7	It is recommended that the IESBA provides greater clarify on the definition of "a" PIE. In Malaysia, there are sovereign funds owned by the Government which in turn have equity investments in many public listed entities which are commonly known as GLCs (Government- Linked Companies). These GLCs are inter-related because of common ownership. We would like to seek clarification as to whether an audit client comprises of a company or a group of companies stand-alone or should other related GLCs under the same sovereign funds be included when considering the dependency.	MICPA	No	The IESBA is undertaking a separate project to review the definition of a PIE in the Code (PIE Project).
8.	No, they should be more restrictive. Our ethical standard imposes a more restrictive threshold and other conditions than IESBA is proposing, including not acting as the provider of the engagement if the threshold will be regularly exceeded (more details are given in our response to IESBA's 2018 Fees Questionnaire). The requirement in paragraph R410.17 is too weak in allowing the firm expressing an opinion on the financial statements to determine whether an engagement quality review, performed by a professional accountant is not a member of the firm, might be a safeguard to reduce the threats to an acceptable level. If the threats are not at an acceptably low level the firm should not act as the auditor. We do not believe there are any safeguards, including review by an external reviewer, that can	UK FRC	No	Consistent with the conceptual framework, the IESBA is proposing a principles-based approach that requires firms to determine whether a pre-issuance review would be capable of reducing the threats to an acceptable level. If the firm determines that a pre-issuance review is not an appropriate safeguard, the conceptual framework would require the firm to cease to be the auditor. However, if the fee dependency continues for 5 years in case of a PIE audit client, the IESBA is of the view that there are no safeguards capable of reducing the threats to an acceptable level.

#	Comments	Respondent	Change?	Task Force (TF) Response
	reduce the threats to an acceptable level where a firm has an ongoing fee dependency on a PIE client.			

ED Question 9:

Do you agree with the proposal in paragraph R410.19 to require a firm to cease to be the auditor if fee dependency continues after consecutive 5 years in the case of a PIE audit client? Do you have any specific concerns about its operability?

#	Comments	Respondent	Change?	Task Force (TF) Response
1.	Specific concerns about the operability of this paragraph we can think of include the fact that worldwide there might be varying situations relating to national anti-competition or anti-trust laws. This will definitely factor in the operability of this provision.	ICAG	No	Based on the overarching principle of the Code set out in paragraph R100.3, if the proposed requirement for firms to end the audit engagement if fee dependency continues for a certain period of time is against the national anti-trust laws, those laws and regulations prevail.
2.	The local laws and regulations override is not mentioned in paragraph R410.19. However, we believe that it would be more helpful to users if R410.19 did specifically address this matter. We note that there is a specific paragraph in the proposed new provisions in IESBA's Exposure Draft: "Proposed Revisions to the Non-Assurance Services Provisions of the Code", which states: "600.6 A1 Paragraphs R100.3 to 100.3 A2 set out a requirement and application material relating to compliance with the Code. If there are laws and regulations in a jurisdiction relating to the provision of non-assurance services to audit clients that differ from or go beyond those set out in this section, firms providing non-assurance services to which such provisions apply need to be aware of those differences and comply with the more stringent provisions." We suggest the following wording for R410.19: "R410.19 Subject to paragraphs R100.3 to 100.3 A2 and paragraph R410.20, if the circumstances described in paragraph R410.17 continue for five consecutive years, the firm shall cease to be the	ICAS	No	IESBA had discussed at length the merit of highlighting para R100.3 in the general section of the NAS provisions and agreed that because of the particular importance of that provision in the context of NAS, there should be a specific reference to this paragraph in the NAS provisions. The TF does not believe this is necessary in the context of the Fees provisions.

