Meeting:            IESBA CAG
Meeting Location:  New York
Meeting Date:      March 5, 2018

Objective of Agenda Item

1. To obtain Representatives' perspectives on the key issues raised in the IESBA's Fees Questionnaire.

Status and Timeline

2. The IESBA's Strategy and Work Plan 2014-2018 includes a commitment for the IESBA to explore fee-related matters raised by the regulatory community and determine whether there is a need for further enhancements to the Code or the commissioning of staff guidance.

3. In approving due process for certain changes to the independence provisions of the Code pertaining to non-assurance services (NAS) at its March 2015 meeting, the PIOB called on the IESBA to revisit issues on auditor independence and NAS from a broader perspective, including consideration of fee-related issues. In response to this call and in the context of its strategic commitment to explore fee-related matters, the IESBA established a working group (WG) in July 2015 to initiate fact finding on fee-related matters in various jurisdictions.

4. As an initial step to further work in this area, the IESBA commissioned its staff to develop a publication to highlight important considerations that already exist in the Code for auditors in relation to the setting of audit fees. The IESBA Staff publication, Ethical Considerations Relating to Audit Fee Setting in the Context of Downward Fee Pressure, was released in January 2016.

5. At its March 2016 meeting, the IESBA:
   (a) Approved the WG's Terms of Reference; and
   (b) Agreed the scope and focus of, and approach to, the WG's fact finding work.

6. Subsequently, the IESBA commissioned an academic, Prof. David Hay, to undertake a review of relevant academic and other literature for purposes of informing the IESBA's future actions on the topic. As part of the fact finding, the IESBA also plans to engage with key stakeholders, in particular investors, regulators and audit oversight bodies, firms and the corporate governance community to obtain an understanding of their respective perspectives on the identified fee-related matters.

7. At the December 2016 IESBA meeting, Prof. Hay presented his final report. The IESBA also received an update from the WG on other fact-finding initiatives, including the review of relevant laws and regulations in G20 jurisdictions as they relate to fees. Prof. Hay also presented his report to the IESBA CAG at its March 2017 meeting.

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1 The WG’s approved Terms of Reference are included in the Appendix to the minutes of the March 2016 IESBA public session.
8. In March and June 2017, the IESBA further considered Prof. Hay’s final report as well as feedback from participants from the June 2017 IESBA – National Standard Setters meeting. The IESBA also agreed to releasing a questionnaire with a view to draw out more insights from its stakeholders.

9. In November 2017, the IESBA released the fees questionnaire with a response due date of February 1, 2018. The due date was subsequently extended to March 1, 2018.

10. At the March 2018 IESBA meeting, the WG will provide the IESBA with a high level overview of the responses to the fees questionnaire. The WG plans to present its final recommendations to the IESBA at its June 2018 meeting.

Matters for CAG Consideration

11. Representatives are asked to consider the Fees WG Chair’s presentation and share perspectives on the key issues raised in the IESBA’s fees questionnaire.

Material Presented – FOR IESBA CAG REFERENCE PURPOSES ONLY

IESBA Fees Questionnaire