#	Comments	Respondent	Change?	Task Force (TF) Response
	auditor after the audit opinion for the fifth year is issued.			
3.	We question the operability of this proposal if it is expected to be applied on the network firms. If this proposal applies to network firms, it raises the question on whether the network firm is able to continue as the statutory auditor of the related entities in other jurisdictions when the threshold of fee dependency is crossed, i.e. when the total fees from audit client and its related entities exceed 15% of the total fees of the firm expressing the audit opinion on the financial statements.	ISCA	No	The proposed requirement in paragraph R410.19 applies only at firm level.
4.	We do support the proposal, but more guidance should be provided on action plans on what a firm can be doing to reduce the prescribed dependency period. We recommend that fee dependency ceasing period of five years to be as proposed but room should also be given for jurisdictions to determine the time period.	NBAAT	No	National standard setters can determine a more restrictive time period if they consider it appropriate for their local circumstances.
5.	The definition of PIE in the proposed Code termed as "entity of significant public interest", discussed in paragraph 18 of this Explanatory Memorandum. In the local context the definition of PIEs was made so widened that most of the business entities will be categorized under PIEs. So, there are differences between the definition of PIE stated in the Code and the local definition of the same. So, we believe that the definition of PIE also needs further clarity for determining such fee dependency.	ICAB	No	The IESBA is undertaking a separate project to review the definition of a PIE in the Code. As part of that project, consideration is being given to how jurisdictions have defined the concept of a PIE for their national circumstances. The revised PIE definition, once finalized, will apply to the revised fee-related provisions.
6.	The provisions should be clear that while the Code may require resignation as there is no alternative safeguard in this situation, it does not imply it is because the audit firm is no longer independent. If the audit firm cannot cease under law or there are compelling reasons not to do so, it should specifically	DTTL	No	If the firm has to resign after the 5th year, it would be to comply with the Code, not because the firm is no longer independent. This is the same outcome as applying the conceptual framework in the context of other IIS if there are no safeguards that can be applied to reduce threats to an acceptable level.

#	Comments	Respondent	Change?	Task Force (TF) Response
	be stated that such audit firm is not in breach of the Code, its objectivity is not impaired, and it can continue as auditor. It is not clear in such a situation whether the firm is required to continue applying the same actions in the following years as it has in the prior five years, so we suggest this be clarified.			Likewise, if law or regulation prohibits resignation, law or regulation will prevail as specified in paragraph R100.3 and it would not mean that the firm has breached the Code. If the firm continues based on the exception provided in paragraph R400.20 of the ED, the firm would do so having obtained the concurrence of a regulatory or professional body. However, the firm would need to continue to apply a pre-issuance review each year after the fifth year.
7	Again, an exception might reasonably be included where a firm is acting as a component auditor of a large group audited by the Network, given that it is in the public interest for the financial statements to be audited for group reporting purposes and since the request to perform the work is coming from another firm in the Network.	PWC	No	The TF does not believe that acting as a component auditor of a large group audited by the network would be a compelling reason for the firm to continue the engagement even after the fifth year.

ED Question 10:

Do you support the exception provided in paragraph R410.20?

#	Comments	Respondent	Change?	Task Force (TF) Response
1.	We support the proposed exception, We propose adding that a firm can continue with the audit engagement if it is a legislative jurisdictional requirement.	NBAAT	No	If national laws or regulations prohibit firms ceasing to be the auditor after the fifth year, based on paragraph R100.3, those laws and regulations prevail.
2.	The phrase "independent regulatory body" is different from "regulatory body" used elsewhere in the IESBA Code. Clarification is needed on whether this refers to an audit regulator or any independent regulator. If this includes regulators outside of audit focus, consideration needs to be given to the appropriate understanding of the IESBA Code provisions to allow for decision-making.	IRBA	Yes	See paragraph 410.21 (a) in **Agenda Item D-2**.

ED Question 11:

Do you support the proposed requirement in paragraph R410.25 regarding public disclosure of fee-related information for a PIE audit client? In particular, having regard to the objective of the requirement and taking into account the related application material, do you have views about the operability of the proposal?

ED Question 12:

Do you have views or suggestions as to what the IESBA should consider as:

(a) Possible other ways to achieve transparency of fee-related information for PIEs audit clients; and

(b) Information to be disclosed to TCWG and to the public to assist them in their judgments and assessments about the firm's independence?

#	Comments	Respondent	Change?	Task Force (TF) Response
1.	Additionally, clarity on the timing of the disclosure needs to be included in the final amendments. This clarification will help elevate the robustness of the requirement.	IRBA	No	The TF proposes a flexible approach for firms, having regard to the general principle of timeliness. Based on their professional judgment, they need to choose the timing of disclosure that would suit best in the circumstances.
2.	There was concerns from practitioners that this transparency may lead to the audit client driving the price down, and anti-competitive behaviour. TCWG may compare the audit fee with clients in the same industry or similar size, and not fully appreciate the detail of setting of an audit fee. Thus, these amendments once finalized will require education among auditors as well as with TCWG to avoid unintended consequences.	IRBA	No	Many jurisdictions have laws and regulations in place on transparency already. Respondents broadly supported the enhanced transparency of fee related information of PIEs.
3.	Among initiatives aimed at improving transparency of fee-related information, particularly with regard to the methods of "disclosure to the general public" of information ((a) Audit fees, (b) Non-audit fees, and (c) Fee dependency) when an audit client is a PIE, the Exposure Draft states that the client in principle discloses the information. However, it can be	JASBAMA	No	The TF is of the view that it should be the client first that should disclose fee-related information of PIEs, including information on fee-dependency. The proposals, and the proposed revisions to the proposals, set out that the firm should first discuss this information and the benefit of disclosing it with the client. If this information is not disclosed by the client,

#	Comments	Respondent	Change?	Task Force (TF) Response
	considered reasonable to divide this disclosure role among different parties, depending on the nature of information. Specifically, (c) fee dependency information is not necessarily obtained by the client but rather obtained by the auditor, and thus would reasonably be disclosed by the auditor.			the onus will fall on the firm to disclose it. It is not necessary that all information be disclosed at the same place by the client or by the firm. However, the TF believes that the disclosure should be made first by the client as a matter of principle, therefore it would not be appropriate to divide the responsibility for the disclosure based on the type of information.
4.	The requirement does not indicate that it relates to PIE audit clients. This should be indicated in the sub heading.	BICA	Yes	It is now indicated in the revised requirement in R410.27 and R410.28 in **Agenda Item D-2**.
	Unlike in R410.23 and R410.24, R410.25 does not clarify that it applies only to public interest entity audits. While this can be worked out from headings, it would be helpful, and enhance consistency, to include this reference.	ICAEW		
5.	Similar to paragraph R410.19 above, we believe there needs to be further clarification re the interaction with laws and regulations. Suggested wording: In accordance with the overarching provision in paragraph R100.3, jurisdictional laws and regulations prevail. The requirements in subparagraphs (a) and (b) above may be met by compliance with laws and regulations which substantively satisfy the the corresponding requirements in these subparagraphs.	ICAS	TBD	To be further considered by the Task Force.
6.	To avoid inconsistency in application of this provision, which may lead to varying degrees of effectiveness, it could be prescribed that the information required by paragraph R410.25 is included in the annual report of the PIE as a separate disclosure.	AGSA	No	It is not within the remit of the IESBA to require disclosure in the client's annual report.
7.	The Code should clarify that if both the Code and local regulation require certain information to be disclosed, then the auditor should be deemed as	Assirevi	Yes	It is now included in the proposed revision in paragraphs R410.27 and R410.28 in **Agenda Item D-2**.

#	Comments	Respondent	Change?	Task Force (TF) Response
	having satisfied the provision of the Code by complying with local regulation.			
8.	We do not support the requirements proposed in the paragraph R410.25 for the following reasons. First, it would be difficult in practice to obtain information on fees for audit services or those for services other than audit, either of which are performed by the network firms that are based overseas.	KICPA	No	The fee-related provisions rely on how networks implement the independence provisions in the Code. An FAQ can be developed to clarify this specific matter.
9	The proposals allow too much flexibility, the audit fee should be either disclosed in the financial statements or the auditor's report.	IPA	No	It is not within the remit of the IESBA to require disclosure by the audit client. Flexibility is important to facilitate firms' achievement of the objective of transparency.
10	Concerns about the consequences if the auditor believes the client's disclosures are appropriate, but the regulator does not. Should this be a breach of the auditor independence provisions and who should be ultimately responsible for the robustness of the fee disclosures?	APESB	No	Firms are expected to apply the provisions in good faith. It would not be appropriate or reasonable to subject them to second guessing.
11	The requirement is for the firm to be satisfied that the information is publicly disclosed in a timely and accessible manner. There is no consistent location for this information to be disclosed. The guidance indicates, if the information is disclosed by the entity, it could be in the financial statements, annual report or proxy statement. If disclosed by the firm, such information might be disclosed by the firm in a manner deemed appropriate for the circumstances. Not having the information available in a consistent location, for example, the entity's financial statements, will make it difficult for users to find, and consequently, reduce its usefulness.	XRB	No	The overriding objective of the proposal is transparency of fee-related information. If the client does not make the disclosure, the firm has flexible avenues to disclose the information in a manner deemed appropriate for the circumstances but having regard to the important principles of timeliness and accessibility to stakeholders.
13	Additionally, the proposal to make such disclosures in the audit report in our view is inconsistent with the	DTTL	No	The IESBA had engaged in coordination with the IAASB regarding public disclosure of fee-related

#	Comments	Respondent	Change?	Task Force (TF) Response
	objective of ISA 700, Forming an Opinion and Reporting on Financial Statements, which is to form an opinion on the financial statements based on the conclusions drawn from the evidence obtained and to express it clearly through a written report.			information in the audit report in those instances when the firm considers the audit report as a suitable location for these disclosures. Following this coordination, the IAASB has provided input regarding which part of the audit report would be the appropriate place for such disclosure. Based on the prosed revisions, the Code would not include direct reference to the location in the audit report for such disclosure. The Task Force suggests FAQs to address more detailed considerations regarding the disclosure of fee-related information in the audit report.
	We propose that fee payment issues should be reported as part and parcel of Key Audit Matter paragraph by the auditors to enhance disclosure	NBAAT		
	GTIL believes the most practical and ideal way to disclose fees is in the audit report, including the footnotes to the financial statements.	GTIL		
14.	We also do not consider that the Board has provided consistency and clarity regarding how fees are to be calculated for the purposes of public disclosure in R410.25 (nor across this whole section). Various terms are used in reference to fees, such "fees charged", "fees received", "level of the fee", "fees paid or payable" and fees "paid or estimated to be paid", which the guidance suggests is the same as "fees payable or payable" (which actually implies fees already billed). The proposal also refers to "fees paid or charged" during the period covered by the financial statements, when we suggest it is more relevant for the fee disclosures to be related to the services provided during the financial statement period, regardless of when they were billed. For these reasons we suggest, for clarity and consistency, that the requirements and application guidance across the section on Transparency of Information regarding Fees for Audit Clients that are Public Interest Entities follow these principles: • Fees for Audit Services should be the fees billed or expected to be billed for the audit of the financial statements.	DTTL	No	As fee arrangements and methods of payment vary widely in practice, the proposals do not explicitly specify whether firms should consider fees quoted, charged or paid when identifying, evaluating and addressing threats to independence. The proposal includes a reference to "paid or payable" or "charged." The TF will further consider whether the current terms used are consistent and appropriate. However, the TF does not believe that the term "billed" would be appropriate in the context of the proposed provisions. The Task Force believes that such implementation questions can be addressed through FAQs.

#	Comments	Respondent	Change?	Task Force (TF) Response
	• Fees for Services Other Than Audit should be the fees billed for the services provided during the period covered by the financial statements, regardless of whether they were billed after the end of the financial statement period (could also be referred as being paid or payable).			
15	It should be made clear that fees for all audit services, including those for statutory audits of entities over which the client has direct or indirect control, should be included in total audit fees and not just fees for the audit of the group financial statements on which the firm will issue an opinion.	EY	No	The TF is of the view that the current wording already covers that situation. The intention is that the Code set out the main objectives of the public disclosure of fee-related information and provide a flexible approach for firms to achieve these objectives. The TF suggests that the Board commission FAQs to address more detailed considerations.
16.	The proposed revision is in red font, para (c), mentioned/ inserted below. R410.25 The firm shall be satisfied that the following information is publicly disclosed in a timely and accessible manner: (c) A comparison of the fees as disclosed under (a) and the estimated expected fees in compliance of guidelines, rules or regulations of the jurisdiction, if any; and (d) If applicable, the fact that the total fees received by the firm from the audit client represent, or are likely to represent, more than 15% of the total fees received by the firm for two consecutive years, and the year that this situation first arose. Reason for the change: By disclosing the information, stakeholders would have an opportunity to know, comment, discuss the reliability, quality and ethical compliances of the audit and the	BFRC	No	If there are specific laws and regulations regarding the expected fees, the TF believes that the disclosure of the comparison should be considered by the regulators and not by the Code at a global level.

#	Comments	Respondent	Change?	Task Force (TF) Response
	management would be under pressure to fix the situation at least for future years.			
17	"For paragraph 410.25, I would suggest adding some language to indicate that such fees should be disclosed for each engagement separately and not on total basis."	CMASA	No	The TF is of the view that from the wording of the requirement it is clear that the disclosure is to be done at an engagement level.

ED Question 14A:

Do you support the proposed consequential and conforming amendments to Section 905 and other sections of the Code as set out in this Exposure Draft?

#	Comments	Respondent	Change?	Task Force (TF) Response
1.	We believe that the IESBA could further clarify paragraph 905.10 A2 to note that the independence threat created when the assurance client is not responsible for negotiating or paying the fees relates to ensuring independence from the assurance client and not the party paying the fees.	GAO	No	The IESBA was mindful of the special considerations for assurance engagements, particularly that parties involved in an assurance engagement might not be the same and therefore the application of the independence provisions in Part 4B might vary. However, the IESBA believes it is appropriate for the Code to make clear that the threats created by significant fee dependency do require evaluation even if the assurance client is not in fact the one paying for the assurance engagement.
	We do not understand the logic underlying proposed 905.10 A2. Why is this only relevant for assurance services other than audits and reviews?	IDW		
2	APESB is of the view that the example of putting pressure on a professional accountant to provide the service at low fees levels could be included with the examples under the subheading 'Pressure to act without sufficient expertise and due care'. If this change was made, consequential amendments could be made to Section 230 Acting with Sufficient Expertise to include a provision or guidance on ensuring that others have sufficient expertise to undertake tasks or engagements. Alternatively, this guidance could be included in Subsection 113 Professional Competence and Due Care after paragraph R113.2.	APESB	Yes	See paragraph 270.3 A2 and A3 in **Agenda Item D-2**. However, the pressure is related to level of fees and not directly to acting without sufficient expertise and due care, which is a broader issue.
3	CPA Australia recommends further review of R 270.3 (b) and 270.3 A3 Requirement 270.3 (b) states that: *R270.3 A professional accountant shall not:* *(b) Place pressure on others that the accountant knows, or has reason to believe would result in other individuals breaching the fundamental principles.*	CPA Australia	No	This is the wording of the extant Code; no changes were proposed to this provision by the Fees Project.

#	Comments	Respondent	Change?	Task Force (TF) Response
	The fundamental principles of the Code apply only to professional accountants, as such, 'other individuals' are not required to adhere to the fundamental principles. CPA Australia recommends that the IESBA consider changing R270.3 (b) as follows: *R270.3 A professional accountant shall not:* *(b) Place pressure on other professional accountants that would reasonably result in these other professional accountants breaching the fundamental principles.* Based on the recommended changes to R270.3 (b), consequential amendments would be required to 270.3 A3 as follows: *270.3 A3 An example of pressure placed on other professional accountants that might result in threats to their compliance with the fundamental principles would be pressure exerted on another professional accountant to provide professional services at a fee level that does not allow for sufficient and appropriate resources (including human, technological and intellectual property resources) to perform the service in accordance with technical and professional standards.*			
4.	330.3 A3 - It is not clear what would be the difference between 'determined' and 'charged', so we would recommend that the difference be clarified or the term should be changed back to 'charged'.	BDO	No	As fee arrangements and methods of payment vary widely in practice, the proposals do not explicitly specify whether firms should consider fees quoted, charged or paid when identifying, evaluating and addressing threats to independence. The TF believes that the term "determined" is broader than the "quoted", "charged" or "paid."
5.	With regard to 905.8 A3 second bullet point "having an appropriate reviewer who did not take part in the assurance engagement review the work performed",	Mazars	No	It is a safeguard from the extant Code.

#	Comments	Respondent	Change?	Task Force (TF) Response
	we are not convinced that this is a practical safeguard.			
6.	For section 330, paragraph 330.3 A2 indicated that the level of fee can create self-interest threat if the fee quoted is “so low”. I would suggest adding some explanatory material to try define what a low level of fee can be.	CMASA	No	The TF notes that the determination of whether a level of fees is low in the context of paragraph 330 A2 depends on many factors and varies on a case by case basis. It would be impractical to specify what a “low level of fees” would be in a global Code that would be applicable to each professional engagement.
7	As we have commented in our responses to other IESBA EDs (including those that addressed the structure of the Code), we believe the same independence requirements should be applied to other public interest assurance engagements as are applied to audit engagements.	UKFRC	No	The IESBA did not support including the term “public interest assurance engagements” in the Code.
8.	While threats to independence may arise from proportionally high fee levels, it is also important to recognise that overly low fees may result in an actual or perceived threat to the ability to perform an engagement in accordance with all applicable engagement and ethical standards. We recommend that IESBA introduce a requirement that the firm shall be satisfied and able to demonstrate that the engagement has assigned to it sufficient partners and staff with appropriate time and skill to perform the engagement in accordance with all applicable engagement arid ethical standards, irrespective of the engagement fee to be charged. This could be included in Section 330 of the Code, which currently only addresses this threat by way of application material (paragraphs 330.3.A1 - 330.3.A4}.	UKFRC		The IESBA has previously discussed including similar provisions to Part 4A of the Code. However, the IESBA was of the view that the responsibility for assignment of appropriate resources is already addressed in the QM standards issued by IAASB and it is not an issue that should be addressed in Part 3 of the Code or the IIS.

Other Issues

Communication with Those Charged with Governance

#	Comments	Respondent	Change?	Task Force Response
1.	For TCWG, the auditor should disclose the nature and related fees of all non-audit services provided by the firm and members of its network to the audited entity and its related entities. That is information that will assist TCWG form their own assessment of the threats to the auditor's independence. The requirement in paragraph R410.23 focuses only on the amount of such fees - the matters that are identified in paragraph 410.23.A 1 as "might" be communicated should also be required to be communicated unless such communication is prohibited by law or regulation..	UK FRC	No	The TF notes that the requirement regarding the communication of fee-related information with TCWG is in line with ISA 260. The application material, however, includes examples of information the firm might communicate with TCWG (paragraph 410.23 A1 of the ED). One of the examples is the "the nature of other services provided and their associated fees."
2	In Paragraph R410.23 it is stated that "for audit clients that are PIEs, the firm shall communicate in a timely manner with TCWG the fees charged during the period by the firm or network firm of services other than audit to the client which shall include only related entities over which the client has direct or indirect control to assess the impact of the fees on the firm's objectivity". In such cases and where local regulations permit we believe certain responses could be added to the application material such as seeking and gaining pre- approval of the services prior to the commencement of the engagement.	IOSCO	No	The TF notes that the requirement regarding the communication of fee-related information with TCWG is in line with ISA 260. The application material, however, includes examples of information the firm might communicate with TCWG (paragraph 410.23 A1 of the ED). One of the examples is the "Information on the nature of the services provided under a general policy approved by those charged with governance and associated fees."
3.	Overall there is a lack a clarity of when each communication is required to take place and whether they are done at separate times (which seems to significantly increase the burden on audit firms and TCWG) or can be made, for example, annually by agreement.	DTTL	No	The proposal provides flexibility regarding the timing of, and approach to, the communication, whether it is done separately or annually by agreement, provided it achieves the goal set out in the requirement and provides information about the firm's independence in a timely manner.

#	Comments	Respondent	Change?	Task Force Response
4.	It is not stated whether the communications are required to be in writing.	DTTL		
5.	It is unclear whether the communications under R410.22 take place with respect to each audit engagement within the PIE group (e.g., at each component level) which would create a lot of duplication and should not be required.	DTTL	No	The aim of the communication about the level of audit fees to TCWG is to provide information about the audit fees at a group level. However, the proposal provides flexibility regarding how to achieve such transparency. This matter can be clarified through an FAQ.
6.	It is not clear why the disclosure of the fees for the audit of special purpose financial statements and review engagements as required in R410.22(b) is relevant for TCWG to assess a firm's independence in connection with the audit.	DTTL	No	Section 410 includes provisions relevant to audit fees that includes the fee for the audit of the financial statements, the fee for an audit of special purpose financial statements and the fee for a review of financial statements (paragraph 410.3 A3 of the ED). For that reason the TF is of the view that the communication required by firms includes all audit fee-related information. However, the firm should provide details about the type of the audit (such as audit of f/s, review, etc) and not disclose the fees in an aggregated fashion. This matter can be clarified through an FAQ.
7.	The factors in 410.22 A1 do not appear to be matters that would reasonably bear on independence, and it is unclear whether such discussions held at the time the audit fee was negotiated would be considered to discharge this communication requirement (though R410.22 (a) refers to fees … on which the firm "issued" an opinion which suggest after the engagement period).	DTTL	No	Communication of the information in paragraph 410.22 A1 of the ED aims at providing background and context to the audit fee to enable TCWG to consider the independence of the firm. It also includes information the firm might consider communicating in case there is a change or adjustment to the audit fee during the course of the engagement.
8	Consistent with our comments above in respect of R410.25, we suggest R410.23 should refer to "fees billed for services other than the audit provided during the period covered by the financial statements," rather	DTTL	No	See response to the comment the respondent refers to above.

#	Comments	Respondent	Change?	Task Force Response
	than "fees charged during the period covered by the financial statements" for the provision of services.			

Overdue Fees

#	Comments	Respondent	Change?	Task Force Response
1	With regard to overdue fees, I would suggest prohibiting engaging with PIE clients where over-due fees exist	CMASA	No	The TF believes that unless a significant part of fees is due, there are safeguards available and capable of reducing the threats to an acceptable level.
2.	It is not clear what is giving rise to the proposed changes to 410.11 A2 and the Board has not provided an adequate rationale for this change. We do not expect a firm to always have obtained payment of overdue fees before issuing the current year's audit report, and do not support the changes to 410.11 A2. The extant wording in the Code that references the following year is more intuitive especially when considering the requirements in R410.12 which involves the determination of whether it is appropriate to be re-appointed or continue the audit engagement which are more forward-looking actions.	DTTL	No	With respect to overdue fees, the TF notes that the proposed changes only include clarification as to the nature of fees and the period of reference the firm should consider when evaluating the level of self-interest threat created. The TF believes that the change to the terminology – from require to obtain – does not result in a significant change to the current practice.
3	In R410.12, there is reference to fees being unpaid 'for a long time'. We believe this term could be interpreted in different ways by different users of the Code. We would recommend defining the term or providing examples of what would represent a long time.	BDO	No	The TF proposes that the Code's provisions remain principles-based and allow firms to exercise professional judgment when determining "long time" and "willingness of the client" in the context of overdue fees.
	The same difficulty has been identified in relation to what is considered to be "significant" or "a long time" when assessing the self- interest threat in cases where fees are overdue.	IFIAR		
	We also note that it would be difficult for a firm to assess an audit client's "willingness" to pay overdue fees and suggest this be changed to "commitment" to pay.	DTTL		

#	Comments	Respondent	Change?	Task Force Response
4	We believe that further clarity is needed for paragraphs 905.8 A3 and R905.9 on the interpretation of obtaining partial payment of overdue fees and whether the overdue fees might be equivalent to a loan. In addition, we would like to seek clarification on whether a firm can accept an assurance engagement if the potential client has yet to settle the fees of the predecessor firm. (MIA)	MIA	No	The exercise of judgment is necessary in determining whether the overdue fees amount to a loan, considering the terms and conditions of the agreement between the parties regarding any partial payment, and using the reasonable and informed third party test. Furthermore, the provisions on overdue fees are relevant in the situation when the fee is not settled between the client and the firm as this could impact the firm's independence.

Fees-dependency

#	Comments	Respondent	Change?	Task Force Response
1	In addition to the possible safeguards listed in paragraph 410.13.A7 to address fee dependency, the firm could re-allocate the engagement to another partner, office or part of the firm.	IAASA	No	These actions would not be safeguards but rather actions that might eliminate the threats.
2	In calculating total fees, clarification might be helpful as to what financial information the proposed guidance is referring to (410.13 A2), i.e. records from the bookkeeping system, fees disclosed in the financial statements/reported to TCWG or numbers submitted to the regulator.	IFIAR	No	The TF believes that the paragraph 410.13 A2 of the ED provides clear guidance as to the calculation of the total fees. It would not be practical to provide specific examples firms can use as to the calculation at a global level.
3	410.13 A4 proposes, "Having an appropriate reviewer who is not a member of the firm review the work" as a safeguard example. We understand from the explanatory memorandum (footnote 16 to paragraph 52) that the review to address self-interest and intimidation threats could be performed by a member of a network firm. This should be clearly articulated in the Code.	IFIAR	No	The term "appropriate reviewer" is described in paragraph 300.8 A4 of the Code. This is an implementation matter that can be clarified through an FAQ.

Level of Fees

#	Comments	Respondent	Change?	Task Force Response
1	Factors relevant in assessing the threats due to the audit client payer model have been listed in 410.4 A2. The second bullet makes reference to the firm's commercial and market priorities and position. However, we encourage further elaboration on the additional factor in 410.5 A2 that says "The firm's commercial rationale for the audit fee" in order to distinguish clearly from the factor in 410.4 A2.	IFIAR	No	The TF is of the view that there is a difference between the objective of the two factors. The firm's "commercial and market priorities" is more strategic and requires a broader consideration, whereas the firm's commercial rationale for the audit fee focuses only on the level of the fee for the specific audit engagement.
2	Paragraph 410.5 A2, second bullet should read "Whether undue pressure has been or is being applied by the client to reduce the audit fee."	IOSCO	Yes	See paragraph 410.5 A2 in **Agenda Item D-2**.
3	We suggest that the term 'appropriate reviewer' in 410.5 A3 be elaborated on, as to whether this includes both internal and external reviewers. "Reviewer" is a term used for a person conducting independent reviews as defined in International Standards for Review Engagements (ISRE) 2400, Engagements to Review Historical Financial Statements, and we are concerned with the fact that there might be confusion with the use of this term in the two different contexts.	SAICA	No	The term "appropriate reviewer" is described in paragraph 300.8 A4 of the Code.
4	We think, in most of the developing countries, fixation of audit fee is big challenge. In addition to self-accountability, auditors are under pressure from different stakeholders including regulators on compliance of different regulations and standards maintaining of high level audit quality. To meet this expectation, in most of the cases audit firms require to increase its expenditure to maintain the quality of audit in compliance the regulations and standards. This is now a burning issue for many audit firms. We think that a comprehensive mechanism to address the level and fixation of audit fees should be addressed and suggested in the revision of the Code.	ICAB	No	It is outside the IESBA's remit to specify what audit fee levels should be in different circumstances and jurisdictions. As paragraph 410.5 A1 of the ED made clear, determining the fees to be charged to an audit client, whether for audit or other services, is a business decision of the firm taking into account the facts and circumstances relevant to that specific engagement.